

Public Sector Capacity to Plan and Deliver Public/Private Infrastructure Partnerships
(P3s):
A Case Study of British Columbia's Healthcare Sector

by

Maurice Rachwalski
M.A., University of British Columbia, 1993
B.S.W., University of British Columbia, 1989
B.A., Simon Fraser University, 1985

A Dissertation Submitted in Partial Fulfillment of the
Requirements for the Degree of

DOCTOR OF PHILOSOPHY

in the School of Public Administration

© Maurice Rachwalski, 2013
University of Victoria

All rights reserved. This dissertation may not be reproduced in whole or in part, by photocopy or other means, without the permission of the author.

Supervisory Committee

Public Sector Capacity to Plan and Deliver Public/Private Infrastructure Partnerships
(P3s):

A Case Study of British Columbia's Healthcare Sector

by

Maurice Rachwalski

M.A., University of British Columbia, 1993
B.S.W., University of British Columbia, 1989
B.A., Simon Fraser University, 1985

Supervisory Committee

Dr. John W. Langford,
(School of Public Administration)
Supervisor

Dr. Evert A. Lindquist,
(School of Public Administration)
Departmental Member

Dr. David Scoones,
(Department of Economics)
Outside Member

Dr. Thomas Ross,
(Sauder School of Business, University of British Columbia)
Additional Member

Abstract

Supervisory Committee

Dr. John W. Langford,
(School of Public Administration)
Supervisor

Dr. Evert A. Lindquist,
(School of Public Administration)
Departmental Member

Dr. David Scoones,
(Department of Economics)
Outside Member

Dr. Thomas Ross,
(Sauder School of Business, University of British Columbia)
Additional Member

Sweeping public sector reforms have occurred globally in recent decades. One of the more high profile and contentious strategies pursued in jurisdictions such as Australia, the United Kingdom, and more recently Canada is the radical shift to public-private infrastructure partnerships - commonly referred to in Canada as 'P3s'. The Government of British Columbia (BC) has emerged as the leading proponent of the P3 model in Canada.

The strategic shift in BC to the P3 model was introduced in 2002 by the governing Liberal party. The Liberals created *Partnerships BC* to spearhead the P3 program, and singled out the healthcare sector to move forward the P3 agenda. The dynamics of delivering a complex and unfamiliar business model like P3s through this new public agency, combined with the unique ecology of the healthcare system, added to the complexity of delivering a central government mandated strategic policy priority like a P3-first agenda, making for a robust case study.

Focusing on the issue of public sector capacity to implement policy, this study examines how BC has transitioned from traditional procurement and operation of public infrastructure such as hospitals to the wide-spread use of P3s. The study asks questions about three independent variables of capacity related to implementation of P3 and other cross-cutting programs: *governance*; *human resources*; and, *inter-agency collaboration* within the public sector. Drawn from an extensive review of scholarly studies and literature, and government and consultant reports examining actual infrastructure P3 experiences and exemplary practices, these variables formed the basis of the study's analytical model. The study employed the following multi-method (triangulation) research and data collection approach: i) an archival review of text-based government documents; ii) interviews with key public employees either directly or indirectly involved in P3 program implementation; and, iii) field observations of the principal researcher based on first-hand experiences as a senior manager in the BC government during this period.

Based on the analytical model developed, the study reveals a capacity deficit in BC to adequately plan and implement a comprehensive P3 program. Based on the literature, the model establishes that central agencies play a critical role in an effective P3 policy program. So what is most noteworthy is the lack of resources and attention given to developing central agency capacity to: advance sound P3 policies; ensure ongoing program oversight and accountability; and, provide necessary guidance and support to agencies tasked with implementing very complex P3 arrangements in a multi-agency domain.

For practitioners, the study validates key elements of capacity to be considered when planning and implementing major shifts in public policy. The literature review and the study's findings also have relevance for the public administration profession through the development of the analytical framework and its application to an important contemporary public policy area. As a contribution to scholarly and academic research, this paper tests the validity and reliability of the analytical model developed and the overall methodology used, and identifies significant areas that merit further study related to the broader phenomenon of P3s and public sector capacity.

Table of Contents

Supervisory Committee	ii
Abstract.....	iii
Table of Contents	vi
List of Tables and Figures.....	ix
Acknowledgments	x
Dedication	xii
Chapter 1- Public Sector Capacity in a P3 Domain.....	1
Introduction.....	1
Dissertation Problem Statement	4
<i>Researcher Observations and Perspective</i>	<i>7</i>
<i>Hypothesis</i>	<i>8</i>
Study Rationale	10
<i>Study Context.....</i>	<i>13</i>
Elements of This Study	15
<i>Independent Variables.....</i>	<i>17</i>
Remainder of the Dissertation—Format and Content	21
Chapter Two - The Study’s Analytical Model: A Three-Legged “Capacity Stool” .	24
Introduction.....	24
<i>Clarifying Collaboration and Governance</i>	<i>27</i>
Governance Variable	29
<i>The Relevance of Governance Capacity to P3s</i>	<i>35</i>
<i>The Need for Clearly Defined Agency Roles, Mandates and Responsibilities....</i>	<i>40</i>
<i>Appropriate Institutional Structures</i>	<i>43</i>
<i>Central Agency Coordination and Oversight.....</i>	<i>45</i>
<i>Governance Summary</i>	<i>51</i>
Table 2.1 – Elements and Questions to Examine P3 Governance Capacity ..	51
<i>HR Capacity Defined.....</i>	<i>53</i>
<i>HR Implications of the P3 Model</i>	<i>55</i>
<i>Other Factors Influencing P3 HR Capacity.....</i>	<i>59</i>
<i>Central Agencies and P3 HR Strategies.....</i>	<i>61</i>
<i>HR Capacity and Inter-Agency Collaboration.....</i>	<i>62</i>
<i>HR Variable Summary.....</i>	<i>64</i>
Table 2.2 - Key Elements and Questions to Examine P3 Human Resource	
Capacity.....	67
<i>Collaboration Defined.....</i>	<i>69</i>
<i>Collaborate or Consolidate?.....</i>	<i>71</i>
<i>Why is Collaboration Amongst Public Agencies Relevant?.....</i>	<i>73</i>
<i>The Paradox or “Duality” of Collaboration</i>	<i>76</i>
<i>Task Networks</i>	<i>77</i>
<i>The Merits of Collaboration in a P3 Domain</i>	<i>79</i>

<i>The Role of Central Departments in Task Networks</i>	82
<i>Collaboration Summary</i>	85
Table 2.3 - Key Elements and Questions to Examine Collaboration	
Capacity	87
Summary of the Analytical Model	88
Chapter Three - Study Methodology	91
Introduction	91
<i>Study Purpose</i>	92
Overall Study Method	94
<i>Data Triangulation</i>	95
Figure 3.1 - Methodology Chart	96
<i>Archival Review</i>	97
<i>Interviews</i>	98
<i>Field or Participant Observations</i>	102
<i>Case Study Logic</i>	104
<i>Subjects and Setting</i>	106
<i>BC's P3 Healthcare Network</i>	111
Methodology Challenges and Limitations	112
Methodology Summary	115
Chapter Four - The Critical Role of Governance Capacity in P3 Program	
Implementation	115
Governance Framework and Methodology Revisited	116
Profile of BC's P3 Governance Environment	119
Table 4.1 - BC "Capital Asset Management Framework" Key Capital-	
Related Roles and Responsibilities	122
Figure 4.1 - Agency Hierarchy of BC's Overall Healthcare P3 System	124
Study Results Related to Mandates, Roles and Responsibilities	127
Study Results Related to Governance Structures	132
Study Results Related to Central Government P3 Oversight and Coordination ...	141
Critical Analysis of the Study's Governance Findings	147
Summary of the Governance Results	155
Chapter Five - Human Resource Capacity: P3 Task Performance in a Network	
Setting	158
HR Research Framework Revisited	161
Profile of BC's P3 Human Resources	162
Study Results Related to HR Performance Capacity	164
Study Results Related to Central HR Policy Development and	
Coordination	169
Study Results Related to HR Structural Supports	176
Critique of the Study's HR Findings	178
HR Capacity Results Summary	183
Chapter Six – Benefits and Tradeoffs of Intra-Governmental Collaboration	185
Introduction	185
Collaboration Research Framework Revisited	186

Profile of BCs Cross Departmental Structures and Collaborative Culture ...	188
Figure 6.1 - Structure of BC's Healthcare P3 Task Network.....	192
Study Results Related to Collaboration Structures.....	195
Study Results Related to Relational Processes and Network Dynamics.....	200
Critique of the Study's Collaboration Findings.....	208
Figure 6.2 – Healthcare P3 Network ‘Aversion to Collaboration’	209
Collaboration Capacity Results Summary	213
Chapter Seven - Study Summary and Conclusions.....	215
Analytical Framework and Study Methodology.....	215
Study Findings	218
<i>Governance</i>	218
<i>Human Resources</i>	222
<i>Collaboration</i>	225
Conclusions.....	229
Chapter Eight - Looking Ahead	236
Areas of Further Study.....	236
Final Thoughts	241
References.....	246
Appendix A - Scale of Public-Private Infrastructure Partnerships	286
Appendix B - BC Regional Hospital Districts (2010).....	287
Appendix C - Comparison of Special Purpose P3 Units	288
Appendix D - Health Care P3s in British Columbia (2002 to 2012).....	289
Appendix E - Author's Curriculum Vitae (abbreviated).....	290
Appendix F - Map of the BC Provincial Health Authorities	292
Appendix G - Capacity Implications of the P3 Model (Healthcare)	293
Appendix H - Participant Recruitment Document.....	296
Appendix I - Participant Consent Form	298
Appendix J - Interview Questions and Participant's Response Sheet	300
Appendix K - Interview Guide.....	303
Appendix L - Chronological List of Interviews.....	305

List of Tables and Figures

Table 2.1 - Key Elements and Questions to Examine P3 Governance	51
Table 2.2 - Key Elements and Questions to Examine P3 Human Resource Capacity.....	66
Table 2.3 - Key Elements and Questions to Examine Collaboration Capacity.....	85
Figure 3.1 - Methodology Chart	94
Table 4.1 - BC “Capital Asset Management Framework”	119
Figure 4.1 - Agency Hierarchy of BC’s Overall Healthcare P3 System.....	121
Figure 6.1 - Structure of BC’s Healthcare P3 Task Network	187
Figure 6.2 – Healthcare P3 Network ‘Aversion to Collaboration’	204

Acknowledgments

I would like to thank the members of my dissertation committee, beginning with Dr. John Langford my committee Chair and doctoral mentor. Thank you for your tireless support and dedication throughout my PhD studies. The value of your enthusiasm and willingness to take me under your wing from our first meeting is immeasurable. You helped co-navigate through some uncharted and at times treacherous waters, and it has been a pleasure to have travelled this journey together.

To Dr. Evert Lindquist, you are an exceptional scholar and I have learned a tremendous amount from your insight, eloquence and dedication to improving the public administration profession. Your ability to grasp and synthesize complex issues has been inspirational, as well as your insight, guidance and critical perspective on my research and dissertation. Thank you for helping soften and refine my rough-edges as a researcher, writer and scholar.

To Dr. David Scoones, thank you for your unwavering support and encouragement through my entire PhD program, having joined my committee before I had even begun my course work back in 2003. I am forever grateful for your soft-spoken words of wisdom and encouragement, and your friendship.

To Dr. Thomas (Tom) Ross of UBC, thank you for your time, energy and thoughtful feedback. I would also like to thank you for the research fellowship opportunity with the UBC P3 Project and the terrific experience of researching and producing our co-authored paper published in 2010 in the *Journal of Comparative Policy Analysis*.

I also thank Dr. Ken Rasmussen for his willingness to participate as the external reviewer on my dissertation oral defense and his helpful feedback on the exam version of this paper.

Thank you as well to Infrastructure Canada for its financial contribution to the UBC P3 Project and sponsorship of my dissertation research.

I would like to acknowledge members of the University of Victoria's School of Public Administration family, including; Dr. Jim McDavid, Dr. Bart Cunningham, Dr. Jim MacGregor; Judy Selina, Belle Young and other staff at the School; and, my PhD program colleagues.

I also appreciate the time and willingness of the many study participants without whose involvement and willingness the research would not have been attainable. In particular I want to acknowledge Kevin Brewster of the Ministry of Health's Capital Branch for opening many doors, and for your professional and personal support.

Finally, I would be remiss if I did not acknowledge three men who supported me from the 'other side' of my P3 life - Jim Parker, Jim Soles and Gerry Armstrong - who ensured I received just enough time and resources from my employer of the day (the Ministry of Advanced Education) to get so far into my PhD studies that there was no turning back.

Dedication

To my terrific sons Luke and Jack for your patience and understanding while I followed this dream. I hope I have in some small way inspired you to do the same.

To my wonderful wife Teresa for your support and strength all these years.

And to Helma...I know you are proud.

Chapter 1- Public Sector Capacity in a P3 Domain

Introduction

In 2001 the British Columbia Liberal Party (the ‘Liberals’) was elected to govern the province of British Columbia (BC), Canada, winning all but two of the 79 seats in the Legislature. Consistent with recent blueprints for change introduced in other jurisdictions such as Australia, New Zealand and the United Kingdom (UK), the Liberals used their overwhelming majority to introduce sweeping reforms of BC’s public sector. One of the more high profile and contentious strategies the Liberals pursued was an ambitious and radical shift to the use of public-private infrastructure partnerships - commonly referred to in Canada as “P3s.”

There are several definitions used by governments and international bodies to define public-private partnerships, but the focus of this paper is the following precise description which captures the form and character of the P3 program introduced in BC:

P3s are long term contractual arrangements involving a public sector organization and a private party or parties, in which the private sector assumes substantial financial, technical and operational risk in the financing, design, construction and operation of public infrastructure such as roads, bridges, schools and hospitals.

To set the stage for the transformation to the P3 model, the Liberal’s introduced two significant structural and policy changes that symbolize the fundamental shifts seen globally of moving the public sector from direct delivery of public services (rowing) to greater

involvement and reliance on non-government entities (steering).¹ The first involved institutionalizing the P3 model through the creation in 2002 of *Partnerships BC* (PBC) - the special operating agency² created outside of the regular government bureaucracy to spearhead the government's P3 agenda and other outsourcing and privatization schemes. Second, in 2006 the Premier of the day made the following (P3-first) policy proclamation: "...we will insist that Partnerships B.C. look at all major capital projects, and the base case in British Columbia will be P3s unless Partnerships B.C. says there's a compelling reason to do otherwise."³ The message this sent to both the Province's public sector and the private P3 business sector was unequivocal: greater controls on new capital funding were now in place to move forward the government's P3 agenda; and, PBC was empowered to serve as the government's public infrastructure 'gatekeeper'.

Further enshrining the P3 model into public infrastructure business practices both in BC and nationally, Canada's federal government enacted its own P3-first policy in 2007 for all infrastructure projects seeking \$50 million or more in federal funding.⁴ This was followed in 2010 by the establishment of *PPP Canada Inc.* as the institutional P3 instrument of the federal government – the federal equivalent to Partnerships BC.

Illustrating the extent of the BC Liberals' reform agenda and also the interconnectedness of the various change initiatives they brought forward, in addition to their P3 agenda they introduced the following strategies: reduce the size of the BC government

¹ The 'steering versus rowing' analogy is frequently used to describe this transition. See for example Denhardt & Denhardt (2000), Frederickson (1996), Osborne & Gaebler (1992), Savas (1987, 2000), and Zussman (2002).

² For more on P3 special operating agencies see for example Darcy (2006), Dutz et al. (2006), Farrugia et al. (2008), and Rachwalski & Ross (2010).

³ Campbell (2006).

⁴ See "Building Canada—Modern Infrastructure for a Strong Canada," <http://www.buildingcanada-chantierscanada.gc.ca/plandocs/booklet-livret/booklet-livret-eng.html>.

workforce by one-third through a Core Services Review (Core Review);⁵ change public sector values to be more business-friendly under the auspices of a Public Service Renewal program;⁶ and, consolidate government strategic and operational human resource functions from line departments into one monolithic central department - the Public Service Agency. Of particular relevance to this study, the Liberals also drastically restructured BC's healthcare delivery system: reducing the number of regional healthcare service entities from twenty-six to six Regional Health Authorities;⁷ enacting legislation that nullified existing collective agreements for non-professional healthcare employees; and, requiring the new Health Authorities to outsource as many healthcare ancillary services as practically possible.

With limited capital funding for hospital expansion and renewal over much of the 1990s, the healthcare system became the Liberals' key policy domain to enact its P3 agenda.⁸ In effect, the Liberals P3-first policy became both a carrot (new capital funding being made available) and a stick (major project funding only as P3s). Between 2001 and 2012 all major healthcare projects in BC were P3s, with a total construction value alone of nearly \$4.3 billion (CDN).⁹ All six Health Authorities have undertaken at least one P3 project during this period.

Due to the similarity of these recent public sector reforms in BC to events in other jurisdictions suggests the emergence of P3s is one manifestation of broader public sector

⁵ See BC (2001).

⁶ For an interesting study of the impact of the Public Sector Renewal agenda in BC see Vakil (2009).

⁷ See Appendix F for a provincial map and listing of Health Authorities in BC.

⁸ This is not surprising as BC modeled its P3 program after the UK's P3 equivalent known as the Private Finance Initiative (PFI) model, where procurement of almost all major healthcare infrastructure is delivered through PFI. The value of PFI projects in the UK is expected to exceed £80 billion by 2011 (HM Treasury, 2006, and S&P, 2007b).

⁹ See Appendix D for the list of projects. This does not include the value of the annual operating contracts for the P3 firms.

transformations occurring globally. These have been described as ‘strategies of control’¹⁰ intended to enforce greater government control over the public bureaucracy, producing ‘dynamic lines of tension’¹¹ between central government strategies and the operational end of the public sector, producing both paradox and contradiction for policy implementation.¹² Examples include: joint decision-making and “blurred boundaries”¹³ between public and private interests, yet differing rules governing such things as access to information and transparency of business practices;¹⁴ the tension between expectations for greater accountability that tend to be displaced or clouded by focusing on changes in the management and delivery of public services to support more outsourcing of traditional services; the oxymoron of public managers expected to do “more with less”;¹⁵ and, introducing a complex new business model (P3s), while at the same time restructuring and downsizing many of the affected policy sectors.

Dissertation Problem Statement

The nature and breadth of the Liberals’ change agenda over the last decade - including its emphasis on BC’s healthcare sector and its profound effect on central government agencies - provides an ideal case to examine whether the Province’s public system is capable of moving forward an effective and accountable P3 program. From this premise I developed the study’s central research question:

¹⁰ See Grimshaw et al. (2001), and Hoggett (1996).

¹¹ See Grimshaw et al., op. cit.

¹² For a very useful analysis of the paradox and contradiction experience in Canada, see Aucoin (1990).

¹³ See for example Ford & Zussman (1997), Langford (1999), Pollitt M. (2002), and Rodal & Mulder (1993).

¹⁴ See for example Grimshaw et al., op. cit, Kernaghan (1993), Klijn & Teisman (1997), Langford (1997), and Rhodes (1996).

¹⁵ See Kettl (2006).

Does the public system associated with BC's healthcare sector have the necessary capacity to advance a sustainable and effective P3 program?

The motivation for this paper is to better understand the unique challenges public institutions face when tasked with implementing a new and complex strategic agenda like a comprehensive P3 program. From the preliminary research presented here and my own professional experiences, P3 is a highly complex business model that requires considerable attention to the capacity of public managers and the broader public system to ensure the long term public interest is well served with each project. This issue merits greater scrutiny and research than we have seen in the scholarly literature thus far.

The concern is not whether P3s are good or bad public policy (although this remains an important public policy issue), or whether a government P3 agenda is driven purely by ideology or even self-interest objectives. The central issue I want to address from a scholarly standpoint relates to the need for a comprehensive analytical model for examining the public sector capacity implications of introducing a challenging business model like a P3 program – particularly when introduced as part of a broader and comprehensive agenda to redesign the role of the state to focus more on ‘steering’ versus ‘rowing’ in the delivery of services.¹⁶

Previous research demonstrates that, whether intentional or not, a likely consequence of many types of contemporary public sector reforms is the incremental weakening or “thinning”¹⁷ of the capacity of public institutions to govern and manage even traditional

¹⁶ Hodge (2002) provides a useful analysis of issue in the context of P3 program implementation.

¹⁷ See Fredericksen & London (2000), Kettl (1988), Milward (1996, 2001), Rhodes (1994, 1996) and Terry (2005).

government programs - never mind a complex business model such as P3s.¹⁸ A central premise is that while the “noble intent”¹⁹ of public sector reforms is most often to foster opportunities for innovation and greater efficiency in government, an important public policy issue is whether a weakening of the ability of the public sector to govern and manage under these conditions compromises both short and longer term public interest. As Whorley cautions from a uniquely Canadian perspective:

Public-private partnerships grant considerable power to (private) businesses in the delivery of programs at a time when public-service capacity is at low ebb due to the effects of a widely accepted cutback agenda. . . . The success of (P3) arrangements is threatened when public actors enter as subordinate players.²⁰

Whorley’s research is based on the comprehensive public sector reforms imposed in the province of Ontario, Canada during the late 1990’s. Under the banner of the ‘common sense revolution’,²¹ this movement sought to downsize government and restructure policy sectors to achieve greater efficiencies similar to what has occurred in BC since 2001.

Viewed in totality, the introduction of the P3 model is really about broader public sector reforms, so research on the capacity implications of P3s must to take this into consideration. From a public sector capacity perspective, steering (such as negotiating, managing and overseeing complex and long term P3 deals) can require a far more sophisticated array of human resource skills and expertise than more traditional public sector

¹⁸ For more on this, see for example Borins (2002) Broadbent & Laughlin (2005), Fisher and White (2000), Hodge & Greve (2005), Kettl (1998), Lindquist (2000a), Pilichowski & Turkisch (2008), Pollitt (2002), and Pollitt & Bouckaert (2000).

¹⁹ See Ford & Zussman (1997b).

²⁰ Whorley (2001), p. 340, parentheses added.

²¹ The ‘common sense revolution’ was the policy platform of the Progressive Conservative government in Ontario in the late 1990s. See for example PC (1995), and Siegel (2003).

infrastructure programs (rowing).²² With the limited attention to P3 implementation capacity in the research and literature to date, developing a comprehensive analytical model to examine this important and relevant question can make a significant contribution for both scholars and practitioners.

Researcher Observations and Perspective

The inspiration to pursue the central research question came from my own experiences in various senior management positions in the BC Government between 1992 and 2009. I was responsible for the planning and development of both traditionally procured and managed infrastructure projects, as well as innovative P3-type arrangements.²³ The total value of capital projects I was responsible for during my tenure exceeded \$1.5B (CDN), with individual projects as large as \$200M. My last position held in the BC Government was as a Director in the Capital Division of the Ministry of Health - the Division responsible for all healthcare infrastructure planning and delivery in the province. Through this experience I observed firsthand the operationalization of BC's P3-first agenda within the healthcare sector.

As a career public servant and emerging scholar, my concern is whether BC's P3 agenda was being introduced with full consideration of the broader public system's capacity of to effectively plan, deliver and manage P3 projects. From a public interest standpoint, the potential benefits of P3s can be offset by the consequences of poorly planned and executed P3 deals, such as: dubious financial benefits for taxpayers; the burdening of generations of

²² For a summary of these differences specific to public infrastructure programs see Appendix G.

²³ See Appendix E, Author's abbreviated Curriculum Vitae.

public managers having to manage poorly constructed deals; and, a compromising of the policy autonomy of future governments. The confluence of my scholarly studies, and extensive experience allowed me a unique opportunity to advance knowledge in the area of public sector capacity to implement a sustainable and effective comprehensive P3 program.

My direct P3 experiences served as the field observation element of this study, with the formal research period (2007-2009) occurring during my final years with the BC Government. These observations complemented the other elements of the study's research methodology: text-based archival reviews; and, interviews with key P3 participants. The study's approach is introduced more fully later in this chapter, and presented in considerable detail in Chapter Three: Study Methodology.

From a researcher standpoint, the ongoing challenge was to maintain an awareness of the potential bias from my extensive professional experience in this field, while harnessing the considerable value of actual field observations. This is discussed further in Chapter Three as well, in the context of the 'duality' of my field observations.

Hypothesis

From a public interest perspective, limited upfront (*ex ante*) capacity to develop sound policies and adequately plan, manage and govern P3s can create significant downstream (*ex post*) problems. These can encumber future generations of public managers tasked with overseeing and potentially "untangling" poorly planned, managed and negotiated

deals.²⁴ Although not well researched, it can be presumed that constraints to public sector capacity will increase the risk of sub-optimal P3 deals for government, nullifying, or at the very least limiting any presumed or ideal economic benefits and efficiency gains from this model. Considering the significant financial obligations of a comprehensively-applied P3 program, to quote an old English phrase, inadequate attention to P3 program capacity would be ‘penny-wise and pound-foolish’.

The notion that public sector capacity has a correlation to adequate policy development and implementation is well established in the literature.²⁵ To this end, an analytical model was developed to examine P3 implementation capacity through a review of literature on multiple dimensions of capacity and the dynamic elements of the P3 model, combined with lessons gathered from government and consultant reports on P3s in practice. The following three key variables or dimensions of capacity emerge from the literature review and are examined in considerable detail in Chapter Two: i) governance structures and processes; ii) human resource or performance capacity; and, iii) intra-governmental collaboration amongst public agencies.²⁶

The intent of the analytical model is to represent an ideal perspective of what P3 capacity should look like. It involves refining the critical elements of capacity into specific questions designed to examine P3 program delivery in practice, using BC’s healthcare infrastructure P3 program as a case study. My thesis is that insufficient attention to any single

²⁴ See for example Ahadzi & Bowles (2004), Barlow & Köberle-Gaiser (2009), Broadbent et al. (2004), Clark & Root (1999), Cohn (2005), Daniels & Trebilcock (2000), Dixon et al. (2005), Edwards et al. (2004), English (2007), EC (2003), Kernaghan (1993), Langford (2002).

²⁵ See for example Cohen (1995), Fredericksen & London (2000), Goggin et al. (1990), Hou et al. (2003), Larbi (1998), Lindquist (2004), and Peters (1996, 2003).

²⁶ Later in this chapter, the three key elements of capacity are discussed. A full scale review of these elements in the literature and in reports on P3s in practice is provided in Chapter Two.

variable of capacity will indicate that a capacity deficit exists within the public sector. As already noted, public agencies will inevitably operate as subordinates in any public-private environment when they begin from a position of a capacity deficit.

Study Rationale

Before proceeding further, it is important to address the following question regarding the worthiness of this topic to the public administration field for study:

Do P3s represent: (a) a sustained paradigm shift in government infrastructure programs; or (b) are they just a passing fad?

There appear to be two significant drivers of this model that suggest (a).²⁷

Firstly, governments globally are challenged with finding alternative means to address “public infrastructure deficits”²⁸ - the shortfall or gap between supply (the amount and quality of existing infrastructure) and demand (the quality and amount of public infrastructure needed plus anticipated future demand).²⁹ In simple terms, infrastructure deficits result from a combination of chronic deferral of maintenance and improvement to existing facilities (thus reducing their economic lifespan) and delayed construction of new infrastructure.³⁰ Contributing factors include short-sighted decisions to reduce maintenance funding for existing infrastructure in the face of budget constraints,³¹ as well as a general inattention to sound, long-term infrastructure planning by governments.³²

²⁷ See for example English (2005), Grimshaw & Lewis (2004), Vining & Boardman (2006), and Watson (2003).

²⁸ See for example KPMG (2009b), Mirza & Haider (2003), and ULI & Ernst and Young (2007).

²⁹ See for example Cui (2010), Kwak (2009), Lord (2009), Lortie (2008), Mirza (2007), and TD Bank (2004).

³⁰ This is well laid out in OECD (2007), and TD (2004).

³¹ See COU (2007).

³² See Deloitte (2000).

Providing a useful measure of existing infrastructure deficits globally, if current trends of public infrastructure under-spending continue the capital cost to address the cumulative infrastructure deficit amongst OECD countries to the year 2020 is expected to exceed \$3.5 trillion USD,³³ with some estimates as high as \$40 trillion USD by 2030.³⁴ Canada's current national public infrastructure deficit is conservatively estimated at \$130 billion CDN, and at the current pace of investment is projected to exceed \$300 billion through 2025.³⁵ Although infrastructure deficit data related to BC is less available, we can assume that the province's proportional share of the current Canadian infrastructure deficit is in the tens of billions of dollars, due to a variety of factors that include the province's geographic size and topography, its increasing rate of urbanization, its position as Canada's economic gateway to the emerging Asia-Pacific market, and its demographics, including an aging population that will have an impact on the public healthcare delivery system.

The second driver of the P3 model is government operating deficits and dramatic increases in public debt. Like many jurisdictions,³⁶ in addition to infrastructure deficits, most governments across Canada have amassed considerable public debt, with borrowing to offset fiscal year operating deficits becoming a more common source of debt. In its revised Fiscal Outlook, the federal Department of Finance estimated that Canada's federal operating deficit for fiscal years 2009/10-2011/12 will exceed \$140 billion,³⁷ with accumulated federal

³³ See for example Clark & Root (1999), Lortie (2008), and OECD (2007).

³⁴ See Booz Allen Hamilton (2008), and PWC (2004).

³⁵ These estimates are validated by numerous studies, including Canada (2009), COU (2007), Mirza (2007), Mitham (2007), Ontario (2004; 2006), TD (2004), and Urban Land Institute/Ernst & Young (2007).

³⁶ For example, the United States national debt is projected to surpass \$15 trillion (USD) by 2015 (see Reuters, June 8, 2010), and the UK national debt as of September 2010 is reported at £952 billion (see UK Office for National Statistics, <http://www.statistics.gov.uk/ci/nugget.asp?id=206>, accessed November 21, 2010)

³⁷ See <http://www.fin.gc.ca/ec2010/efp-pef-04-eng.asp#a13>, accessed October 13, 2010.

debt projected to exceed \$622 billion by 2014/15.³⁸ BC's deficit was recorded at nearly \$1.8 billion for 2009/10,³⁹ and accumulated provincial debt as of March 2010 was nearly \$42 billion.⁴⁰ In response, public sector downsizing has become a common reaction to address budget deficits, with the BC and Canadian governments both introducing substantial staffing cuts while at the same time pursuing their P3 agendas.⁴¹

Certainly the investment of considerable “political capital” by elected officials to ensure success of their P3 agendas has been another factor entrenching the P3 model into the government psyche. Previous research has shown that the creation of special operating agencies like Partnerships BC is intended both to establish the business-friendly environment conducive to attracting P3 and to address “bureaucratic inertia” or resistance to incorporating the P3 model into public agency business practices.⁴² Some research questions in this study explore the relationship between the political momentum for P3 program success in BC and the institutional structures and processes needed to ensure adequate project due diligence and program scrutiny, specifically looking at the notion of accountability and oversight.

Returning to the question of *P3s as a fad or a new sustained paradigm*, undoubtedly a global demand for significant investment in public infrastructure persists. However, this produces an intractable situation (another paradox) for government: how to (a) address the demand to expand and improve public infrastructure; while, (b) simultaneously avoid

³⁸ See Conference Board of Canada, http://www.conferenceboard.ca/topics/economics/budgets/fed_2010_budget.aspx, accessed November 21, 2010. This is also being tracked by the Canadian Taxpayers Federation at <http://www.debtclock.ca>.

³⁹ See BC op. cit.

⁴⁰ See BC (2010).

⁴¹ For example, under “Canadian public servants facing third wave of layoffs,” (April 28, 2012) Postmedia News estimates over 19,200 public sector jobs will be eliminated as a result of the 2012/2013 federal budget. The Times Colonist also reports in “B.C.'s civil service faces leaner times.” (May 5, 2012), a series of cutbacks have seen nearly 1,000 Provincial employees receive lay-offs since September 2009.

⁴² See Rachwalski & Ross op cit.

operating budget deficits and control the amount of taxpayer-supported debt.⁴³ The alternative of transferring significant financial risk and debt-load to non-government entities through P3s is politically intoxicating,⁴⁴ regardless of whether government can borrow money more cheaply than the private sector⁴⁵ or whether P3s actually produce their purported long-term ‘value for money’.⁴⁶ All of these factors strongly indicate that the P3 model will continue to be the public infrastructure procurement method of choice in BC for the foreseeable future and validate the importance of developing a greater awareness for both scholars and practitioners of the capacity implications of doing P3s well.

Study Context

To put this study into context, Canada is ranked third amongst all OECD countries in terms of P3 ‘market maturity’,⁴⁷ behind only the UK (first) and Australia (second). Within Canada, BC is heralded as the P3 ‘vanguard’,⁴⁸ receiving numerous P3-industry accolades both for specific projects and for its overall commitment to championing the P3 model.⁴⁹

⁴³ The most common financial stability indicator is debt-to-GDP ratio. See for example DBRS (2007), Mirza & Haider (2003), Moody’s (2007), and S&P (2006).

⁴⁴ See for example Kee & John Forrer (2008), Quiggin (2005), and Vining & Boardman (2006).

⁴⁵ See for example Bondbuyer (2009), de Bettignies & Ross (2004), Dixon et al. (2005), Malone (2005), Pollock et al. (2002; 2005), and Shaoul (2003).

⁴⁶ The tremendous range of discussion on the long-term value for money of P3s can be seen in Bovaird (2004), Broadbent & Laughlin (2003), Brown (2007), Coates et al. (2008), Cohn (2005), Duffield (2008), Edwards et al. (2004), English (2007), EIB (2005b), Flinders (2005), Froud & Shaoul (2001), Grout (2005), Grout & Sonderegger (2006), Hart et al. (1997), Hodge & Greve (2005), IMF (2006), KPMG (2009a), Marty et al. (2005),

⁴⁷ This ranking reflects a country’s experience with private involvement in infrastructure projects, using a composite of legal, regulatory, political, economic and financial risk, together with the value of completed P3 deals as a percentage of gross domestic production. Source OECD (2007).

⁴⁸ As described in CCPPP (2005), and by Standard & Poor (2007a).

⁴⁹ For example, the Canadian Council for Public Private Partnerships (CCPPP) 2008 Champion Award was presented to the Hon. Gordon Campbell, Premier of British Columbia; and since 2002 numerous British Columbia P3 projects have received CCPPP awards, with the Abbotsford hospital project alone receiving three awards.

In addition to their P3-first policies, both the Canadian and BC governments have chosen to use capital infrastructure spending to stimulate the economy in the midst of the most recent global financial crisis.⁵⁰ As BC's Minister of Finance proclaimed in 2009:

. . . one of the most powerful ways to boost economic activity during tough times is to invest in infrastructure projects. Not simply make-work projects, but investments that use taxpayers' money to support economic growth and improve the quality of life in communities of all sizes. These are the kind of projects the B.C. government is undertaking throughout B.C. during the current economic downturn.⁵¹

This convergence of public infrastructure spending as an economic stimulus strategy and P3-first as a comprehensive procurement policy further supports the relevance and importance of examining public sector P3 implementation capacity.

As noted, the capacity issue is particularly acute in BC, given reduced staffing levels⁵² and the significant restructuring of central government units. In Canada more generally, the transformation of the institutional character of the public service since the early 1990s has been described as leaving it more 'complex, opaque and under stress'.⁵³ The subsequent drain of expertise and corporate memory loss has seen the most mobile, talented and experienced employees as typically the first to leave when opportunities arise outside of government, with those remaining public managers often feeling demoralized, depressed, numb, and burnt out.⁵⁴ Such turmoil creates a real toll on public service morale and a

⁵⁰ See for example Canada (2007) and Vancouver Sun (2009).

⁵¹ Hansen (2009).

⁵² In September 2009, the BC Government announced plans to further reduce the public sector by at least 5%. For an example of the most recent wave of cutbacks to the BC civil service, see McDonald (2009).

⁵³ See Lindquist (2006a).

⁵⁴ See for example Lindquist (1997), and PMRC (1997).

significant public management capacity challenge,⁵⁵ a condition referred to here as a public sector ‘capacity deficit’.

In such an environment, when government does decide to initiate a massive infrastructure funding program (as we have seen with P3s for new healthcare facilities in BC) the system is unlikely to have the existing ‘reservoir of expertise’⁵⁶ required to fulfill a renewed infrastructure mandate. This situation can only exacerbate existing resource challenges faced by public agencies already ‘thin’ from cutbacks, particularly when the P3 business model is a radical departure from the *status quo* (in this case, traditional or stipulated-sum infrastructure procurement).

Elements of This Study

From a public sector P3 capacity standpoint, bodies such as the United Nations Economic Commission for Europe (UNECE, 2007) and the State of Victoria, Australia (Victoria, 2009) point out the daunting complexity of P3s, particularly capacity challenges associated with procurement, contract management, finance and legal issues. This is reinforced by Bult-Spiering & Dewulf, who point out:

Managing PPP projects is not a routine job, as every PPP project is different and should be managed accordingly. These projects require considerable capability and skills from both public sector and private sector managers involved...As Public private partnership (PPP) arrangements become an increasingly popular way for

⁵⁵ See for example Ford & Zussman op. cit., and Verma & Lonti op. cit.

⁵⁶ A term employed by Kettl (2006) to describe the necessary human resource capacity, technical knowledge and skills agencies must possess to achieve their mandate.

national governments to fund and develop public infrastructure and urban areas with private sector contributions, a better understanding of the risks involved is crucial.⁵⁷

However, the capacity to implement a comprehensive P3 program has received limited attention in public administration research and literature, particularly in the Canadian context.⁵⁸ Although there is a growing body of literature on the broader phenomenon of P3s, most assessments tend to focus on issues such as: technical best practices for successful projects;⁵⁹ critiques of the economics of the P3 model;⁶⁰ issues related to accountability and public-private relationship management;⁶¹ and, the political and ideological debate surrounding P3s as a form of privatization, often in the context of the dismantling of the ‘welfare state’.⁶²

The limited research on the capacity to effectively execute a P3 program highlights the value of this study. As an important and contemporary issue, researching public system P3 capacity will provide both scholarly and practical insight and analysis for policy makers, practitioners and the public administration profession.

⁵⁷ Bult-Spiering & Dewulf (2006), p. 20.

⁵⁸ While some attention to capacity is provided by authors such as Dixon et al (2005), EC (2003), Langford (2002) and Whorley (2001), original P3 research in Canada is extremely limited. The most notable work is the Mylvaganam & Borins (2004) case study of Ontario’s high profile and controversial toll Highway 407. While this study provides a detailed summary of the emergence of the special purpose agency (the Ontario Transportation Capital Corporation) formed to oversee this project, its focus is more on the complexity of the Highway 407 deal and the associated political challenges and public sector P3 culture-shock.

⁵⁹ See for example Abednego & Ogunlana (2006), Ahadzi & Bowles (2004), Bult-Spiering & Dewulf (2006), CCPPP (2005), Daniels & Trebilcock (2000), Dutz et al. (2006), Eaton et al. (2007), EC (2003), EIB (2005b), Grout (2005), Nisar (2007), OECD (2005, 2008), PWC (2005), Spackman (2002), and Thompson (2005).

⁶⁰ See for example Brown (2007), de Bettignies & Ross (2004), Pollock et al. (2005), and Vining et al. (2005).

⁶¹ See for example English (2007), Hodge (2004), Langford (1999), OECD (2008), Newberry & Pallot (2003), Shaoul (2005) and UNECE (2005a).

⁶² See for example Boase (2000), Bovaird (2004), Cohn (2006), Falconer & McLaughlin (2000), Flinders (2005), Hodge & Greve (2005), Kee & Forrer (2008), Langford (1997), Link (2006), Osborne (2000b), Pollitt, M. (2002), Pollock et al. (2002), Sharp & Tinsley (2005), and Teisman & Klijn (2001).

Independent Variables

As noted, this study examines P3 capacity through the lens of three independent variables - governance, human resources, and intra-governmental collaboration - and argues that capacity is derived from the fullness of each in a given policy domain. These variables are presented symbolically in the next chapter as three legs of the capacity stool.

Governance in a public sector environment is generally concerned with creating the structures and conditions for ‘ordered rule and collective action’⁶³ to implement public policy, but equally important are the processes and institutional structures needed to ensure accountability and guardianship of the public interest.⁶⁴ A significant measure of such conditions in a given domain can be the quality and relevance of a government’s policy and regulatory framework, and the explicit mandate and performance capacity of central government (corporate) departments to develop and maintain these mechanisms. For example, Davis (1997) argues that public agencies need widespread, standardized and easily accessible knowledge about policies and procedures, including clearly defined roles and responsibilities between delivery agencies and central government units. This is particularly acute in ‘meta-problem’⁶⁵ domains requiring the concerted efforts of multiple organizations. I argue here that P3 program implementation personifies such a domain.

But governance isn’t just about getting things done. The structures, procedures and policies established also create the oversight and reporting linkages required ensure that the

⁶³ Milward & Provan (2000).

⁶⁴ See for example Aucoin & Jarvis (2005), English (2007), European Commission (2003), Lindquist (2006b), World Bank (2006).

⁶⁵ Twist (1983).

network of players involved are held to account. The dual functions of the governance regime are nicely captured by the following passage from the Government of BC's Capital Asset Management Framework (CAMF) developed specifically for public infrastructure project development:

...*governance* refers broadly to the legislation, policy, procedures and systems that guide the management of capital assets through their full life cycles. Governance concepts can be applied at both the agency and central government levels.

Oversight refers specifically to the relationship between agencies and central government, encompassing the range of checks and balances applied throughout the capital management process.⁶⁶

This sets out the definition and application of governance used in this study. Further to this, the paper examines governance as it relates to intra-government arrangements and relationships within government, not the formal and informal project-specific *ex post* relations between the public and private entities which emerge once a P3 project is operational.

Representing the second variable, agencies tasked with functional responsibilities in a policy domain like P3 program delivery need to possess a minimal amount of human resource (HR) or 'performance capacity',⁶⁷ operationalized through the various tasks and functions individuals fill when carrying out their assigned duties—particularly managerial, professional and technical roles. A central problem is to determine which of these types of HR capacity are needed and to seek to enhance them. As Cohen points out, "Given limited

⁶⁶ BC (2002b), p. 7, italics added.

⁶⁷ Cohen (1993).

resources and the pressing problem of improving governmental performance, it is essential to target capacity building on specific types of personnel.”⁶⁸ However, a significant challenge with a policy edict like P3-first is that the newness of this business model means governments need to discover, through the experience of implementing projects, what specific capacities are required, what capabilities and expertise currently exist, and how to best address performance capacity gaps. An important element of such organizational learning is enacting strategic HR planning that stresses macro-level thinking such as corporate HR recruitment and retention plans at a system level, while acting in local and more incremental ways that identify key skill shortages in a given policy domain like P3s or sectors such as healthcare.⁶⁹

Thirdly, it is now generally recognized in both private business and public administration literature that an important benefit of *collaboration* in a multi-agency environment lies in its potential to build organizational and system-wide capacities through the transfer or pooling of scarce resources and the sharing of domain-specific knowledge and experiences. Stated another way, due to the complexity and interconnectedness of many public policy issues, they often can be meaningfully tackled only through multiple public agencies working or collaborating within domain level policy ‘task networks’.⁷⁰

Working effectively in the task-network of a P3 domain requires attention to performing key program or project related tasks (such as financial and risk analysis, procurement, project management) in a manner that takes advantage of the value-added⁷¹ qualities of collaboration with others outside of one’s own department or agency. In this

⁶⁸ Cohen (1995), p. 411.

⁶⁹ See for example Donahue et al. (2000), Grimshaw et al. (2001), Malone (2005), and OECD (2008).

⁷⁰ Employed by several authors, the concept of “task networks” is explored in considerable detail in Chapter Two.

⁷¹ See for example Bardach (1998), and Hudson et al. (1999).

context, Wood and Gray (1991) define collaboration as occurring, “. . . when a group of autonomous stakeholders of a problem domain engage in an interactive process, using shared rules, and structures, to act or decide on issues related to that domain.”⁷² They describe collaborative alliances as “. . . an inter-organizational effort to address problems too complex and too protracted to be resolved by unilateral organizational action.”⁷³

While this complex mix of elements or variables that constitute public sector capacity are to some degree identifiable or distinct, the literature suggests clear relationships or linkages between them. For example, Desveaux et al. (1994) point out that in complex policy environments, simply having the right ‘constellation of technical experts’ is insufficient. They emphasize it is essential to also have the capacity within central government agencies to integrate expertise horizontally across the system or network of agencies involved.⁷⁴

BC’s Auditor General adds that ‘human capital’ is composed of not only technical skills and hands-on work experience, but also knowledge that employees possess and generate through social networks—networks that are developed through relationships with co-workers and colleagues in other agencies. This holds true as well for oversight capacity, since regulatory and policy frameworks are only as effective as the expertise of staff responsible for developing policies and regulations and making sure they work well in practice. The presence of a culture of collaboration is also the glue that makes governance and program oversight effective in multi-agency environments.

⁷² Wood and Gray (1991), p. 146

⁷³ Gray & Wood (1991), p. 4

⁷⁴ This view is supported by others, such as Agranoff & McGuire (2003), Bakvis & Juillet (2004), Bardach (2001), Cohen (1993), Davis (1997), Goggin et al. (1990), Lindquist (2004), Peters (1998), and UK Cabinet Office (2002).

Remainder of the Dissertation—Format and Content

As already noted, Chapter Two details how the analytical model or framework was developed and applied in the study, drawing from a review of the scholarly literature on the dimensions of capacity and the dimensions of P3s, and also from government and consultant reports. The analytical model examines the multi-dimensions of capacity, presented for descriptive purposes (as mentioned) as three legs of the capacity stool. The unique features of each variable are summarized, and this notion of legs of a stool is validated by emphasizing key areas of commonality or linkage between them. Clearly a distinction can be made between scholarly literature and government or consultant reports, based on factors such as the rigor of peer review for content and validity of research. However, for the purpose of simplicity, from this point forward the term “literature” will be used to describe all material reviewed.

While Chapter Two establishes the logic and validity of the analytical model, through a detailed presentation of the qualitative case study approach Chapter Three presents how the model was applied in practice. The ‘methodological triangulation’⁷⁵ approach involved multiple data collection techniques, including interviews with key personnel involved in healthcare P3s, examination of archival documents, and my own ‘participant observations’.⁷⁶ This Chapter also discusses a number of limitations and ethical issues encountered during this study, such as: limited availability of key personnel to interview, partly due to P3 project personnel turn-over; unwillingness of some potential interviewees and organizations to participate; freedom of information and commercial (proprietary) privacy constraints;

⁷⁵ See for example Denzin (1970), and Yin (2009).

⁷⁶ For a detailed discussion of the ‘participant observer’ technique see Monette et al. (1986).

participants openly guarded with comments due to concerns about employer recrimination; and, the risk of researcher bias particularly the challenge of maintaining an impartial voice with interviews and maintaining objectivity based on my own experiences, and direct and indirect observations.

Chapter Four is the first of three chapters summarizing the study's results, with this chapter specifically dedicated to examining governance capacity. Guided by study questions emerging from the analytical model presented in Chapter Two, particular emphasis is placed on the role of central government departments in providing policy development and coordination, overall program guidance, due diligence, and accountability oversight. An important presentation technique of the study's findings involved two approaches: 1) using research data to critique the state of P3 governance capacity in BC; and, 2) a more critical analysis that explores potential areas of capacity deficit less discernible through the data, and raises questions and concerns based on the governance literature. This approach is also employed to examine the study's findings for HR (Chapter Five) and collaboration (Chapter Six) capacity.

Chapter Five, as the second chapter examining the study's results, looks at the Human Resources (HR) capacity of BC's system of public agencies to implement healthcare P3s. In addition to critiquing the amount and type of technical expertise available within agencies, and consistent with the previous chapter examining governance, the HR data also focuses on examining strategic corporate policies currently in place to develop system-wide P3 performance capacity and the critical role of BC's central government units in promoting and sustaining such strategies.

Chapter Six presents the findings of collaboration amongst the constellation of public agencies involved in healthcare P3s in BC. An important aspect of this chapter is the conclusions drawn from data on the typology or architectural structure of BC's healthcare P3 task-network,⁷⁷ and the power dynamics and relationships within that network. Again consistent with the previous chapters, the analytical model stresses the important role of central agencies—in this case, involving coordination of boundary-spanning inter-agency activities across the system of public agencies. As such, examining how central agencies in BC have performed relative to expectations established in the literature is one of the main contributions of the study, particularly with regard to collaboration.

Chapter Seven looks back at the issues raised and the overall study results and conclusions. It briefly reviews the merits and any shortcomings of the analytical framework developed and the case study methodology. Major findings of the study are summarized and the implications of these findings for capacity analysis in a P3 domain are discussed, as well the implications of the study for public administration.

The final chapter (Eight) is forward looking, recommending strategies and actions related to enhancing P3 capacity and areas for further investigation and future study. The Chapter wraps up with some important concluding thoughts on public policy implementation.

⁷⁷ Hilderbrand & Grindle (1994).

Chapter Two - The Study's Analytical Model: A Three-Legged "Capacity Stool"

Introduction

The use of P3s to address massive public infrastructure deficits, in the midst of public financial distress, seems relatively straightforward. Yet this strategy is complicated by the public sector capacity challenges inherent in the complex structure of the P3 model,⁷⁸ and the paradox of imposing this business model onto public agencies under relentless pressure do more with fewer resources, and already 'thin' and 'stressed' from other reform interventions.

For these reasons it is important to outline a conceptual framework that encompasses the multiple variables associated with capacity, and isolates and refines criteria that support closer, more systematic study of P3 capacity in a structured, credible and measureable way. Indeed, the general purpose for the researcher of a tool like an analytical model or framework is to achieve a balance between pursuing 'analytical generalizations' and the need to measure and collect robust data in a reliable and rigorous manner.⁷⁹ The analytical model developed is intended to achieve this.

As a helpful example from the literature, in their previous work on public sector capacity Hilderbrand & Grindle (1994) argue the need for greater analytical attention to broader and more inter-connected notions of policy definition and sustainable capacity strategies. They contend that obtaining rigorous data on capacity requires methodologies that transcend the overly narrow perspectives of capacity-building efforts found in much of the

⁷⁸ See Appendix G for a summary of the various elements of a typical P3 project and the capacity implications relative to a traditional hospital project.

⁷⁹ See Grindle & Hilderbrand (1994), and Yin (1997).

literature, which has often limited the focus of capacity analysis to the more task-oriented management skills and technical expertise required to ‘get the job done’. While addressing these requirements is an important part of capacity research, Hilderbrand & Grindle observe that public sector capacity is much dynamic than this, having multiple dimensions which do not operate in isolation from each other. An effective model to examine capacity should not only take these dimensions into consideration, but also contemplate how they interrelate.

Building from this concept, the analytical model developed for this study brings together the most evident concepts of capacity from the literature in an integrated and systems-based⁸⁰ manner. As introduced in the previous chapter, what emerged from the literature are three independent variables: i) *governance*; ii) *human resources*; and iii) *collaboration*. For illustrative purposes, these can be visualized as the three legs or foundational pillars of the capacity stool – with the ‘stool’ being a metaphor for a sustainable and effective P3 program. We can generally infer that these variables influence or affect the ability of a system of public agencies to properly advance a comprehensive P3 policy.

Governance capacity generally equates with the ability of the public system to put in place appropriate institutions, processes and actions required to ensure accountable and effective policy implementation. Human resources constitute the performance capacity of agencies to manage or undertake the key tasks or functions required. Collaboration capacity is based on the added value of a system of agencies working in sync with each other to maximize the use of knowledge, information and scarce resources.

⁸⁰ For more on the concept of ‘systems’ see Castells (2000), Chisholm (1989), Hudson (2004), Koppenjan & Klijn (2004), O’Toole (1997), Provan & Milward (1995), Roberts (2000), and Weiss (1987).

Although from a capacity standpoint each variable has unique qualities, as we see from the literature reviewed throughout this chapter there are many points of connection between them. In relation to developing sound public policy, Rasmussen provides one example of such inter-relatedness when he concludes:

Policy capacity is not simply defined by reference to a single variable such as well-staffed policy units housed in each department. Rather, policy capacity involves the relations between multiple variables, including how departments interact with one another and central agencies, (and) how departments and central agencies interpret, understand and communicate objectives...⁸¹

As Rasmussen also points out from his research findings, "...stronger policy capacity involves improving policy-making processes and being aware of the dynamics of policy implementation."⁸² Relating this to a P3 program, these conclusions suggest that adequate P3 governance structures are not static. Ensuring their ongoing effectiveness requires information feedback loops or processes based on P3s in practice, which in turn necessitates coordination by sufficiently resourced central public agencies.

Returning to the study's hypothesis, insufficient attention by government to any particular variable can indicate a structural capacity weakness within the public system. For a comprehensive P3 program, such weakness would increase the likelihood that projects would fail to comply with basic principles related to public sector accountability, such as maintaining the public interest or achieving program performance requirements like long-term value for money.

⁸¹ Rasmussen (1999), p. 332.

⁸² Ibid, p. 334.

As this is essentially a qualitative case study, research guided by an analytical model that draws from literature on both public sector capacity and P3s in practice also contributes to the validity of the data collected.⁸³ The extensive inventory of material examined included scholarly material and research, government reports and guidance materials, and consultant reports. For the sake of simplicity, throughout this paper, references to ‘literature’ will incorporate all of this material. To aid the development of this model, a finer granularity of lessons learned, and also of exemplary or best practice criteria related to each variable, were collected and synthesized from the literature. This process was helpful in establishing metrics or indicators of what P3 capacity should look like and also in informing specific study questions to assess the state of P3 capacity readiness in British Columbia’s healthcare sector. These are summarized in Tables 2.1, 2.2 and 2.3 later in this chapter.

Clarifying Collaboration and Governance

Before examining the literature surrounding capacity, the important element of collaboration requires some clarification as it has multiple meanings in the literature and in practice. As already noted, collaboration is critical to capacity-building within the public sector when complex policies require the participation of multiple agencies, limited resources are dispersed throughout government, and expertise is difficult to acquire and retain. For public managers, the challenge is to find ways to improve P3 governance when the capacity for solving problems is widely dispersed, and when few organizations can accomplish their mission by acting alone.

⁸³ See Marshall & Rossman (1989), Riggins et al. (1992), and Yin (1997, 2009).

For many authors, collaboration encompasses the processes, methods and change conditions of ‘ordered rule’⁸⁴ in present-day society, often referred to in the context of managing complex networks of public, private and non-profit sectors.⁸⁵ Governance in this context includes the enabling statutes, organizational and financial resources, programmatic structures, and administrative rules and routines, but also the formal and informal rules, social norms, and structures that shape and influence relationships among organizations both within and outside of government structures. Thus, collaboration is inherently political and involves bargaining, negotiation, and compromise.

However, infrastructure P3s are essentially about allocation of risk between the party best suited to assume that risk (public or private) and achieving value for money. In practice, they are necessarily governed through highly complex and extensive performance contracts. As Hart and Moore point out: “A principal function of a long-term contract is to facilitate trade between two parties. . . Once the investments have been sunk and the parties have become locked-in to each other, outside competition will have little impact on the terms of their trading, and so these (terms) must be governed by contractual provision.”⁸⁶ This affirms that despite the impossibility of creating fully complete contracts,⁸⁷ the structural characteristics of P3s require resolving contractual and other disputes that arise through the application of stipulated contract provisions and ultimately through commercial arbitration processes, rather than involving ‘authentic collaboration’.⁸⁸

⁸⁴ See Rhodes (1999), and Bevir et al. (2003).

⁸⁵ See for example Imperial (2005), Kickert, Klijn & Koppenjan (1999), Milward & Provan (2000), and Tiesman & Klijn (2002).

⁸⁶ Hart & Moore (1988), p. 755, parenthesis added.

⁸⁷ For greater detail on incomplete contracts, see Foss (1996), Hart (1988), and Hart & Moore (1988), and for “incomplete” contracts in the context of P3s, see de Bettignies & Ross (2006), Hart (2003).

⁸⁸ See Gray (1996).

The argument put forth here is that in the P3 domain the only relevant aspect of collaboration in terms of governance involves interaction amongst the constellation of public agencies in a P3 network. Think of the public sector as a ‘bubble’ or closed system in which public agencies must coordinate their efforts intra-governmentally to develop and negotiate the most comprehensive and complete P3 contracts possible and manage those contracts over the complete life of each deal. In this regard, collaboration as viewed here is consistent with Bardach’s (1998) theory that a critical feature of effective policy implementation is about getting public agencies to work well together. For this reason, collaboration as a variable of public sector P3 capacity relates to the value-added interactions between public agencies. Collaboration is examined here from this perspective as a unique variable, and in keep with the notion of a three-legged stool, the literature examined in this chapter also illustrates the inter-relatedness of collaboration with governance and HR capacity.

Governance Variable

Governance in a public sector domain has been described as encompassing the structures and processes through which state power is exercised.⁸⁹ Capacity in this context generally equates with the ability of the public system to put in place appropriate institutions, processes and actions required to ensure accountable and effective delivery of public services – in other words appropriate oversight. This is commonly referred to in the literature as the capacity for ‘good governance’ or governance ‘good practices’.⁹⁰ Given the evolving and

⁸⁹ See Dutil et al. (2010).

⁹⁰ See for example BC (2008b), Ford & Zussman (1997), Hill & Hupe (2002), Howlett (2001), Huxham et al. (2000), IPAA (2003), Klijn (2002), Klijn et al. (1995), Langford (1997), OECD (2005), Peters (1998, 2001), Rhodes (1996), Rodríguez et al. (2007), and UNECE (2005a, 2007).

dynamic relationship between government and the private and not-for-profit sectors, Rhodes (1999) describes how ‘governance’ has increasingly become an elastic term, representing a change both in the broad meaning of government and in the boundaries between the state and civil society.

However, as Langford cautions, “. . . the partnership ‘cure’ may itself create significant governance challenges (‘side effects’)—particularly those created by frequent recourse to public-private partnerships.”⁹¹ More precisely, a former Auditor General of Canada notes in his analysis of accountability and oversight in P3-type arrangements:

. . . there is a need to strike a balance between three factors pulling in different directions: accountability, efficiency and achieving results. That balance, together with effectively managing risks, is the key to establishing workable alternative service-delivery arrangements.⁹²

This is described in a similar but slightly different way by another former Auditor General of Canada as the need to achieve, “. . . the ‘right balance’ between conformance and performance at particular points in time and over time.”⁹³

More directly relevant to this case study, BC’s Auditor General (AG) defines governance capacity as inherent in the structures and processes by which an organization is directed, controlled and held to account: “The structures and processes are not ends in themselves. Rather, they are the means to help an organization achieve its objectives.”⁹⁴

⁹¹ Langford (1999), p. 105.

⁹² Desautels (1999), p. 29.

⁹³ Barrett (2004), p. 2, original parenthesis.

⁹⁴ BC (2008b), p. 5.

From an audit perspective, oversight equates with ensuring the original intention and purpose of such structures and processes is retained when applied to real world circumstances.

Emphasizing the link between institutionalizing the structures and processes and the broader notion of good governance, the AG adds:

Good governance occurs when an organization has in place structures and processes that ensure the organization is able to:

- deliver goods, services or programs effectively and efficiently—good performance; and
- meet the requirements of the law, regulations, published standards and community expectations of probity, accountability and openness—good conformance.⁹⁵

This is consistent with an Auditor General of Australia, who suggests:

An effective corporate governance framework assists an organization to identify and manage risks in a more systematic and effective manner. A corporate governance framework, incorporating sound values, cost structures and risk management processes can provide a solid foundation on which we can build a cost effective, transparent and accountable public sector.⁹⁶

More generally, the current usage of governance falls largely into two classifications. In the first case, attempts to diminish or narrow the role of the state through contemporary public sector reforms (often referred to as ‘New Public Management’⁹⁷) have redefined and reduced the role of government to ‘steering’ the direction of public services through policy

⁹⁵ Ibid.

⁹⁶ Barrett, (op. cit.).

⁹⁷ For more on NPM, see for example Aucoin (1990, 1995), Barzelay (2002), Bevir, Rhodes & Weller (2003), Hood (1991, 1995), and Pollitt & Bouckaert (2000).

and the delivery of those services through contract management, versus the more traditional model of direct public sector service delivery and accountability (rowing) through the chain of command of government departments through to Cabinet members and legislative bodies such as parliament. This places a significantly different function and purpose on oversight and accountability, as public agencies traditionally rely on this hierarchical structure of government to achieve and maintain control or ordered rule.

This notion of governance simply through steering mechanisms has produced what can be described as a ‘square-peg in a round-hole’ dilemma. Illustrative of this predicament, some ‘reformists’⁹⁸ advocate for government to create entrepreneurial public managers, empowered to act more like private sector executives who can strike partnership-type deals adroitly, outside of the confines of traditional hierarchical government bureaucracies. Such expectations often leave the role of the public managers and the distinction between the public and private sector unclear and poorly defined, creating potential role confusion and value conflicts, particularly around public sector accountability.⁹⁹

The implicit reformist’s message is to dispense with traditional hierarchical institutional structures where oversight is top-down and accountability flows up from the lowest ranks of the bureaucracy. This notion, however, does not necessarily reflect the accountability obligations the public expects of government operations, particularly in the Westminster model of government.¹⁰⁰

⁹⁸ See Osborne & Gaebler *op. cit.*, and Savas *op. cit.*

⁹⁹ As noted by the Auditor General of Canada. See Desautels (1999).

¹⁰⁰ See for example Aucoin (1997) and Bevir & Rhodes (2006).

The other perspective in this new era views governance from a ‘network model’¹⁰¹ standpoint, in which public agencies are seen in two ways. The first is where a public agency is a member or participant in a network of organizations that share power and authority. In such settings Milward and Provan ask, “How can effective institutions be designed in a world of shared power where few organizations have the power to accomplish their missions alone?”¹⁰² The second network perspective recognizes that we live in an age of ‘government by proxy’,¹⁰³ where public agencies perform a network management function, coordinating the activities and resources of a pool of contracted external-to-government agencies providing out-sourced services. In effect, this increasingly common situation creates a situation more akin to ‘governance by proxy’.

The notion of governance through (and oversight of) networks reflects the increasing interdependencies of public, private and semi-private partners and the emergence of both institutionalized (formal)¹⁰⁴ and self-organizing (informal)¹⁰⁵ network-like structures. However, as noted at the start of this chapter the network model and its underlying foundation of collaboration amongst agencies within networks is simply not generalizable to the highly structured and contractually-dominated domain of infrastructure P3s.

¹⁰¹ The literature on the emergence of networks is prolific, including Agranoff & McGuire (1998), Huxham & Vangen (2000), Klijn et al. (1995), Powell (1990), and Weiss (1987). This is expanded on in considerable detail later in this chapter.

¹⁰² Milward & Provan (2000), p. 360.

¹⁰³ Kettl (1988a, 1988b, 2006) has used this term extensively to generally describe the trend to increasingly outsource what have typically been public services.

¹⁰⁴ See for example Atkinson & Coleman (1992), Benson (1975), Bevir et al. (2003), Bourgault & Lapierre (2000), Chisholm D. (1989), Considine & Lewis (2003), Hanf & O’Toole (1978), Klijn (2002), Klijn & Koppenjan (2000), Klijn & Teisman (2000), Koch & Buser (2006), Milward & Provan (2000), OECD (2008), Peters (1995, 2003), Pollitt et al. (2004), Provan & Kenis (2007), and Rhodes (1997).

¹⁰⁵ See for example Bourgault & Lapierre (2000), Castells (2000), Hanf & O’Toole (1978), Klijn (2002), Klijn & Koppenjan (2004), Klijn & Teisman (1997), Langford (1997, 1999), O’Toole (1997), and Powell (1990).

There is a dimension to inter-agency collaboration within the public sector (either intra or inter-governmentally) that does have relevance as a governance mechanism. In multi-agency settings, Dutil et al. (2010) suggest that collaborative mechanisms are needed to manage information. An example they provide is employing common ‘informational architectures’ while also supporting the conversion of information into shared decisions in order to actually achieve more integrative and better overall outcomes. They point out:

The knowledge management challenge in a networked environment is thus closely intertwined with governance in terms of the need for formalized structures and supportive cultures that enable different stakeholders to work together in flexible and innovative manners in pursuit of agreed upon objectives.¹⁰⁶

This point is also illustrated by the Centre on Governance at the University of Ottawa, which views governance as, “. . . the process of effective coordination whereby an organization or a system guides itself when resources, power and information are widely distributed.”¹⁰⁷ Directly relevant to the methodology developed and applied for this study, the Centre on Governance contends:

Studying governance means probing the pattern of rights and obligations that underpins organizations and social systems, understanding how they coordinate their parallel activities and maintain their coherence, exploring the sources of dysfunction, and suggesting new ways to redesign organizations whose governance is in need of repair.¹⁰⁸

¹⁰⁶ Dutil et al. (2010), p. 120.

¹⁰⁷ Andrew et al. (2010), p. 5.

¹⁰⁸ Ibid.

The accountability and oversight challenges of P3 program delivery is exacerbated by the complexity of P3s relative to traditional infrastructure projects (examined in greater detail later in this chapter), the movement to smaller government and the increased trajectory of P3-type arrangements in Canada. Overall, contemporary public sector reforms and the push for greater partnering type business practices blur the lines between the public and private sectors and constrain the ability of public institutions to ensure that relevant types and compositions of probity and accountability continue to be practiced.¹⁰⁹ Messy governance and oversight problems result from the different sets of accountability standards and expectations that distinguish public and non-public sectors.

*The Relevance of Governance Capacity to P3s*¹¹⁰

In contrast to market or contractually-based arrangements where government is simply acquiring goods or services, Vining et al. (2005) note that three distinguishing elements of P3s: they involve, i) long-term obligations between public and private sector entities; ii) some degree of joint decision making; iii) and, financial risk sharing.¹¹¹ As we see later in this chapter, P3s have other characteristics that heighten the need for HR capacity (such as the need to acquire unique and hard to acquire expertise) and public agency collaboration amongst the multiple agencies involved. For now, these three key features of P3s noted by Vining et al. demand special attention from a governance capacity standpoint.

¹⁰⁹ See for example Aucoin (1990), Bevir et al. (2003), Borins (1998), Fisher & White op. cit., Kettl (2005), Langford (1997), Milward & Provan (1993), Pollitt & Bouckaert (2000), and Whorley (2001).

¹¹⁰ A summary of the overall capacity implications of the P3 model is attached in Appendix G.

¹¹¹ This is supported by Ahadzi & Bowles (2004), Considine & Lewis (2003), Foss (1993), Grimshaw et al. (2001), Hart (1988), and Parker & Hartley (2003).

To ensure proper oversight continuity, the extremely long-term nature of P3 agreements¹¹² demand institutional structures, contractual preciseness, and professional management competencies spanning multiple generations of public managers. In addition to the issue of permanency, as Hodge argues, “. . . with contracts of up to several decades, governments now entering these arrangements may be reducing the capacity and flexibility of the Crown to make future decisions in the public interest.”¹¹³ Consistent with the perspective of Hart and Moore (1988) noted above, Grimshaw et al. (2001) contend that renegotiations are almost inevitable over such long-term deals, but that public managers are at a distinct disadvantage because their private sector counterparts have an inherent leverage resulting from the embeddedness of the original arrangement. “A key issue is whether purchasers are able to define their own direction or whether this is increasingly compromised by the involvement of the private sector supplier in sharing strategy in which it has a direct interest.”¹¹⁴

This issue raised by Grimshaw et al reinforces the need to ensure that oversight structures and processes are institutionalized and independent from P3 deal-making enterprises - guiding and overseeing complex *ex ante* project negotiations to minimize the risk of messy and expensive processes to untangle deals gone wrong. Such scenarios have played out in numerous jurisdictions, including the high profile Highway 407 project in Toronto (Canada),¹¹⁵ and the Sydney (Australia) cross-city tunnel.¹¹⁶

¹¹² For example, the concession term for the Highway 407 project in Ontario, Canada was 99 years.

¹¹³ Hodge (2004), p. 39.

¹¹⁴ Grimshaw et al. (2001), p. 426.

¹¹⁵ See for example Boase (1999), Mendosa et al. (1999), Mylvaganam & Borins (2004), and Vining et al., op. cit.

¹¹⁶ See Hodge & Greve (2005).

The long-term feature of P3-type arrangements also embed private sector organizations into the public realm in a manner that will to some degree offend the traditional values, norms and institutional structures associated with governance in western-style democracies,¹¹⁷ particularly in Westminster model countries.¹¹⁸ Again, blurring the lines between sectors raises questions such as the abdication of democratically delegated authority and reinforces the need for strong central agency capacity. For example, several authors point out that when public and private interests are blended in decades-long P3-type arrangements, the concept of the public interest can become unbalanced; often skewed more towards economics and efficiencies at the expense of accountability.¹¹⁹

A former Auditor General of Australia (Barrett, 2003) cautions that the increasing involvement of private sector entities in public sector activities is hampering the ability of Auditors General to conduct full performance audits. Due to the embedded nature of P3 transactions, it is unavoidable that such reviews will examine the commercial and reputation interests of private sector parties as well as individuals. Barrett points out three main interrelated concerns that increase the complexity of undertaking P3 audits and often limit the scope and authority of public interest guardians: i) requirements of public accountability, particularly with the use of commercial-in-confidence arguments; ii) access to information, including transparent explanations; and iii) the potential negative consequences collaterally for the private P3 firm's reputation and market situation from adverse audit comments on public sector management and oversight practices. This illustrates the kind of 'striking-a-

¹¹⁷ See Langford (1999).

¹¹⁸ These issues are raised in varying degrees from a Canadian perspective by other authors such as Aucoin (1995), Ford & Zussman (1997), Wright & Rodal (1997), and Zussman (2002).

¹¹⁹ See for example Daniels & Trebilcock (2000), Dixon et al. (2005), Hodge op. cit., and Malone (2005).

balance' challenges between accountability, efficiency and achieving results as noted by a former Auditor General of Canada.¹²⁰

In terms of risk allocation, P3s typically include components such as construction, design, financing, revenue projections, operations, and ownership.¹²¹ It is generally understood that while the degree of risk can vary from deal to deal, in most circumstances P3 project risks can be considerable. In most cases appropriate risk transfer (what de Bettignies & Ross (2004) categorize as 'optimal private versus public involvement') is the prime element of the proposed value for money benefits to be achieved through P3s.¹²²

Again, Barrett cautions from an Auditor General's perspective that P3s present considerable accountability challenges for the public sector in appropriate risk management and risk allocation. ". . . the parameters of risk are far different from those involved in traditional approaches to the provision of public infrastructure and services. Indeed, the potential liabilities accruing to governments may be significant."¹²³ This further supports the importance of paying attention to clearly articulating a governance mandate and accountability oversight capability of central departments.

From an accountability standpoint, risk sharing and joint decision-making can dilute the public sector's ability to oversee that long-term public interest is being met. Even with comprehensive or complete contract-based governance structures, profit-driven private sector 'opportunism' is an ever-present condition to which governments must be mindful of.¹²⁴ The

¹²⁰ See Desautels, *op. cit.*

¹²¹ See for example Grout (2005), HM Treasury (2006a), Li & Akintoye (2003), Nisar (2007), and OECD (2008).

¹²² See for example English (2007), EIB (2005b), Hodge (2005), KPMG (2009a), Moody's (2006), PBC (2005), and Pollock et al. (2002, 2005).

¹²³ Barrett (2003), p. 13.

¹²⁴ Numerous evidence of opportunism in P3 deals is found in English & Guthrie (2006), Fitzgerald (2004), Nisar (2007), and Vining et al. (*op. cit.*).

intertwined interests of the public and private sectors inherent in P3 deals demand considerable *ex ante* due diligence from an oversight standpoint and the capacity to perform such a function from an HR perspective - again illustrating the inter-relatedness of the capacity variables and the importance of viewing the issue of capacity from multiple perspectives.

Two key governance factors related to risk are: i) ensuring deals comply with accountability and other public interest requirements; and, ii) clarifying long term oversight obligations that will extend beyond the political tenure of the elected officials who approve the deal and likely outlive the careers of those who draft the original agreements and affiliated contracts. For example, consider the scenario of a private P3 firm assuming the long-term revenue risk for a new toll highway that requires an ongoing monopoly (captive users to pay the tolls). The terms of such an arrangement could constrain the government's strategic transportation policy autonomy, such as limiting expansion of public transit services intended to reduce carbon emissions from vehicles. As Barrett (2003) points out:

The governance arrangements that will facilitate the effective transfer of risk and operational control to a private sector entity while reserving the capacity for the public sector entity to protect the public interest and enforce government policy objectives need to be clearly established at the outset. . . . An effective corporate governance framework assists an organization to identify and manage risks in a more systematic and effective manner.¹²⁵

An important governance capacity issue this raises is the technical knowledge and degree of bargaining or negotiation experience required of public sector managers tasked

¹²⁵ Barrett, op. cit.

with achieving and maintaining long-term public interest requirements such as value for money and ongoing service quality. Traditional notions of how to ensure accountability, transparency and program performance are complicated by the complexity of P3 deals, the involvement of multiple agencies in P3 transactions (both on the public and private sides), and the long term nature and embeddedness¹²⁶ of P3 agreements.

With this in mind, the expectation of making governance work well highlights the importance of clearly defining mandates, roles and responsibilities across the multiple public sector agencies involved in P3 program delivery, particularly for central agencies responsible for accountability oversight. The challenge for the researcher is to identify and operationalize these new demands into the analytical model.

The Need for Clearly Defined Agency Roles, Mandates and Responsibilities

Returning to a central theme of governance introduced at the outset of this paper, Davis (1997) argues that effective policy implementation is predicated on visibly defining roles and responsibilities between delivery agencies and central government units, particularly in policy domains requiring the concerted efforts of multiple organizations. Again, I argue that a comprehensive P3 program meets this policy domain criterion.

The Australian government has identified two key elements to ensure effective policy or program implementation that could be considered exemplary governance practices: i) clarity of purpose, powers and relationships between all public agencies involved in the implementation of a policy initiative; and, ii) appropriately formalized and well documented

¹²⁶ See for example English (2007), Grimshaw et al. (2001), Hodge (2004), and OECD (2008).

arrangements between agencies.¹²⁷ Similarly, and more specific to a P3 program, the OECD concludes: “The division of responsibilities among different authorities in a jurisdiction should be clearly articulated to ensure that the public interest is served.”¹²⁸

In what could be considered a ‘benchmark’ report (commissioned by the BC government specifically to address concerns over public sector capital project governance and management practices), the following recommendations from Deloitte Consulting echo these same OECD conclusions:

It is crucial that roles and responsibilities be defined, clear, and communicated before the project commences in order to ensure proper leadership and accountability throughout the project. . . . Furthermore, clarity and definition of roles and responsibilities minimize misinterpretation and provide direction to successfully complete the necessary requirements. This is especially important for government capital projects due to the interface between the central agencies, Crown corporations, ministries and local agencies.¹²⁹

Although Deloitte could not have anticipated nor was directed to consider P3s, this recommendation seems even more relevant to P3 arrangements than to traditional capital infrastructure projects, given the complexity of P3 project deals and the numerous agencies involved.

Considering the complexity and other governance implications of P3s already identified, and heeding Langford’s (1999) caution previously noted, a high degree of attention to clarifying roles, responsibilities and mandates amongst public agencies involved

¹²⁷ See Australia (2006).

¹²⁸ OECD (2004), p. 17.

¹²⁹ Deloitte (2000), Appendix D, p. 26.

in P3 implementation is essential. Articulating *which* agencies and departments are accountable for performing *what* aspects of the overall P3 program is a ‘critical success factor’ or indicator incorporated into the governance component of the analytical model shown in later in Table 2.1.

The literature is unequivocal that a properly mandated and resourced central agency unit is critical to adequate governance capacity. Such agencies establish and maintain policy and regulatory oversight over the life of P3 deals, and more importantly should not have conflicting obligations to also deliver projects. In jurisdictions with political urgency to accelerate a P3 program, this structural separation of policy development and accountability oversight from program delivery is even more vital.

Later in the next section on collaboration, the operationalization of roles, responsibilities and mandates are examined, focusing on the establishment of appropriate institutional structures. This includes ‘mapping’ the system of agencies and departments involved in P3s as a useful aid in understanding relationships and dynamics between agencies in the task-network. Mapping can also be used to transpose and compare what governments *say* are the mandates, roles and responsibilities of the various organizational players in a task-network, versus what is the actual practice. As a result, this technique is prominent in several areas of the analytical model.

Appropriate Institutional Structures

Appropriate policy and regulatory structures or systems are the foundation of healthy or good governance capacity in any given public policy domain.¹³⁰ The structural tools or building blocks of public sector oversight emanate from the governance framework of well-articulated and standardized policies, regulations and documented corporate strategies.¹³¹

For example, Goggin et al. (1990) describe governance capacity in this context simply as, “. . . the ability of a government to institute the structure, the routines, and the coordinated efforts of talented people sufficient to convert a policy message into a set of real achievements.”¹³² Similarly, Davis (1997) argues that policy implementation agencies need widespread, standardized and easily accessible knowledge about policies and procedures, adding that, “This standardized process requires rule books, training and an agency with responsibility for enforcing standards.”¹³³

This is consistent with Cohen’s (1995) notion of ‘process capacity’, which encompasses the administrative regulations and organizational patterns involving legal foundations and organizational structures. It also involves operating procedures, role and norm specifications, internal regulations, and operational systems such as processes governing program planning, design, budgeting, and information systems. This becomes a central component of the ‘institutional context’ of public sector program implementation capacity, affecting the achievement of policy intentions (particularly in a network-like

¹³⁰ See for example Davis (1997), Hill (2003), Klijn & Teisman (2000), O’Toole & Meier (2004), and Pollitt (2003).

¹³¹ See for example Hopkins et al (2001), Kettl (1998), Lindquist (2002b), Peters (2001), and Rhodes (1996).

¹³² Goggin et al, 1990, p. 118.

¹³³ Davis (1997), p. 141.

environment) by influencing both formal and informal power relationships among organizations in a given system.¹³⁴

Reflecting the European P3 experience, critical to effective and sustainable P3 governance practices the European Commission's *P3 Guidelines* (EC, 2003) reinforce the need for appropriate institutional structures in the P3 *ex ante* project viability decision-making process. Given the complexity of P3s and the need to identify and track the accountability elements beneath the surface of each deal, the EC requires the presence of formal strategic policies and regulations outlining good governance practices, along with effective institutional structures to oversee the development of P3 deals. The EC contends that the capacity and capability to oversee a P3 program and derive the purported benefits of individual projects is founded on strong governance policies and regulations.

It is evident in the literature that establishing appropriate formal (institutional) governance structures is necessary in order to ensure a balance between the often competing demands of efficiency and achieving results against public sector accountability and probity. The complexity and public-private embeddedness of P3s, and the inherent tension from competing demands unique to P3 deals, magnifies the need for formal governance structures and oversight processes in this policy domain. Again, a critical institutional feature is the pivotal function of central departments, and mapping the 'architecture'¹³⁵ of a P3 system will help reveal the presence of such agencies and the function they perform in practice.

¹³⁴ See for example Davis (1997), and Hilderbrand & Grindle (1994).

¹³⁵ For more on system mapping and structural architectures see for example Elmore (1985), and Grindle & Hilderbrand (1995).

Central Agency Coordination and Oversight

Although it is extremely important from a governance standpoint to explicitly define roles, responsibilities and mandates amongst the numerous agencies involved, such processes are insufficient in and of themselves. A central tenet of the governance role in western-style democracies evident from the literature is ensuring accountability, program performance and oversight of government activities.¹³⁶

A former Auditor General of Canada argues there is a critical need for strong oversight by central agencies in this era of partnership-type arrangements. “Most of the partnering going on cries out for effective advice, assistance, policy and direction, but not command and control.”¹³⁷ Yet he cautiously adds that defining and balancing traditional public-service values, with emerging potential conflicts is a challenge for central agencies.

It is critical that central agencies act, as Davis puts it, “. . . as the bureaucratic expression of executive authority . . . making the policy domain manageable, and coordination possible.”¹³⁸ Davis adds, “Behind the cabinet, therefore, must stand a central policy agency . . . these central policy agencies are essential for policy control and consistency . . . the tie which binds together policy work across the government.”¹³⁹ In other words, making governance processes work well requires central agencies tasked with establishing, maintaining and enforcing appropriate governance mechanisms and performance standards.

¹³⁶ Bevir & Rhodes (2006) provide a concise overview of the ebb and flow of this role since the late 1970's.

¹³⁷ See Desautels, *op. cit.*

¹³⁸ Davis *op. cit.*, p. 141.

¹³⁹ *Ibid.*

For Donahue et al. (2000) appropriately mandated and resourced central agencies indicate, “. . . government's ability to develop, direct, and control its resources to support the discharge of its policy and program responsibilities.”¹⁴⁰ Consistent with this view, Goggin et al. (1990) contend that effective governance depends on central agencies establishing and upholding institutionalized routines, and overseeing that those routines work well. Of added importance for this paper is how public sector capacity is affected by the relationships and interactions between central departments and implementation agencies in the delivery of a comprehensive P3 program—again part of the P3 system's institutional context and a dynamic that can be mapped.

Another accountability challenge in a P3 domain is the proliferation of arms-length agencies created to be more entrepreneurial and less constrained by traditional hierarchies. Of particular concern is how and where these new agency forms fit within the public-private realm, and how governments reconcile the dilemma of overseeing these new types of quasi-public agencies without limiting their ability to effectively operate within this realm.¹⁴¹

With regard to P3-type practices many authors caution against the broader governance implications of undefined or blurred boundaries between public and private interests.¹⁴² Others also argue that as the elasticity of these boundaries is tested the need for ongoing diligence from the centre of government is even more critical to maintaining proper balance between cost effectiveness and long term public interest.¹⁴³

¹⁴⁰ Donahue et al. (2000), p. 384.

¹⁴¹ See for example Bardach (2001), James (2004), Pollitt et al. (2004), Rachwalski & Ross op. cit, and Talbot (2004).

¹⁴² For particular examples in a Canadian context see for example Ford & Zussman (1997), Kernaghan (1993), Langford (1997; 1999), and Rodal & Mulder (1993)

¹⁴³ See for example Barrett op. cit., and Desautels op. cit.

Specific to P3s, the distinguishing elements of sharing risks, joint decision-making and the length of each deal illustrate areas of potential conflict, and magnify the importance of central agency program accountability and public interest ‘guardianship’.¹⁴⁴ However, in relation to the role of central agencies in a P3 domain Hodge (2005) warns, “...there has been little discussion about how best the various roles of Treasuries can be balanced—policy advocate, project promoter, financial steward, regulator and trusted parliamentary adviser. These are fundamental public accountability concerns.”¹⁴⁵

Further to Hodge’s point, the potential for conflict between public sector values and ideologically-driven political agendas has seen central agencies in several jurisdictions criticized for assuming an overt P3 advocacy role.¹⁴⁶ As a change management strategy used throughout the New Public Management¹⁴⁷ era, this approach is not uncommon, and has proven effective in enacting reform-like policies and addressing ‘bureaucratic inertia’.¹⁴⁸ Nevertheless, without a separate and independent oversight body within central government to counteract such a policy advocacy force (what Pollitt et al. (1999) refer to as a ‘Supreme Audit Institution’), public confidence in the integrity of the public sector can be eroded and the government’s ability to act impartially compromised.¹⁴⁹

Both the United Nations Economic Commission for Europe (UNECE, 2007) and the Organisation for Economic Co-operation and Development (OECD, 2004) argue the need for

¹⁴⁴ See for example Good (2007), and Langford (1999).

¹⁴⁵ Hodge (2005), p. 39.

¹⁴⁶ This includes Broadbent & Laughlin (2005), Charih & Rouillard (1997), Flinders (2005), Hodge (2004), and Osborne & McLaughlin (2002).

¹⁴⁷ For a thorough discussion of New Public Management, see for example Aucoin (1990, 1995), Barzelay (2001, 2002), Bevir, Rhodes & Weller (2003), Hood (1991, 1995), Pollitt & Bouckaert (2000), and Savoie (1994).

¹⁴⁸ See for example Ford & Zussman (1997), Kettl (1998), Rachwalski & Ross op cit, and Wright & Rodal (1997).

¹⁴⁹ See for example English & Guthrie (2006), Hodge & Greve (2005), and UNECE (2007). These issues are also raised in varying degrees from a Canadian perspective by other authors, including Aucoin (1995), Ford & Zussman (1997), Rodal & Mulder (1993), Wright & Rodal (1997), and Zussman (2002).

an independent oversight body responsible for scrutinizing P3 projects after they have been signed - separate from any agency involved in project planning and implementation. In order to determine whether or not strategic program and policy objectives have been met, the UNECE considers such an oversight function a critical part of the institutionalized accountability structure of any comprehensive P3 program.

Despite its critics,¹⁵⁰ the success or effectiveness of the PFI program in the UK is attributed to establishing key institutional, strategic, policy and regulatory elements. Specifically cited is the establishment of targeted and consistent P3 policy and regulatory support, and overall PFI performance oversight from central agencies.¹⁵¹ The two key agencies are the HM Treasury and the National Audit Office (NAO). For example, from a performance standards standpoint, between the years 2000 and 2010 the NAO completed over 250 audits of specific PFI projects or reviews of the program in general,¹⁵² and has worked in tandem with HM Treasury to inform the evolution of PFI governance policies and regulations, and make sure they work well in practice.¹⁵³ Recently, HM Treasury decommissioned Partnerships UK (an arms-length P3 agency) and created Infrastructure UK as a new department within Treasury.

Arguably the second most sophisticated P3 jurisdiction globally, Australia and particularly the State of Victoria provide another example of P3 institution-based governance practices praised in the literature.¹⁵⁴ Partnerships Victoria (the State of Victoria's central government P3 agency) provides advice to decision-makers on the merits of P3 projects and

¹⁵⁰ See for example, Cohn (2005), Edwards & Shaoul (2003), Newberry & Pallot (2003), Pollock et al. (2005), Teisman & Klijn (2001), and Wettenhall (2003).

¹⁵¹ See for example KPMG (2007), OECD (2005), PWC (2008), UNECE (2007), and World Bank (2006).

¹⁵² From the NAO website, <http://www.nao.org.uk/publications.aspx>, accessed December 12, 2010.

¹⁵³ HM Treasury has over 650 references to PFI its database of Treasury publications.

¹⁵⁴ See for example Duffield (2008 & 2009), English (2005, 2007), and Hodge (2005)

has responsibility for developing and maintaining P3 policies and procedures. Although it serves as the policy coordination body for individual projects with line departments and local agencies and with Infrastructure Australia on national P3 coordination, Partnerships Victoria has no mandate for project implementation; its role is to promote and oversee capacity building amongst P3 implementation agencies.¹⁵⁵

Impartial agencies serve the important multiple-purpose role of oversight by ensuring accountability for individual projects (acting as a vital source of independent and technically competent reviews of projects), as well as governance by informing and adapting P3 policy and guidance as lessons are learned through *ex post* project reviews. From an accountability standpoint, what makes central government institutions like the UK's National Audit Office and Partnerships Victoria effective is this structural separation of policy development, program oversight and project approval, from program implementation and project delivery. From an accountability standpoint this helps ensure that the system has structural checks and balances in place.

The presence of clearly mandated central government agencies in a P3 domain should be considered an indicator or measure of governance best practice. However, Mayne poses an important question in this era of increasing public-private partnering: "In today's public management, are oversight (audit) agencies doing the right thing and doing it the right way?"¹⁵⁶ Performance audits are the most common oversight mechanism used by government auditors,¹⁵⁷ and are seen by many in the industry as 'the right thing'.¹⁵⁸

¹⁵⁵ See Duffield (2009).

¹⁵⁶ Mayne (2010), p. 8.

¹⁵⁷ See for example Edwards & Shaoul (2003), English (2007), Mayne op. Cit., Mayne & Wilkins (2005), and Pollitt et al. (1999).

¹⁵⁸ See for example Barrett (2004), BC (2008a), NAO (2001), and OECD (1996).

However, in the case of P3s there is no universal standard for such audits beyond the often ill-defined criterion of achieving value for money.¹⁵⁹ One universal measure is the ‘public sector comparator (PSC)’.¹⁶⁰ As the Government of Canada explains:

A PSC assists government in assessing whether or not to use internal public or alternative financing for the development of infrastructure and ancillary services or for alternative delivery of existing services. Typically the PSC begins and ends with a rigorous examination of the “in-house” costs of implementing the project and assigning the various types of risks to the appropriate party that can best handle them. The development of a “comparator” results in a benchmark against which options are compared and value for money is assessed. Therefore, the PSC is a critical piece of the puzzle when embarking on an assessment of P3 options for infrastructure and services.¹⁶¹

As Monteiro (2005) also points out, the use of the PSC can have practical advantages, such as: better definition of the underlying outcome and goals of the infrastructure investment; improvements to financial modeling through cross-sectional data from similar projects; testing P3 projects against other government policy objectives; and, the fostering of cross-departmental dialogue between central departments and implementation agencies.

All this suggests that another best practices indicator or element of the analytical model should be the presence of P3 performance standards developed and upheld by a central agency independent from an agency involved in program delivery.

¹⁵⁹ See for example Edwards et al. (2004), English (2005), English & Guthrie (2006), Froud & Shaoul (2001), Pollock et al. (2005), Pollock et al. (2002).

¹⁶⁰ For more discussion on the merits of the public sector comparator, see ADB (2008), HM Treasury (2006a), Monteiro (2005), Quiggin (2004), UNECE (2000) and Victoria (2001).

¹⁶¹ Canada (2003), p. 6.

Governance Summary

From this review, and for the purpose of an analytical framework, an ideal P3 governance model should contain three key elements. Table 2.1 summarizes these elements and how they are adapted to form specific study questions.¹⁶² Firstly, in terms of roles, responsibilities and mandates amongst agencies, the capacity analysis needs to probe the comprehensiveness and clarity of documentation specific to P3 program planning and delivery. Of particular interest for the researcher is whether the jurisdiction being studied has formalized through policy and procedural documents key functional aspects of an overall P3 program and which agencies and departments are accountable for each area.¹⁶³

Table 2.1 – Elements and Questions to Examine P3 Governance Capacity

Elements	Research Guiding Questions
<i>Clearly Defined Agency Roles, Mandates and Responsibilities</i>	<ul style="list-style-type: none"> • Do central government P3 policy and regulatory documents visibly articulate roles and responsibilities and levels of authority of agencies in P3 planning and delivery? • Are the roles and responsibilities understood by public managers involved in BC's P3 program? • Do central government policy and regulatory documents clearly articulate P3 operational procedures?
<i>Appropriate Institutional Governance Structures</i>	<ul style="list-style-type: none"> • Is there clear separation between policy development and policy implementation? • Are formal policies and practices in place to ensure effective <i>ex ante</i> use of public sector comparator (PSC) types of project performance metrics in support of <i>ex post</i> assessments of P3s?

¹⁶² See for example Broadbent and Laughlin (2005), Bult-Spiering & Dewulf (2006), Eaton et al. (2007), Parker and Hartley (2003), Pollitt (2005), numerous authors in both Hodge & Greve (eds.) (2005), and Osbourne (ed.) (2000).

¹⁶³ See for example Deloitte (2000), Hopkins et al (2001), Kettl (1998), Rhodes (1996), Rodal & Mulder (1993)

<i>Central Agency Coordination and Oversight</i>	<ul style="list-style-type: none"> • Are central agencies or units clearly mandated to: <ul style="list-style-type: none"> ○ Ensure the development and maintain the relevance of policies and procedures; ○ Provide project due diligence and oversight; ○ Undertake comprehensive <i>ex ante</i> project analysis, to ensure effective <i>ex post</i> project and P3 program audits and reviews; and, ○ Promote and coordinate effective collaboration between public agencies involved in P3s • Do agencies actually perform this work?
--	---

Second, building from the element of establishing roles, responsibilities and mandates, researchers need to identify the institutional structures and processes needed to effectively oversee and support P3 policy development, program delivery and accountability—the milieu governing how agencies are held accountable.¹⁶⁴ Thirdly, while each element forms a piece of the overall profile of governance capacity in the public system, for the researcher it is important to zero-in on central agencies or departments in the P3 process, and particularly determine whether they are explicitly mandated to develop and maintain the P3 policy and regulatory framework and provide overall policy coordination, appropriate network governance and system oversight.¹⁶⁵ Adequately resourced central agencies are needed to provide impartial corporate accountability and oversight that sustains the integrity of this leg of the capacity stool.

In addition to summarizing the key elements of capacity from a governance standpoint, Table 2.1 provides a template for the following sections on the human resource and collaboration variables of capacity. Cumulatively, all three sections represent the overall analytical framework or model for conducting the study.

¹⁶⁴ See for example BC (2008b), Davis (1997), EC (2003), Hill (2003), Klijn & Teisman (2000), O’Toole & Meier (2004), and Pollitt C. (2003).

¹⁶⁵ See for example Broadbent & Laughlin (2005), English & Guthrie (2006), Goggin et al. (1990), Hodge (2005), Kernaghan (1993), Kettl (2006), Klijn & Koppenjan (2000), Langford (1999), Lindquist (2004), Milward & Provan (2000), Pollitt M. (2002), and UNECE (2007).

Human Resources (HR) Variable

As the second leg of the capacity stool, the human resource variable emphasizes the functional or performance capacity of public sector agencies to perform key tasks. Consistent with the other legs of the stool, two main themes emerging from the literature are the strategic role of central government agencies in HR capacity building at a system level, and that the inevitable collaboration resulting from the cross-cutting and multi-agency nature of P3 program delivery has human resource implications.

Consistent with the template used to summarize all three capacity variables; this section summarizes and condenses into table format (Table 2.2) the key elements of HR capacity in a P3 and inter-agency collaboration context. These are adapted into questions to form the HR component of the analytical model. As with the previous section on governance, it is helpful at the outset to establish a clear definition of HR capacity prior to thoroughly examining the implications and factors influencing HR capacity in a P3 setting.

HR Capacity Defined

Grindle and Hilderbrand propose that organizational HR capacity can be broadly defined as, “. . . the ability to perform appropriate tasks effectively, efficiently and sustainably.”¹⁶⁶ They add that HR capacity analysis at the agency level should emphasize the presence of strategies or goals in support of critical tasks or key program areas (for example,

¹⁶⁶ Grindle & Hilderbrand op. cit., p. 445.

P3 planning and delivery) defining authority relations within the organization, structure work, and provide incentives to attract and retain employees.

Similarly, Donahue et al. define public sector capacity quite generally as, “. . . government's ability to develop, direct, and control its resources to support the discharge of its policy and program responsibilities.”¹⁶⁷ Capacity building, they argue, equates with improvements in such abilities created either individually or in cooperation with other organizations.

Further to this, agencies need to possess a minimal amount of what Cohen (1995) refers to as HR ‘performance capacity’, manifest through the various roles individuals fill when carrying out their assigned tasks, particularly managerial, professional and technical roles. From a very functional standpoint, Cohen proposes, “The types and mixes of such capacities required by a given governmental unit depend on its mandated duties, strategy, and objectives. The problem is to determine, among other things, which of these types of capacity are needed and to seek to enhance them.”¹⁶⁸ Cohen also argues, “Given limited resources and the pressing problem of improving governmental performance, it is essential to target capacity building on specific types of personnel.”¹⁶⁹

Following this line of thought, from an HR capacity standpoint we can surmise the following is critical for organizations:

- i) understanding what performance functions or tasks they need to focus on based on their mandate (be they central departments or implementation agencies);

¹⁶⁷ Donahue et al. op cit., p. 384.

¹⁶⁸ Cohen (1993), p. 12.

¹⁶⁹ Cohen (1995), p. 411.

- ii) determining the staff capability and expertise needed to perform these tasks;
- iii) developing and enacting strategies to attract and retain personnel if an expertise gap exists.

Again illustrating the integrated nature of the three-legged capacity stool, agencies need to have clarity regarding their role and mandate in order to begin the process of fully understanding what tasks need to be emphasized and what specific skills need to be employed. Further to this point, central departments play an important corporate role in developing and coordinating strategic policies that support HR capacity development, even more crucial given the unique HR capacity implications of P3s.

HR Implications of the P3 Model

From an HR perspective, given the newness of the P3 model, most agencies or governments will not even fully understand the capabilities required to do P3s well until they have done multiple projects. However, there is considerable documented experience to draw from.

From their research of the PFI program in the UK, Dixon et al (2005) conclude that a significant barrier to more effective P3 delivery is the general lack of P3 skills in the public sector, and the continual loss (leakage) of skilled personnel when expertise is developed. The result is often an imbalance of P3 expertise between the public and private sector actors. They note that skills shortages are particularly severe in the key tasks of project management and contract management. This often results from the inability of government to recycle expertise from one project to the next, due primarily to the allure of more lucrative

compensation in the private sector. Dixon et al also determined that a consequence of ineffective P3 project and contract management is that agencies often waive their contractual obligations, which can seriously undermine ongoing P3 governance performance and oversight activities.

Similarly, Malone (2005) argues that the lack of P3-specific skills explains the considerable amounts that governments spend on external advisors when negotiating P3 contracts. Such high transaction costs may at times even inhibit the government from taking the P3 route, although as Vining et al. (2005) discovered, creative accounting practices can often hide these from the final calculation of the project's true overall costs. Malone (2005) concludes there is a real need to develop public sector strategies to attract and retain the necessary *ex ante* P3 skills and expertise—in other words, to ensure sufficient performance capacity exists to properly manage a P3 program before committing to specific projects.

A classic example of the expertise required, and capacity demand placed on public managers in a P3 environment, is in the area of determining proper risk allocation during the “deal making” or procurement phase. European Commission (EC) guidelines state that a core objective of any P3 is the allocation of risk to the party best able to manage it at least cost: “The aim is to optimise rather than maximise risk transfer, to ensure that best value is achieved.”¹⁷⁰ The EC also found that *ex post* re-negotiations occur in up to fifty percent of P3 contracts surveyed, and that reassignment back to the public sector of some form of risk initially allocated to the private proponent often resulted from such renegotiations.

The knowledge and expertise required to manage P3 contracts is unique and considerable. As the OECD concludes from its review of P3s in member states:

¹⁷⁰ EC (2003), p. 15.

...the government's lack of skills may also give rise to a principal-agent problem . . . because the government does not have enough expertise to monitor and regulate the contract once construction and delivery begin. This situation might undermine the value for money that the government seeks from the PPP. However, given the government's lack of skills, it might not fully comprehend the precise reason why value for money is not achieved. The government's lack of skills also means that it is at a disadvantage if aspects of the PPP contract are renegotiated after the conclusion of the contract. Hence there is a real need for governments to develop the necessary skills and capacity to deal with PPP contracts.¹⁷¹

The lack of HR capacity (expertise) to properly negotiate P3 deals *ex ante* may inevitably force governments to rely even more on long term contract management and oversight to guard against opportunism. The irony of course is that long term project or contract monitoring will also have significant HR implications.

The experience of even the most sophisticated P3 jurisdiction (the UK) illustrates the challenge of recruiting and retaining P3 expertise without a central corporate HR strategy. For example, Grimshaw et al. (2001) conclude from their research of PFI projects in the UK healthcare sector, “. . . minimizing the tensions and dysfunctions associated with public-private partnerships is likely to require the retention of local expertise . . . with a capacity to negotiate and manage complex contracts effectively.”¹⁷²

Achieving this objective requires public managers that fully understand the intricacies of what constitutes risk in a P3 transaction, including: how various types of risk are measured

¹⁷¹ OECD (2008), p. 65

¹⁷² Grimshaw et al. (2001), p. 424.

and quantified; which party is best suited to assume which type of risk and how much of each type; and, the requirement of closely monitoring long term contracts to ensure risks transferred to the private firm (and the financial compensation that accompanies a firm taking on that risk) do not incrementally ‘creep’¹⁷³ back to the public sector. However, these task performance requirements are compounded by the confluence of a number of other factors affecting public sector HR capacity in general and P3s, including attrition due to the aging workforce,¹⁷⁴ and years of downsizing, privatization and restructuring in government.

The OECD (2006; 2007b) offers considerable data on the growing HR challenges facing governments more generally. One conclusion of note is that the aging workforce in OECD member states is magnified in the public sector because it generally has an older demographic profile than the private sector, and has chronically inadequate staffing levels in key skill areas where competition from the private sector is strongest, such as finance, information technology and project management.¹⁷⁵

It is projected that by 2013 nearly forty percent of BC’s provincial employees will be age 50 or older, with many of those expected to take advantage of early retirement at age 55.¹⁷⁶ McMullen (2002) also observes that the significant aging in Canada’s public sector workforce is partly reflected by the aging population as a whole, but also because of the trend in governments across Canada since the mid-1990s to outsource services and downsize

¹⁷³ See for example Barlow & Köberle-Gaiser (2009), Dixon et al. (2005), and Vining et al., op. cit.

¹⁷⁴ See for example BC (2002c) and McMullen (2002).

¹⁷⁵ See also <http://www.oecd.org/dataoecd/1/53/38019004.pdf>

¹⁷⁶ See BC, op. cit.

departments (generally referred to as the ‘hollowing of the state’¹⁷⁷), making the public sector a less-than-attractive career choice.

Other Factors Influencing P3 HR Capacity

When competition exists between private and public sectors for scarce P3 expertise the public sector is most often at a distinct HR disadvantage. Private firms are better able to adjust wages more quickly and to adapt to worker supply and demand and wage disparity between the public and private sectors is occurring in numerous sectors in government. However, as both the UNECE (2007) and the OECD (2008) point out, P3 salary differentials between the public and private sector are particularly acute, hindering recruitment of experts, but also leading to departure to the private sector of public officials with valuable P3 experience and expertise. Research by Partnerships BC also confirms that compensation (salary and benefits) in the private sector for P3 experts is more than twenty-five percent higher within Canada than for comparable public sector positions.¹⁷⁸

The UNECE (2007) adds that several other factors act to limit government’s ability to recruit and retain P3 talent compared to the private sector. These include: rigid recruitment systems; limited secondment opportunities into government from the private sector; restricted lateral movement within the civil service; and, frequent government department restructuring and portfolio re-alignments resulting in intra-departmental transfers and a universal lack of specialists. The UNECE advises that there is a critical need to counter this trend, including a more concerted ability or willingness of governments to dedicate the resources necessary for

¹⁷⁷ For more on the hollow state as a consequence of public sector reform, see for example Agranoff & McGuire (1998), Howlett (2001), Klijn (2002), Milward et al. (1993), O’Toole (1996), Rhodes (1994), and Terry (2005).

¹⁷⁸ See Lee (2011).

P3 programs to run properly: “The consequences of not doing so can be much more costly in poorly prepared and managed projects.”¹⁷⁹ This is reinforced by a recent UK survey that identified the lack of sufficient internal expertise as the most important impediment to successful PFI project planning and delivery.¹⁸⁰

The following advice from the OECD further speaks to the HR dilemma of under-resourcing P3 contract negotiations and ongoing project and contract management functions:

To attract and retain the needed skills, the government may be obliged to pay competitive salaries to the civil servants who handle PPP contracts – salaries that are comparable with those of their peers in the private sector. As may be expected, this is a rather contentious issue, since paying the civil servants involved in the management of the government’s obligations in a PPP contract a salary that is comparable to their private partner peers may create a discrepancy in civil service remuneration... But not doing so may result in a lack of government capacity, the cost of which – in terms of the cost of advisory services and the lost benefits due to weak negotiation skills – may exceed the additional costs of higher salaries.¹⁸¹

It is argued here that this observation can be generalized and applied to most aspects of P3 expertise. We can presume that meeting HR requirements in high-demand skill areas such as P3 expertise will transcend agency, jurisdictional and geographic boundaries. As such, staff recruitment and retention challenges are a shared problem across the public sector. Addressing recruitment and retention obstacles requires harmonized HR strategies at the agency, sectoral and government corporate levels; and, attention to this issue by central

¹⁷⁹ UNECE, 2007, p. 28.

¹⁸⁰ Partnerships for Schools (2007), conducted with school administrators and private P3 firms who develop new schools under the PFI Building Schools for the Future program.

¹⁸¹ OECD (2008), p. 65.

government agencies responsible for HR policies and practices has been noted as a best practice indicator in the model developed here.

Central Agencies and P3 HR Strategies

Consistent with the conclusions from the literature review of governance capacity, central departments play a critical role in the area of HR capacity development. Donahue et al. (2000) propose a number of government-wide and agency level measures to increase HR capacity, which can be generalized to this study. These include:

- government being aware corporately of dynamic changes in HR requirements over time and addressing changes and making strategic HR policy changes in response;
- the ability of government at a corporate level to obtain appropriately skilled and qualified employees in a timely manner—for example, through effective government-wide external recruiting efforts or internal professional development opportunities; and,
- ensuring that government's strategic HR structure supports the achievement of workforce goals, measured in ways such as staffing policies that are flexible in terms of promotion, lateral movement across departments, additional remuneration as a labor market adjustment for hard-to-find skill areas, and increased use of provisional workers.

An additional HR challenge with P3s is that the newness of this business model means that it will take time for governments to discover through real project experiences what specific capacities are required. This suggests that another important measure of effective strategic HR practices should include evidence of ongoing, *ex post* project reviews

(HR capacity feedback loops) to assess the skills required, compare against the capacity available, and determine if agencies have a capacity deficit in key task areas.

From this we can summarize two discernible criteria as indicators of HR capacity at a strategic level. As mentioned, the first involves central government establishing system-wide strategic HR policies and practices to staff key P3 functional areas and support cross-cutting or collaborative policy implementation. The second relates to the P3 skills and expertise required within central government itself to develop P3 program policies and regulations, provide technical advice and oversight of individual P3 projects, coordinate activities across the P3 task network, and perform necessary *ex post* project audits and program reviews.

HR Capacity and Inter-Agency Collaboration

Inter-agency collaboration can be an effective value-added platform to increase organizational capacity, particularly in a multi-agency environment like P3 program delivery. This being said, getting agencies to work well together in a multi-agency task network also provides another very real HR capacity challenge for government. Facilitating or supporting collaboration amongst agencies is a necessarily time-consuming, messy and purposive process that requires the deliberate dedication of skilled public managers.¹⁸²

For example, Pollitt (2003) concludes that effective implementation of the UK's joined-up government agenda has been hampered by the need for central government staff to acquire more appropriate coordination skills. Bakvis & Juillet (2004) also note that while central agencies play a critical role in horizontal initiatives in Canada, they have been

¹⁸² See for example Rhodes (1996, 1997), and Kickert et al. (1997).

hindered by several key constraints, including limited staff capacity to manage the cross-boundary challenges ('horizontal clutter')¹⁸³ that can emerge. Similarly, Lindquist (2004) links the presence of dedicated human resources at several key stations within core units of government (such as Treasury Board Staff) to greater system capacity, particularly when these resources explicitly support line departments and agencies at the forefront of cross-governmental horizontal initiatives.¹⁸⁴

Again reflecting the paradox of collaboration in a multi-agency environment, O'Toole observes that the 'hollowing of the state' has presented capacity challenges at the local implementation as well as at the central government coordination levels. He warns, "Without substantial management capacity, appropriate oversight mechanisms, and conscious and informed choice by program decision makers, the potential for error is real."¹⁸⁵ In support of collaborative activities, another study concludes, ". . . the capacity of the centre needs to be strengthened to enable it to perform its integrating, coordinating and monitoring role effectively."¹⁸⁶

Along this line of thought, Bardach's 'craftsmanship' model (1998) emphasizes the development of specific leadership skills in an inter-governmental collaborative environment, providing a helpful guide for evaluating the skills required for collaborative capacity. Even so, Goldsmith & Eggers (2004) conclude that public sector recruitment, training programs and reward systems are out of sync with modern collaborative practices, noting, "People with network skills—collaborative skills not currently highly sought nor valued by government—

¹⁸³ Lindquist (2004) describes "horizontal clutter" as unresolved issues between agencies when collaborating on cross-cutting policy issues. See also Bakvis & Juillet *op. cit.*

¹⁸⁴ This is also consistent with the analysis of others such as Davis (1997).

¹⁸⁵ O'Toole, 1996, p. 241

¹⁸⁶ Larbi (1998), p. 381.

need to be recruited, rewarded and promoted.”¹⁸⁷ This disconnect between the skills required and current training and recruitment strategies is supported by Sproule-Jones (1999), who pointedly observes that in the Canadian context the management skills or “craft” of collaboration and horizontal management is underdeveloped in professional public administration schools.

Regardless of the curriculum shortcomings of professional training institutions, governments have demonstrated that if skill areas are of sufficient importance then corporate recruitment strategies and professional development programs can be developed. This has occurred in areas such as project management and management leadership.¹⁸⁸ For example, the BC Government initiated a labor market wage-adjustment program in the mid-2000’s to provide additional compensation to attract and retain employees in hard-to-fill positions, although primarily in the information technology field.

HR Variable Summary

Criteria related to examining HR capacity should hone in on factors such as: the degree to which government is corporately aware of short and long term P3 HR capacity requirements; whether central agencies have the required amount of P3 knowledge and expertise to perform necessary coordination, due diligence and general governance functions;

¹⁸⁷ Goldsmith & Eggers, 2004, 159.

¹⁸⁸ For example the University of Victoria offers a BC Public Service Agency sponsored generalist Leadership Development Program, and has partnered with Camosun College and Royal Roads University to design and deliver two pilot programs for the BC Public Service Agency for new, middle, and senior public sector managers. See <http://www.uvic.ca/hsd/publicadmin/professionalDevelopment/home/publicsector/index.php>. The State of Victoria (Australia) also sponsors a P3 Leadership Program through the University of Melbourne which is required training for project managers of public agencies receiving P3 funding. See <http://www.mccp.unimelb.edu.au/courses/professional-development/PPP-leadership>

the presence of cross-department recruiting efforts to hire appropriately skilled and qualified employees in a timely manner, including labor market compensation (wage and benefits) adjustments; and, harmonization of strategic HR policies between government corporately and individual agencies.

An effective P3 program (rather than one-off or random P3 projects) requires sufficient in-house P3 expertise in key performance areas. Again illustrating the separate but complementary roles of central versus implementation agencies, central agencies need capabilities in P3 policy and program development and oversight, and technical competencies related to P3 due diligence, particularly risk allocation value-for-money analysis and project financing. At the implementation agency level, HR capacity would emphasize skills in project negotiation and procurement, project management, and operations or contract management. These can be clustered as ‘performance capacity’ elements.

However, ensuring sufficient human resources begins with agencies fully understanding the distinction between traditional capital projects and P3s, measuring the type and depth of skill capacity deficits, and developing strategies to address any shortfalls. While strategies might include hiring qualified consultants on an as-needed basis, best practices suggest that developing sound P3 projects and sustaining a comprehensive P3 program requires HR strategies that focus on creating adequate internal capacity by enhancing the skills of existing personnel and attracting and retaining scarce external P3 experts.

Central agency staff also require skills to champion the collaborative model and manage tensions from network activities involving multiple agencies with often competing priorities, cultures, mandates, and sources of political power. The literature also highlights

the value of this function as the ‘corporate glue’ that binds system-wide capacity requirements together, like addressing resource shortages that transcend agency boundaries in hard-to-find skill areas. The value of such a coordination role is even more significant when such strategies result in system-wide ‘reservoirs of expertise.’¹⁸⁹ Many of these factors are classified here as ‘structural support’ elements. Table 2.2 summarizes the key elements of HR capacity analysis obtained from the literature, and their adaptation into specific study questions.

¹⁸⁹ A term employed by Kettl (2006) to describe the necessary human resource capacity, technical knowledge and skills agencies must possess to achieve their mandate.

Table 2.2 - Key Elements and Questions to Examine P3 Human Resource Capacity

Element	Guiding Research Questions
<i>Performance Capacity in Key P3 Competency Areas</i>	<ul style="list-style-type: none"> • Do senior managers understand the basic distinctions between P3s and traditional infrastructure projects? • Is there sufficient staff in key P3 task areas? • Do the staff that are in place have: <ol style="list-style-type: none"> a) the requisite P3 knowledge, experience and skill set? b) P3 responsibilities written into job descriptions?
<i>Central HR Policy Development and Coordination</i>	<ul style="list-style-type: none"> • Did the government consider the HR implications of its P3 agenda? • Are <i>ex post</i> project reviews conducted to review the skills required, compared against the capacity available? • Is a corporate P3 personnel recruitment, retention or professional development strategy in place? • Is P3 expertise recognized by government as a hard-to-fill skill area? • Do professional and career development opportunities exist, such as formal P3 training sessions, temporary assignments or secondments, and lateral or vertical movement opportunities?
<i>Structural Supports</i>	<ul style="list-style-type: none"> • Are P3s identified as part of the departments'/ministries' broader corporate business plan? • Do staff (middle managers, professionals) share experiences or best practices as a "community of practice"? • Is infrastructure/capital identified as part of an agency's core functions?

Consistent with P3 governance, the key role of central agencies in HR capacity is strongly evident in the literature and in lessons learned from both P3s in practice and horizontal or cross-cutting policy implementation. This can manifest in several ways, such as: the manner in which central agencies support the P3 capacity requirements of implementation agencies, including strategic, corporate HR policies to develop in-house competencies in key performance areas; establishing a culture that supports inter-agency collaboration to share best practice and other information and maximize the use of scarce resources; and, the performance capacity of central agencies themselves to execute the key functions and tasks required of them.

For example, in a P3 environment, HR capacity requires the development and coordination of corporate strategies that take into consideration factors like: multiple agencies needing to attract and retain expertise currently scarce in government; promoting training programs that develop the requisite expertise from within the public sector; and management of knowledge gained as a result of such experience through ongoing activities such as ‘communities’ of learning and practice.¹⁹⁰ This notion of the value-added benefits of staff working across organizational boundaries in communities of practice is a prominent theme in the next section on collaboration.

Collaboration (Process) Variable

As this section reveals, the relevance and merits of collaboration amongst public sector agencies in general, and specifically in the P3 domain, is a consistent and important message in the literature. Features of collaboration emphasized include: the value-added dimension when resources are scarce and information exchange is a critical commodity; the cautionary message of the trade-offs of collaboration as an approach for addressing what some might consider a ‘wicked problem’¹⁹¹ in a complex, task-network environment; and, the recurring theme of the unique ‘horizontal coordination’¹⁹² role that central departments play in ‘implementation structures’.¹⁹³

¹⁹⁰ For greater detail on “communities of learning” see for example Agranoff & McGuire (2001), Benner (2003), Powell (1998), Powell et al. (1996), and Weber & Khademian (2008); and for “communities of practice” see Koffman & Senge (1993), Senge (1992), and Wenger (1998).

¹⁹¹ See for example ASPC (2007), Conklin & Weil (1998), Hubbard & Paquet (2007), Rittel & Webber (1973), Roberts (2000), van Bueren et al (2003), and Weber & Khademian (2008).

¹⁹² See for example Bakvis & Juillet (2004), Bourgault & Lapierre (2000), Hopkins et al. (2001), and Peters (2003).

¹⁹³ See Hjerm & Porter (1981).

Collaboration Defined

Prolific authors on collaboration, Wood & Gray define collaboration as occurring “. . . when a group of autonomous stakeholders of a problem domain engage in an interactive process, using shared rules and structures, to act or decide on issues related to that domain.”¹⁹⁴ Expanding on this definition, they add, “. . . a *collaborative alliance* can be described as an inter-organizational effort to address problems too complex and too protracted to be resolved by unilateral organizational action. Collaboration refers to the process; collaborative alliances are the forms.”¹⁹⁵

Although Wood & Gray provide a generalizable and very helpful starting point for this review, Himmelman (1996) provides further context by categorizing collaboration as the most complex and integrated form of inter-agency activity along a progressive continuum ranging from networking, to coordination, then cooperation, and finally collaboration.¹⁹⁶ He concludes that full collaboration amongst agencies is characterized by the exchange of information, altering of activities and sharing of resources.

Most relevant to this paper, Himmelman sees genuine collaboration as “. . . enhancing the capacity of another for mutual benefit and to achieve a common purpose.”¹⁹⁷ Providing additional texture and depth, Himmelman adds:

¹⁹⁴ Wood & Gray (1991), p. 146.

¹⁹⁵ Gray & Wood (1991), p. 4.

¹⁹⁶ Murray (1998) also suggests five subsets or types of collaboration that share similar features: 1) simple sharing of information or coordination of services; 2) joint efforts at community planning and problem solving; 3) joint service delivery when new funds are made available from central funders; 4) rationalization of existing programs and services; and 5) full partnership or merger to consolidate all resources.

¹⁹⁷ Himmelman (1996), p. 28.

Enhancing the capacity of another organization requires sharing risks, responsibilities, resources and rewards, all of which can increase the potential of collaboration beyond other ways of working together. In this context, collaboration is a relationship in which each person or organization wants to help their partners become better at what they do.¹⁹⁸

This perspective captures the features of inter-agency collaboration that are most relevant to an effective network of public agencies in a P3 domain, particularly the notion of public sector agencies “helping partners to become better at what they do.” In a bounded public sector policy domain (such as a P3 network), collaboration amongst public agencies has the potential not only to enhance the performance capacity of individual organizations, but also to achieve a broader public interest of treating knowledge and technical information as a public good, rather than as a commodity for the exclusive benefit or property of a given agency. If approached in this manner, the risk of potential opportunism amongst agencies within the network should be negated, minimizing the uncertainties and reluctance of agencies to commit time and other resources to the collaborative effort.

Finally, a comparison can be made between the notion of multiple public agencies collaborating in a P3 program implementation domain and private sector business-to-business strategic alliances. The reality for most private firms today is efficient use of scarce and limited in-house resources, which necessitates interconnected work environments with

¹⁹⁸ Ibid.

external partners.¹⁹⁹ As a result, effective organizational performance goes hand-in-hand with attention to the value-added system dynamics of supply or value chain management.²⁰⁰

Collaborate or Consolidate?

Before proceeding, it may be useful to briefly test the assumption of inter-agency collaboration as an ‘ideal’ model to implement a P3 program. Challenging the general size of government, Osborne and Gaebler (1992) argue that inter-agency collaboration is redundant or unnecessary when greater efficiencies can be achieved through rationalization, re-alignment and consolidation of resources and mandates into monolithic ‘super-agencies’.²⁰¹ The logic is to eliminate organizational boundaries and reduce coordination and management tasks or ‘transaction costs’.²⁰² In a P3 domain this could take the form of an all-encompassing special purpose P3 agency.

Through their international comparative analysis of P3 program delivery models, Rachwalski and Ross (2010) looked at this very issue, identifying advantages and disadvantages in consolidating expertise within a lone ‘special purpose’ P3 agency or SPA. They conclude:

While a strong SPA may be most appropriate when establishing P3s as a mainstream model, over time the critical link between infrastructure and service delivery, as well as P3s and traditional infrastructure procurement, may be best served by developing

¹⁹⁹ See for example Beekman (1999), Doz & Hamel (1998), Erridge & Greer (2002), Faulkner (1995), Handfield & Bechtel (2004), Ramu (1997), Sobrero & Roberts (2001), and Williamson (1985).

²⁰⁰ See for example Clifton & Duffield (2006), Dyer & Singh (1998), Friedberg & Neuville (1999), Grandori & Neri (1999), Gulati (1995, 1998), Kanter (2000), McCutcheon & Stuart (2000), Parker & Hartley (2003), Powell (1990), and Ring (1999).

²⁰¹ An approach Hjern & Porter (1981) term the “lonely organization syndrome.”

²⁰² See for example Hill, C. (1990), Parker & Hartley (2003), and Williamson (1991).

P3 capacity (e.g., separate P3 units) within line departments, supported by a system structure that promotes networking and collaboration amongst such units. . . . What seems key is for governments to have a long range vision and corporate strategy that anticipates, promotes, and supports a structure or system architecture which encourages continuous learning and improvement—and not just of P3 methods. They should strive to improve the manner in which multiple agencies collaborate to achieve a broad public sector policy agenda.²⁰³

Further to this point, Bardach (1998) observes that public sector restructuring to create ‘super agencies’ often results in a layered hierarchical implementation structure within a single organization, producing less obvious but nonetheless very real boundaries or silos between functional units within the same organization. He emphatically points out: “. . . if there is one proposition on which consensus among students of public administration is firm and widespread, it is that reorganization normally produces little of value at a very high cost in time, energy, and personal anxiety.”²⁰⁴ This is reinforced by Chisholm (1989), who concludes from his research on inter-agency coordination of public infrastructure programs:

The assumed virtues and economies of vertical integration schemes and of efforts to streamline multi-organizational sectors by eliminating duplication and overlap are exaggerated. In fact, they have more to do with bureaucratic politics than with effective performance. Even where such reorganizations are genuinely intended to

²⁰³ Rachwalski & Ross op cit., p. 293-294, parentheses added.

²⁰⁴ Bardach, 1998, p. 16.

improve performance, the record indicates the failures; in some cases they have caused considerable damage and brought few benefits.²⁰⁵

Assuming, then, that restructuring public sector functions to create a monolithic P3 agency is not the approach taken in any given jurisdiction, the paper returns to examining the notion of collaboration as a means to enhance capacity in a multi-agency P3 domain.

Why is Collaboration Amongst Public Agencies Relevant?

There are numerous aspects of P3 program delivery that support the notion of inter-agency collaboration. Beginning more broadly, several decades ago Emery and Trist (1965) categorized the increasingly complex and boundary-spanning nature of issues facing public agencies as creating ‘turbulent environments’ for their managers to navigate. In turbulent environments, problems are characterized by uncertainty and consist of complex and unclear boundaries where individual organizations cannot be expected to be effective through their own independent actions. They also note how traditional hierarchical accountability methods are frequently unsuccessful in such environments, which rings even more true in today’s public sector environment of cross-cutting policy issues.

Prolific scholars on this topic, Koppenjan and Klijn (2004) add that the inter-agency collaborative approach reflects the complexity of today’s societal problems; the involvement and dependency amongst multiple societal actors is needed to address problems in what Trist (1983) calls a ‘meta-domain’. Trist argues that such domains are often ‘messy’ and ‘turbulent’ for public managers to achieve results if working in isolation, adding that in such

²⁰⁵ Chisholm (1989), p. 6.

environments, “The response capability required to clear up a mess is inter and multi-organizational.”²⁰⁶ Consistent with this, Gray concludes, “Collaboration offers an antidote to turbulence by building a collective capacity to respond to turbulent conditions.”²⁰⁷ She also adds, “Since each stakeholder can apprehend only a portion of the problem, by pooling perceptions greater understanding of the context can be achieved.”²⁰⁸ This would seem to validate the argument that collaboration amongst public agencies has value-added qualities.

In another general commentary on the state of public management, Thomson and Perry suggest an additional reason to emphasize inter-agency collaboration, arguing “. . . collaboration is becoming an imperative for public managers. Devolution, rapid technological change, scarce resources, and rising organizational interdependencies are driving increasing levels of collaboration.”²⁰⁹ Having examined collaboration in practice, Metcalfe and Richards also observe that a hallmark of success in contemporary public management (what could be considered ‘exemplary practice’) is intensive and sustained inter-organizational co-operation: “. . . good results depend on co-operation among many organizations with interdependent functions rather than single-minded pursuit of individual organizational objectives.”²¹⁰ This also touches on the public interest merits of public sector inter-agency collaboration.

Certainly, numerous authors refer to the value-added or ‘invisible products’²¹¹ which can follow from collaboration across agency boundaries, such as technical know-how and

²⁰⁶ Trist (1983), p. 270.

²⁰⁷ Gray (1996), p. 58.

²⁰⁸ Gray (1985), p. 916.

²⁰⁹ Thomson & Perry (2006), p. 20.

²¹⁰ Metcalfe & Richards (1990) p. 237.

²¹¹ Huxham (1996).

other services not easily produced or traded through the market.²¹² Considine and Lewis (2003), for example, contend that the coordinated pooling of expertise and other resources in a complex multi-agency policy domain serves as a more effective mechanism to achieve greater problem identification and problem solving capacity than if organizations act on their own.

Returning to Bardach's notion of 'craftsmanship theory' (Bardach, 1998), the very act of collaboration amongst agencies creates not just additional capacity for the agency but value-creating capacity for the overall system or network of agencies involved. Such value occurs in large part by improved practice from informal sharing of new techniques and best practices, consistent with communities of learning and practice.²¹³

A general consensus in the literature is that in appropriate settings and circumstances, collaborative practices amongst independent agencies can provide a value-added dimension to optimal sharing of scarce resources, and efficient and equitable dissemination of knowledge and experience.²¹⁴ Again, this reinforces the public interest aspect of collaboration amongst public sector agencies in a policy domain like P3s. However, despite its obvious virtues, several authors' caution of the 'mixed blessing' associated with inter-agency collaboration—the value-added benefits, but also the associated costs.²¹⁵

²¹² Hudson et al. (1999).

²¹³ See for example Agranoff & McGuire (2001), Powell (1998), and Powell et al. (1996).

²¹⁴ See for example Bakvis & Juillet (2004), Bardach (1998), Benner (2003), Erridge & Greer (2002), Huxham & Vangen (2000), Mintzberg et al. (1996), Powell (1990), and Weiss (1987).

²¹⁵ See for example Bardach (op. cit.), Colgate & Lang (2005), Huxham et al. (2000), Lindquist (2004), O'Flynn (2009), and Weiss (1987).

The Paradox or “Duality” of Collaboration

The reality of collaboration seems much more complex than some would suggest. One author refers to it as, “. . . intriguing, in particular, because of its paradoxical nature, combining competition and cooperation, and autonomy and interdependence.”²¹⁶ Even with public-to-public interactions, ‘transaction costs’²¹⁷ are incurred, such as the commitment of staff time and other often limited resources. Despite being a strong advocate of inter-agency collaboration, Bardach cautions, “Collaboration should be valued only if it produces better organizational performance or lower costs than can be had without it.”²¹⁸

Others also note that the skills required to manage collaborative relationships (whether internal to government or involving external organizations) are rarely considered as part of the toolkit of resources modern public managers possess.²¹⁹ This is an important capacity sub-issue, particularly in the context of the potential trade-offs associated with collaboration and the need to develop collaboration-specific HR training and recruitment programs.

Thus, collaboration is both an individually rational strategy and a means of collectively improving network management and resource efficiency. The challenge for public managers is to identify opportunities for collaboration that create public *benefit* while simultaneously minimizing problems and associated *costs*. With this in mind, it is important to establish in which policy domains and under what circumstances collaboration may be

²¹⁶ Rodríguez et al. (2007), p. 151.

²¹⁷ See for example Hill (1993), Parker & Hartley (2003), and Williamson (1985).

²¹⁸ Bardach (op. cit.) p. 17.

²¹⁹ See for example Agranoff & McGuire (2001), Bardach (op. cit.), Milward & Provan (2001), O’Toole (1988), Page (2004), and Sproule-Jones (2000).

most effective. It is argued here that a comprehensive P3 program represents a logical, if not an ‘ideal’ domain to practice collaboration amongst public agencies.

An important task for researchers is to explain how on the one hand collaborative processes enhance governance and management capacity practices, while on the other hand recognizing there can be inherent structural and organizational constraints to collaboration—a point noted in Chapter Eight as worthy of much more detailed future study. In the meantime, the question of how to best study collaboration in practice can be answered by expanding on the notion of the task-network discussed in Chapter Two.

Task Networks

The concept of multiple agencies reliant on each other to perform separate but interconnected tasks in support of public policy implementation is an important theme evident throughout the literature.²²⁰ Referring to this environment as the ‘task network’, Hilderbrand and Grindle see this as an important dimension of public sector capacity, arguing, “The interactions of organizations within this network can facilitate or constrain organizational performance.”²²¹ As introduced in the previous section on governance, ‘mapping’²²² the role and function of the constellation of organizations involved in the task network can help to better understand their relationships and to obtain ‘thick descriptions’²²³

²²⁰ See for example Agranoff (2003), Agranoff & McGuire (2003), Alter & Hage (1993), APSC (2007), Bakvis & Juillet (2004), Bardach (2001), Bertels & Vredenburg (2004), Bryson et al. (2006), Chisholm (1989), Grindle & Hilderbrand (1995), Hanf & O’Toole (1992), Hilderbrand & Grindle (1994), Hjern & Porter (1981), O’Toole (1986), Rachwalski & Ross op cit., Sproule-Jones (2000), Sullivan & Skelcher (2002), Trist (1983), and Weiss (1987).

²²¹ Op. cit., p. 14.

²²² See for example Campbell & Gregor (2002), and Grindle & Hilderbrand, op. cit.

²²³ As described by Marshall & Rossman (1989).

of the overall ‘action environment’²²⁴ or ‘ecology’²²⁵ of the network, adding greater vigour to studying system capacity.

Returning to Hilderbrand and Grindle, the value of this mapping exercise in determining system capacity is explained as follows:

The organizational map is the picture of the task network: the organizations with primary responsibility for carrying out the task, those that are less central but still play a role, and those that provide various kinds of support to the performance of the task. The description of interactions between these organizations is important, as is analysis of whether the interactions among the institutions are effective or are an area of capacity weakness... Questions of relationships and coordination among organizations are important here. Starting with a map of the organizations in the task network places the performance of the task at the center of the research design, just as it is central to the conceptual framework.²²⁶

This highlights the importance of examining agency dynamics within networks. Also referred to as ‘network analysis’ by Agranoff and McGuire (1999), this approach can be used to illustrate political and economic power moves by players, and other structural characteristics of the network. Such dynamic interactions affect the kind of value-added or synergistic creativity that reciprocal relationships are purported to produce, impacting a system’s capacity to produce desired policy outputs in complex environments.²²⁷

²²⁴ This refers to the economic, social, and political milieu in which organizations attempt to carry out their activities and the extent to which conditions in the action environment facilitate or constrain performance. See Hilderbrand & Grindle (1994).

²²⁵ A term used by Cohen (1995) that essentially describes the same elements as the action environment.

²²⁶ Hilderbrand & Grindle *op. cit.*, p. 24.

²²⁷ See also Bardach (1998), Goggin et al., *op. cit.*, Rhodes (1988), and Wildavsky (1979).

There is also an inherent interconnectedness between the culture of a network of agencies at the implementation agency level and the overall tone or working environment set by policies and practices established at the central government or corporate level. Again, the degree of synergy or constructive integration between central and implementation agencies can either support or deter effective inter-agency collaboration,²²⁸ which network mapping can also help reveal.

The Merits of Collaboration in a P3 Domain

The literature establishes the complex nature of many of social issues and the advantages of addressing them using a multi-agency approach. Logically, if public organizations have shared problems or mutual interests, collaboration is an effective value-added proposition. However, does this relate to implementing a comprehensive P3 program?

It is argued here that the multiple-agency character and complex nature of P3 projects, combined with the chronic scarcity of P3 expertise in government, elevate the logic of inter-agency collaboration as a mechanism to achieve greater system-wide capacity to achieve optimal P3 program performance. Given the cross-cutting nature of the P3 domain, it is necessary to take advantage of the inherent benefits of inter-agency collaboration within the P3 task network—supported through central government initiated strategic policies and practices that advance the collaborative or network model.²²⁹

²²⁸ See for example APSC (2007), Bakvis & Juillet (2004), and Lindquist (2004).

²²⁹ As described by Bakvis & Juillet (2004), Bardach (2001), Lindquist (2004), and UK Cabinet Office (2002, 2008).

It also seems logical to include relationship management as both a process to accomplish tasks and a skill that staff should be hired for or trained to perform in an increasingly networked environment, a point revisited in the next section on HR capacity. As Grindle and Hilderbrand (1995) contend, “(m)ost organizations that perform well are ones that have cultures stressing flexibility, problem-solving, participation, team work, and shared professional norms.”²³⁰

Several authors have noted that the experience in the UK has seen the need to increase rather than limit or decrease the number of agencies involved in P3 implementation, marked by both considerable autonomy and considerable collaboration amongst them.²³¹ The payback of collaboration can be particularly acute when the complexity of a policy issue spans organizational and governmental boundaries,²³² and it is repeatedly argued here that a comprehensive P3 program meets this criterion, particularly in a federated state like Canada.²³³ Highly relevant examples from other jurisdictions include:

- The National PPP Forum established in 2004 by the Government of Australia to establish greater inter-governmental cooperation to improve P3 project and related service outcomes, harmonize policies and processes, and achieve greater consistency, cooperation and information sharing amongst all levels of government;²³⁴ and

²³⁰ Grindle & Hilderbrand, *op. cit.*, p. 444.

²³¹ See for example Clark & Root (1999), Eaton (2007), Hodge & Greve (2005), IMF (2006), Li & Akintoye (2003), PFS (2007), Pollitt (2000), Spackman (2002), and UNECE (2007).

²³² See for example Bakvis & Juillet (2004), Howlett (2002), IPAA (2003), and Imperial (2001).

²³³ Although a Canadian example could be PPP Canada Inc., created by the Federal Government in 2010, there is little evidence to date that this agency will perform any of the capacity building and overall P3 coordination seen in Europe and Australia.

²³⁴ The National PPP Forum was replaced in September 2010 by Infrastructure Australia. See http://www.infrastructureaustralia.gov.au/public_private/index.aspx

- The recently established European PPP Expertise Center (EPEC) as a joint initiative of the European Investment Bank, the European Commission and member and candidate countries explicitly formed to help strengthen the capacity of member countries to undertake P3s.

Applying Emery and Trist's (1965) notion of 'turbulent environments' to a P3 context, both the academic literature²³⁵ and best practices information²³⁶ consistently portray the complexity of negotiating P3 deals and the uncertainty inherent in long term P3 arrangements as a turbulent environment for public managers to navigate. In a dynamic P3 policy domain, individual organizations within a network or system of agencies involved in delivering P3 projects may come and go but 'messy' problems associated with P3s themselves will transcend network membership. Governments, therefore, need to be mindful of the messiness of P3s and the performance capacity implications when designing a sustainable P3 program.²³⁷

In a P3 context, we can surmise that an indicator of a well-functioning agency is one that willingly shares technical information, emergent best practice knowledge, HR expertise and other resources within the P3 task network. However, as we see in the next section, due to power imbalances between agencies and the competition between agencies resulting from

²³⁵ See for example Ahadzi & Bowles (2004), Boase (2000), Bovaird (2004), Bult-Spiering & Dewulf (2006), Clifton & Duffield (2006), Cohn (2005), Daniels & Trebilcock (2000), Dixon et al (2005), Duffield (2008), Dutz et al. (2006), Eaton et al. (2007), Edwards et al. (2004), English & Guthrie (2006), Grimshaw & Lewis (2004), Hodge (2005), Hodge & Greve (2005), Holmes et al. (2006), Li & Akintoye (2003), and Rachwalski & Ross op cit.

²³⁶ See for example ADB (2008), CCPPP (2005), EC (2003), Ernst & Young (2006), Fitzgerald (2004), IMF (2006), PBC (2006, 2007), PfS (2007), UNECE (2007), and Victoria (2001).

²³⁷ See for example de Bettignies & Ross (2004), Pollock, Price & Player (2005), Shaoul & Stapleton (2003), Teisman & Klijn (2001), UNECE (2005a), and Vining et al. (2005).

resource scarcity, central agencies play a key role in establishing and managing collaborative intra-governmental environments.

The Role of Central Departments in Task Networks

Reflecting the integrated nature or commonality amongst the three legs of the capacity stool, several authors emphasize the critical role of central departments in the task network. In support of the important governance function of appropriately mandated central agencies, another measure of capacity is how adequately resourced such agencies are to coordinate and manage overall system collaboration.²³⁸ As mentioned, the degree of synergy between central departments and implementation agencies can either support or deter effective inter-agency collaboration.²³⁹ Grindle and Hilderbrand (1995) conclude that organizations and their personnel do not exist and perform in a vacuum; rather “. . . they are embedded in complex environments that influence their ability to carry out tasks effectively and efficiently.”²⁴⁰

As Kettl observes, “. . . enough evidence exists to show that making policy changes stick requires sustained hard work; a recognition that the entire process cannot simply be left to fend for itself; and a substantial investment in management capacity—in people, processes and technology.”²⁴¹ Kettl (1995, 2005) adds that part of this ‘hard work’ involves getting agencies to adapt rigid bureaucratic systems characterized by arrangements, processes and cultures that are territorial or ‘pathological’, and where units employ what he refers to as an

²³⁸ See for example Australia (2004, 2006), Bakvis & Juillet (2004), EC (2003), Lindquist (2004), and Peters (1998, 2003).

²³⁹ See for example Bakvis & Juillet op. cit., Donahue et al. (2000), Grindle & Hilderbrand op. cit.

²⁴⁰ Grindle & Hilderbrand op. cit., p. 443.

²⁴¹ Kettl, 1995, p. 455.

‘interest tracking drill’ to identify threats, obstacles, opponents, and even enemies to the status quo of an organization’s current way of doing business. We can certainly see the importance of central agencies establishing more constructive types of inter-agency arrangements and processes to off-set territorial behaviour and create an overall collaborative culture.

Reinforcing Kettl’s message, Hanf and O’Toole (1990) deem the central agency coordination function as critical in complex policy domains to ensure effective use of limited public sector resources and link information, units and capacities that often span multiple ‘bureaucratic niches’. Effective coordination in this context may require particular attention to the skill set, leadership qualities and overall culture of central government agencies in the form of catalytic or ‘symbolic capabilities.’²⁴² Trist’s (1983) notion of ‘referent organizations’ within central government also seems directly relevant to developing an enabling environment necessary to nurture and support effective inter-organizational policy implementation and manage horizontal clutter.

For example, Australia’s whole-of-government²⁴³ strategic perspective has a particular focus on central agencies supporting the development of inter-agency expertise and relationship building to address the status quo of agencies operating in seclusion. Similarly, joined-up government²⁴⁴ emerged in the late 1990’s as a central theme of the UK government’s *Modernizing Government* agenda. Citing the pivotal role of central units,

²⁴² See for example Bakvis & Juillet (2004), and Lindquist (2004).

²⁴³ See Australia (2004).

²⁴⁴ See Cabinet Office (1999).

Pollitt observes how the joined-up government concept aspires to, “. . . achieve horizontally and vertically co-ordinated thinking and action.”²⁴⁵

In a variation of this same theme, managing horizontal government has become somewhat of a ‘mantra’ in Canada to address complex public policy coordination issues, particularly across federal departments and multiple levels of government. While central agencies have a critical role in managing horizontal initiatives, several authors note that historically such agencies have been hampered by several key constraints, including uncertainty of their role and mandate, and limited human resources to manage the cross-boundary challenges or clutter that can emerge.²⁴⁶ Especially important in complex policy domains, the presence of structural (institutional) arrangements and dedicated resources at several key stations within the core of government (such as Treasury Board Staff) are linked to greater system capacity, particularly when these resources explicitly support line departments and agencies at the forefront of cross-governmental horizontal initiatives.²⁴⁷

Central government agencies have a key strategic role to play in establishing a collaborative culture that supports a system of agencies (like a P3 task network) being collaboration or ‘partnership-ready’²⁴⁸ amongst themselves. Central units also need to perform a ‘locus of control’²⁴⁹ function, establishing and overseeing fundamental rules of the game or ‘repertoires of behavior’²⁵⁰ necessary to address issues such as power imbalances

²⁴⁵ Pollitt, C. (2003), p. 35.

²⁴⁶ See for example Bakvis & Juillet op. cit., Bourgault & Lapierre (2000), Hopkins et al. (2001), Lindquist (2002a), Peters (1998, 2003).

²⁴⁷ This is consistent with the analysis of Lindquist (2004), and Davis op. cit.

²⁴⁸ See for example Kernaghan (1993) and Langford (2002).

²⁴⁹ See Klijn et al. (1995).

²⁵⁰ Hill (1990) defines repertoires of behaviour as the explicit and tacit rules, routines, and procedures that shape the way in which organizations (or individuals) make decisions and generally conduct themselves when interacting with other agencies.

within a public sector policy network. This would include managing inter-agency tensions that can emerge when organizational mandates and priorities clash, and power imbalances between implementation agencies distort consensus on collective outcomes²⁵¹ - again managing horizontal clutter. In a P3 context, such disorder might include the residual effects of agencies adjusting to working together when a new policy agenda like P3-first is introduced, as they attempt to operationalize cross-boundary P3 policy implementation issues at the departmental or local agency level.

Returning to the notion of mapping the task network, examining the roles, functions and relationships of central versus implementation agencies as distinct clusters helps differentiate between the unique tasks associated with each group (for example, project oversight, project management, procurement) and the administrative or performance capacity to conduct those tasks. This approach also provides a better understanding of the power dynamics within the task-network, manifest through inter-agency activity both within each group and transcending the rational boundaries between the two clusters.

Collaboration Summary

Despite potential trade-offs, the attributes and value-added benefits from collaboration amongst agencies in complex and turbulent environments can be an effective and highly valuable means to increase agency performance capacity. From a researcher's standpoint, the manner and degree to which agencies work together or collaborate (sharing

²⁵¹ See Klijn et al. (1995).

resources and imparting technical and process knowledge, experiences and best practices) can be an important measure or indicator of network effectiveness.²⁵²

For this study, two categories or elements of collaboration resulted from the review of literature and lessons learned. The first involves examining or mapping the relational aspects between agencies within the two clusters of central (corporate) departments and implementation agencies, and also the nature of interactions between these clusters. The second relates to structural factors, particularly the more formal, institutional aspects of the network of agencies, including the mandate and role central agencies play in policy coordination and management of network or horizontal clutter, and the strategic importance government places on inter-agency collaboration. Table 2.3 presents the specific study questions related to examining collaboration capacity.

²⁵² This is particularly evident in the work of Bardach (1998, 2001), Milward & Provan (2001, 2006), and Powell (1990, 1998).

Table 2.3 - Key Elements and Questions to Examine Collaboration Capacity

Element	Guiding Study Questions
<i>System Structure</i>	<ul style="list-style-type: none"> • Do executive level P3 specific inter-agency committees exist? • Do staff level P3-specific working groups exist? • Is there a P3 ‘champion’ within the agency’s executive (if not a specialized P3 agency)? • Are P3s identified as part of the department/ministries broader corporate business plan? • Do “objective” elements exist to support collaborative activities, such as: <ul style="list-style-type: none"> ○ tangible and discrete resources (personnel, office space, equipment, databases); ○ formal agreements at senior levels that might revolve around the sharing of resources and information. • Do central agencies provide a coordinating function? • In mapping the network structure/architecture: <ul style="list-style-type: none"> ○ What is the power dynamic amongst agencies? ○ Do formal procedures reflect P3 operations in practice? ○ Do agency clusters (central versus implementation agencies) reflect real organizational boundaries?
<i>Relational Dynamics</i>	<ul style="list-style-type: none"> • To what degree do agencies collaborate to share P3-specific resources, knowledge and experiences? • To what degree do agencies generally collaborate to share resources, knowledge and experiences? • Do “subjective” components exist, such as: <ul style="list-style-type: none"> ○ Evidence of organizational and staff buy-in to the concept of collaboration; ○ Belief (trust) that other parties will contribute adequate resources in support of the collaborative effort. • Do organizations have a culture stressing flexibility, problem-solving, participation, team work, and shared professional norms?

Analytical criteria to evaluate the system structure can be drawn in large part from the considerable literature on network management,²⁵³ and includes elements such as: frequency of interaction; the types of information and data shared; whether collaboration is informal or an explicit capacity-building strategic priority; and, mapping of the relations and power

²⁵³ See for example Agranoff (2003), Agranoff & McGuire (2001), Arya & Lin (2007), Bardach (1998), Breukers & Wolsink (2007), Klijn et al. (1995), Oliver (1990), Provan & Milward (2001), and Provan et al. (2004).

elements amongst agencies in the network.²⁵⁴ Drawing from this model helps to better understand and measure the dynamic interplay between multiple public agencies (each performing critical tasks in a comprehensive P3 program), and the characteristics of the agencies involved.

As a contribution to the study's overall analytical model, examining the structural characteristics within a P3 task-network provides a useful indication of performance capacity or response capability at the problem domain or system level.²⁵⁵ This becomes particularly valuable in examining relationships between core or central government units and implementation agencies, a benefit of clustering agencies into these identifiable groups for study purposes. Again, the distinction between central and implementation agencies and the variations on how capacity should be viewed according to each category is a common theme or linkage across the legs of the capacity stool.

Summary of the Analytical Model

Although a large body of literature exists on public sector capacity, the analytical model developed for this study provides a comprehensive alignment of the key elements that define capacity and form the three-legged capacity stool - particularly in a P3 context. This model promotes the integrated nature of the variables and highlights the importance of governments paying proper attention to each as a means to effectively support the capacity requirements of P3 policy implementation.

²⁵⁴ See for example Alter & Hage (1993), Campbell & Gregor, (2002), Elmore (1985), Grindle & Hilderbrand, *op. cit.*, and Gulati & Kletter (2005).

²⁵⁵ See for example Gray (1996), Gray & Wood (1991), Wood & Gray (1991), O'Toole (1988, 1997), Page (2004), and Sullivan & Skelcher (2002).

These variables have distinct but also complementary features and capacity functions. For example, government inter-agency collaboration through informal value-added communities of learning or practice is increasingly recognized as a critical capacity building enterprise that serves a broader public interest when resources are scarce and information sharing is crucial. In addition, the requirements of good governance can be viewed as providing 'macro' challenges, and creating conditions for greater intra-governmental collaboration and developing expertise to collaborate are an important means of addressing these challenges. Generating and supporting such conditions is widely seen as a critically important role of central agencies.

The prominent role of central agencies is an important theme from the review, and one that transcends each variable or leg of the capacity stool. Governance can only be effective if supported through formal (institutionalized) governance structures and informal processes, managed by adequately resourced, appropriately mandated and P3-impartial central departments.

The newness of the P3 model and the multi-agency implementation structure of P3 programs in most jurisdictions reinforce the need for centrally coordinated HR strategies to attract and retain expertise. Evidence of central coordination should be a separate program accountability or performance measure in government program evaluations.

For the public administration profession and practitioners alike, another value derived from developing an analytical framework such as this is summed up nicely by Hilderbrand and Grindle:

There are no easy solutions to building public sectors that are capable of effective performance over a broad range of development tasks and there are certainly no quick fixes for those that perform poorly. Nevertheless, capacity for effective performance of development tasks can be built and sustained. A framework that helps identify elements of effective performance and that facilitates identification of capacity gaps is a first step in considering how to intervene to build capacity.²⁵⁶

While a positive outcome of this paper could be informing interventions that build greater P3 capacity, the intent is to develop and test a model for examining public sector capacity - a model to help fill a gap in the literature on public policy implementation capacity more generally, and more specifically on P3 program delivery capacity.

The literature and lessons learned from P3s in practice affirm the multiple dimensions of public sector capacity and the capacity implications of P3 program delivery in a multi-agency environment. Again, when P3 programs are introduced in the midst of downsizings and broader government reforms the requisite capacities can be compromised.

Before proceeding with a presentation and analysis of the research results, the next chapter presents the study's overall research methodology, emphasizing how the analytical framework presented here was applied in practice.

²⁵⁶ Hilderbrand & Grindle (1994), p. 14

Chapter Three - Study Methodology

Introduction

The complexity of the P3 model and its effect on public sector business practices suggest numerous paths the researcher could take to explore this fascinating phenomenon. For example, one could find considerable merit in tracing the social movement origins of P3s or the loss of government policy autonomy due to the long term obligations inherent in P3 deals. Another path could follow the work of scholars like Vakil (2009) and Rachwalski and Ross (2010) to explore the introduction of the P3 model in the context of changing public sector values and culture (bureaucratic inertia) to accommodate new ways of doing government business.

The increased trajectory of the P3 movement across Canada and particularly in British Columbia is manifest in many ways, such as the creation of special purpose P3 agencies like Partnerships BC and P3-first infrastructure procurement policies. The assumption is that P3s as a strategic priority is upon us, and it is critical to better understand the capacity implications of this complex business model from a policy implementation standpoint. Concern with the institutional and performance capacity of a system of public agencies to enact a comprehensive infrastructure P3 agenda and the political imperative of healthcare P3s in BC leads to the study's central research question introduced in Chapter One:

Does the public system associated with BC's healthcare sector have the necessary capacity to advance a sustainable and effective P3 program?

Having established the relevance of the multiple-variables perspective of capacity proposed, answering this research question requires a methodology that pays sufficient attention to each variable while capturing the numerous dimensions of capacity and their interconnectedness. With this in mind, I believe the key to effective application of the analytical model is a triangulation research design, employing multiple data sets that complement each other. Each provides particular strengths in examining each of the three the capacity variables. This design is examined in considerable detail later in this chapter, along with a discussion of the study's challenges, limitations and ethical issues faced, and how they were addressed. For now it is helpful to briefly revisit the purpose of the study.

Study Purpose

On surveying the research literature on the P3 phenomenon, there is a noticeable deficit in studies that explicitly examine the capacity implications for the public sector where P3s have emerged as a government strategic priority. Some commentary points in the right direction in terms of capacity deficits resulting from government reforms,²⁵⁷ including Langford (1999, 2002), who underscores the increased scholarly attention to the challenges that public partnering has received in Canada. As Langford concludes: “. . . governments will have to create and sustain capacity to manage these boundary spanning activities. In my view, this represents a daunting challenge to even the largest and most sophisticated public services.”²⁵⁸ Although very helpful in highlighting the need to pay attention to an important emerging phenomenon, such observations generally view implementation issues in the

²⁵⁷ See for example Rodal & Mulder (1993), Sproule-Jones (2000), Terry (2005), and Whorley (2001).

²⁵⁸ Langford (2002), p. 40.

context of the more broadly applied rubric of ‘alternative service delivery’ (ASD),²⁵⁹ and do not fully capture the unique complexities and the extent of capacity issues inherent in infrastructure P3s.

In a recent comparative study that included numerous Canadian and international examples, Rachwalski and Ross (2010) focus specifically on the question of whether governments should create special purpose P3 agencies or develop capacity and expertise inside traditional (line) departments such as transportation and health. While their approach provides a helpful top-down²⁶⁰ perspective on P3 capacity at the institutional level, it stops short of developing a comprehensive framework to assess P3 capacity either at the individual agency and system level or whether capacity is factored into government planning when establishing P3s as a strategic priority.

The study presented here is strongly influenced by research gaps in methodology and content on the explicit capacity implications of the P3 phenomenon. For example, public management implications of P3s are often limited to the context of broader program reviews focusing on economic efficiency factors such as value for money and risk management performance improvements²⁶¹ or performance issues related to contract and project management.²⁶²

²⁵⁹ For an extensive discussion and analysis of the broad ASD environment in a Canadian context, see the various contributions in Ford & Zussman (1997a), as well as Kernaghan (1993), Langford (1997), and Zussman (2002).

²⁶⁰ See for example Pressman & Wildavsky (1973) and Sabatier (1986).

²⁶¹ See for example ADB (2008), Ahadzi & Bowles (2004), Coates et al. (2008), Dixon et al. (2005), Duffield (2008), Eaton et al. (2007), Edwards & Shaoul (2003), Edwards et al. (2004), English (2005), English & Guthrie (2006), EIB (2005a, 2005b), Froud & Shaoul (2001), Grimshaw & Lewis (2004), Grout (2005), Hart et al. (1997), Hodge (2004), Holmes et al. (2006), IMF (2006), Kwak (2009), Monteiro (2005), and OECD (2008), Pollock et al. (2002, 2005), Quiggin (2005), Schneider (2000), Spackman (2002), and Vining et al. (2005).

²⁶² See for example Daniels & Trebilcock (2000), Dixon et al. (2005), Edwards et al. (2004), Erridge & Greer (2002), EC (2003), Farrugia et al. (2008), Fitzgerald (2004), Grinshaw et al. (2001), Lortie (2008), Mylvaganam & Borins (2004), Parker & Hartley (2003), and World Bank (2006).

Overall, there is a dearth of original research that examines and integrates in a comprehensive way the multiple dimensions of capacity in a P3 domain as presented here. The analytical model developed for this study, and the application of this comprehensive and integrated framework through multiple sources of enquiry, is an attempt to fill this void.

Overall Study Method

The previous chapter outlines in considerable detail several important outcomes of the review of scholarly literature and reports on P3s in practice, and this informed the *ideal* capacity model or analytical framework developed for the study—the three-legged capacity stool. Of greater significance to the methodology developed for this study, the process of developing measurement criteria for each independent variable helped to hone or focus the overall research question, and in turn refine the more detailed questions specific to each variable for examination through the actual research. This also informed the study's overall research design, both in terms of the case study approach but also in pursuing multiple sources of qualitative evidence (triangulation), as some questions were best answered through either interviews, the review of archival documents or participant observations.

In addition to the three unique independent variables, another conclusion from the previous chapter is that public policy domains are made up of two discrete clusters of agencies: i) central departments responsible for policy development and program performance oversight; and, ii) those agencies responsible for policy implementation and

program delivery.²⁶³ Categorization of agencies also helped guide the research approach by focusing certain aspects of each independent variable on one or the other cluster. For example, as governance is fundamentally concerned with policy and regulatory development, and central agency oversight capability,²⁶⁴ the study draws heavily from reviews of archival records to establish the stated corporate role and function of central agencies and departments.

The distinction between agency clusters is also very useful in examining the other two capacity variables, as the distinct roles and functions between central and implementation agencies are strongly evident in the literature, particularly in the network or inter-agency collaboration analysis.²⁶⁵

Data Triangulation

The study employed the following multiple sources of evidence and types of collection processes: i) Review of Archival Documents; ii) Interviews; and, iii) Participant Field Observations. In many ways this approach is consistent with the notion of “public sector narratives,” which Borins (2011) equates with “. . . communications structured as a sequence of meaningfully related events.”²⁶⁶ Borins describes the structural features of the

²⁶³ See for example APSC (2007), Australia (2004, 2006), Bardach (1977), Bevir & Rhodes (2006), Borins (2002), Breukers & Wolsink (2007), Cohen J. (1995), Daniels & Trebilcock (2000), Davis (1997), Desveaux (1995), EC (2003), Fitzgerald (2004), Goggin et al. (1990), Hanf & Scharpf (1978), Lindquist (2004, 2006b), Montjoy & O’Toole (1979), OECD (2005), PWC (2008), UNECE (2005a, 2007), and World Bank (2006).

²⁶⁴ See for example Aucoin (1997), Ford & Zussman (1997), Hill & Hupe (2002), Howlett (2001), Huxham et al. (2000), IPAA (2003), Klijn (2002), Klijn et al. (1995), KPMG (2007), Langford (1997, 1999), Langford & Roy (2009), Lindquist (2006b), Peters (1998, 2001), Rhodes (1996), and Rodríguez et al. (2007).

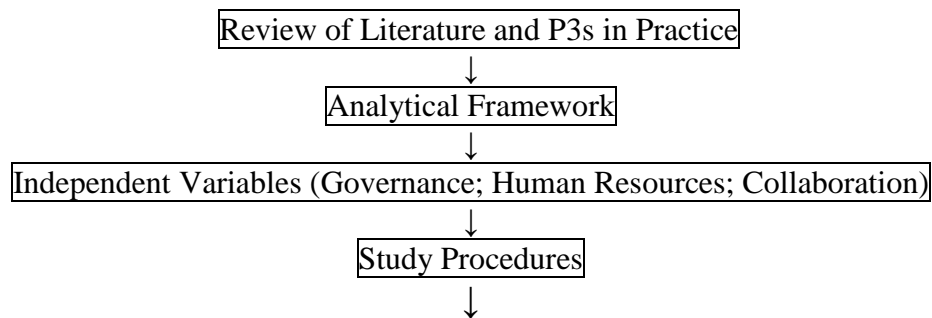
²⁶⁵ See for example Agranoff & McGuire (2003), Bakvis & Juillet (2004), Bardach (2001), Bourgault & Lapierre (2000), Chisholm, D. (1989), Cope & Goodship (1999), Hall & O’Toole (2000), Lindquist (2004, 2006b), Montjoy & O’Toole (1979), OECD (2005), PWC (2008), and UNECE (2005a, 2007).

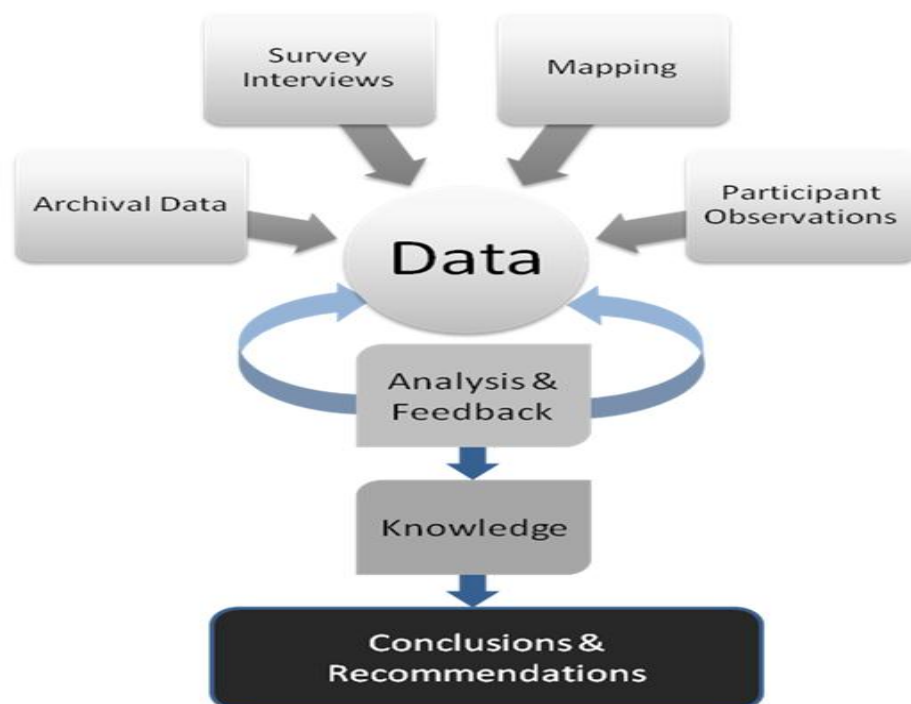
²⁶⁶ Borins (2011), p. 5.

‘narrative’ method as based on: text (the finite, structured whole, composed of language signs like written text); fable (the basic story “matter,” such as character types, actions, plots, settings and themes); and story (the unique rendering of the fable by a particular agent or agents). This aligns closely with the method I have employed for this study, where text equates with the archival review of documents, fable is consistent with field observations that establish much of the context, and stories are captured through the perspectives of study participants from open-ended interview queries guided by specific study questions.

Figure 3.1 illustrates the multiple components of this study and the relative flow of activities or processes followed.

Figure 3.1 - Methodology Chart





Archival Review

Archival document information was obtained from participant agencies and government departments through electronic internet searches and direct requests through key study participants. The review involved analysis of policy, guideline, regulatory, and strategic documents related to public infrastructure programs in general and P3s specifically, and also interagency collaboration and HR practices. The intent was to develop a better understanding of the ‘institutional context’²⁶⁷ of the public system by examining the structural and institutional characteristics of the environment within which BC public sector agencies are expected to plan, develop and manage P3s. By extension, exploring the textually-based²⁶⁸ oversight and reporting structures between central government

²⁶⁷ See Grindle & Hilderbrand op. cit.

²⁶⁸ See Smith (1990).

departments and implementation agencies helped provide a better profile of the ‘ecological capacity’²⁶⁹ of the P3 system.

As outlined in Chapter Two, the literature consistently references the importance of well documented and relevant policies, regulations and operational procedures and the critical importance of governance capabilities.²⁷⁰ A review of HR-related documentation (such as organizational charts and job descriptions) was also obtained from each agency to answer questions such as: Did a dedicated P3 unit exist?; How many staff were explicitly involved in P3s?; Was P3 knowledge, skills and experience identified in the job descriptions of the staff involved?; and Did the organization’s strategic HR and other planning documents and practices include specific references to attracting, retaining or developing P3 expertise?

Interviews

Another important data collection method involved in-depth, semi-structured interviews. In total, four interviews were conducted with former public sector employees previously involved in P3 and infrastructure programs, while an additional twenty-eight interviews were done with staff employed at that point within 20 separate organizations identified as part of the P3 ‘task network’. These were conducted with key staff at both executive or strategic levels (for example Assistant Deputy Ministers, Vice Presidents or Chief Operating Officers) and senior operational staff (such as Directors and Project Managers). The task network included: seven central departments (including Partnerships BC); and thirteen implementation agencies (including the Ministry of Health, and Regional Hospital Districts). A list of interview dates and the affiliation of each participant is

²⁶⁹ See Goggin et al. (1990).

²⁷⁰ See for example BC (2008b), Davis op. cit., Goggin et al. op. cit., Hopkins et al. (2001), IPAA (2003), Kettl (1998), Peters (2001), and Rhodes (1996).

summarized in Appendix L, but for reasons of promised confidentiality all details that could potentially identify individual study participants have been omitted.

The interviews were conducted in person whenever possible, with only six conducted by telephone due to scheduling constraints and geographic limitations. Follow-up phone calls to initial interviews helped complete data or seek further clarification on previous answers. With the prior knowledge and consent of each respondent, interviews were electronically recorded when possible to ensure completeness and accuracy when analyzing the data.

To prevent important organizations being missed, an initial list of relevant organizations and key staff was finalized using a ‘snowball sampling’²⁷¹ technique. As a result, early study participants recommended the addition of three other organizations to examine and key individuals within each to interview, bringing the total number of potential participant organizations to sixteen. Staff of one central agency declined participation in the study, citing a lack of clarity around their agency’s role in P3 projects relative to Partnership BC’s mandate.

Described as ‘a conversation with a purpose’,²⁷² in-depth interviewing is intended to establish a general focus that allows the participants’ perspective on a phenomenon (in this case P3 implementation involving multiple agencies) to unfold. This process helped ensure specific questions were clearly explained so respondents interpreted them as intended, greatly expediting the data collection process and providing respondents an opportunity to more freely air their views on the functioning of the P3 service delivery network. It was also intended to allow for an iterative clarification of previous questions answered, more in-depth

²⁷¹ See Cherry (2000).

²⁷² See Marshall & Rossman (1989).

exploration of pre-determined topics, and unanticipated responses through open-ended questions.

The interviews followed a model of ‘narrative enquiry’,²⁷³ where participants were prompted and encouraged through the use of specific and open-ended questions to present historical accounts of their experiences in P3 projects. These accounts were intended to explore the experience of doing P3s relative to all three independent variables. For example, as outlined in the HR framework presented in Chapter Two (Table 2.2), HR questions explored whether agencies fully understood the critical differences between traditional and P3 infrastructure projects and the key skill-sets required to plan and manage P3s—performance capacity. Discussing specific project experiences through the interviews allowed participants themselves to examine what skills are required and if their in-house personnel possessed them.

As mentioned, a stylized P3 ‘DBFO’²⁷⁴ model was developed to illustrate the typical steps or processes of a P3 project and the critical tasks agency personnel need to perform. Drawing from a number of scholarly and best practice sources, this model provided considerable focus for the HR interviews. Consistent with the ‘narrative enquiry’ approach, interviews transitioned into exploring other criteria such as agency recruitment and retention strategies, and whether collaborative practices were used to share scarce expertise or best practice information with other agencies in the network.

The merits of this narrative method of enquiry, particularly when part of a triangulation model, involve exploring the various layers of information the person being

²⁷³ See for example Ollerenshaw & Creswell (2002), Ospina & Dodge (2005a, 2005b), Polkinghorne (2007), and Smith (1990).

²⁷⁴ The various procurement and delivery models are illustrated in Appendix G.

interviewed has personally experienced through a P3 project, including their social experiences in interacting with staff from other agencies involved in the project.²⁷⁵ This approach also helped establish rapport between the researcher and participants, adding to the quality or ‘thickness’²⁷⁶ of the data.

As a qualitative survey, several steps were taken to develop rapport with participants. As part of the participant recruitment process, pre-interview conversations occurred by phone or in person. For the convenience of participants, survey materials (such as the Participant Recruitment Document, Appendix G; Consent Form, Appendix H; and a sample list of questions, Appendix I) were provided at least one week in advance of interviews.

Collecting organizational-level data from a script or set of questions alone has potential weaknesses,²⁷⁷ so an *Interview Guide* (see Appendix K) was developed to assist the researcher in preparing for each interview. Agency documents were also requested in advance of each interview to allow the researcher sufficient time to anticipate interview responses and prepare to expand on specific questions. The Interview Guide was produced from the more conceptual level of the framework to help prompt the researcher to engage with participants and to tie the variables together, rather than relying simply on a straight-forward ‘question and answer’ survey structure. This helped to ensure greater validity in answers, to accelerate interviews as quickly as possible into the most pertinent details, and to make the best use of the participants’ and the researcher’s time.

To identify problems in question wording, clarity, or order, the survey questions were ‘beta tested’ on current and former senior managers involved in healthcare capital project

²⁷⁵ See Ospina & Dodge (2005a), and Smith (1990).

²⁷⁶ See for example Marshall & Rossman op. cit., and Yin (1997).

²⁷⁷ Yin (1997).

planning and oversight. These participants had several useful suggestions that helped in the development of the final version of the questions and the format for engaging participants. For example, having established that two discernible groups exist within the task network, (central departments and implementation agencies), two variations of the questionnaire were developed. Similar questions were used to establish a baseline of human resource capacity, but some unique questions were geared to determine the relational dynamics between and amongst central and implementation agencies, and capabilities of central agencies.

The survey tool was also vetted through research advisor Professor John Langford, and approved by the Human Research Ethics Office of the University of Victoria in June 2008 (a copy of the approval is in Appendix G). In advance of each interview, participants were provided with a Participant Consent Form (Appendix H) that outlined the purpose of the study, the nature of the survey, and general questions. Participants were given an opportunity to consent (or not) to participation in the study prior to the initial interview and subsequent interviews.

Although data was collected over eighteen months (beginning in July 2008), the most intense data collection period spanned July through December 2008, with follow-up occurring as needed until January 2010. This technique enabled a high response to requests for interviews (15 of 16 agencies participated).

Field or Participant Observations

Collection of case study data from field-based observations can help explain why a process is or is not effective and describe how different contextual factors influence a

complex process or program.²⁷⁸ As Yin argues, “A major investigative concomitant—usually taken for granted—is the need to collect case study data in the field, thereby collecting data about the *context*.”²⁷⁹

Consistent with this perspective, I felt it important to round-out the collection of archival and interview data through my own observations (as noted in Chapter One) during over twenty-years of senior management experience in the public infrastructure domain in BC, including P3s. The range of my experience includes developing both traditional and P3 infrastructure policies and overseeing the implementation of large-scale public infrastructure programs.²⁸⁰ I managed a variety of diverse portfolios, including post-secondary institutions, prisons, social housing, and healthcare facilities.

As the principal researcher I was able to observe both the dynamic interactions between agencies as P3 projects were planned and implemented, as well as gauge the P3 knowledge and experience of staff involved both in central departments and implementation agencies. This experience was invaluable in observing the emergence of the Province’s P3 program firsthand.

The technique I used followed a form of ethnographic field observations.²⁸¹ The timing of much of these observations (straddling the period before and after completion of the majority of interviews) also afforded the opportunity through personal observations to validate comments of participants obtained during interviews.

²⁷⁸ See for example Elmore (1979), Gerring (2004), Hill (2003), Montjoy & O’Toole (1979), and O’Toole (1986, 1997, 2000).

²⁷⁹ Yin (1997), p. 43.

²⁸⁰ See Appendix E.

²⁸¹ See for example Campbell & Gregor (2002), and Smith (1987, 1990).

It is important to note that as a researcher there is a duality to the use of my considerable knowledge, direct experience and professional training in the domain of public infrastructure planning and development. On the one hand, this afforded me a unique ‘insider’ perspective to the often ill-understood and under researched area of public infrastructure policy, planning and program delivery.²⁸² Yet, this same level of subject matter knowledge and personal experience presents a situation of inherent researcher bias. From both a research ethics and objectivity viewpoint the challenge is to remain independent in conducting the study and analyzing the data, without suppressing the value of my own personal and professional experiences and perceptions.

Case Study Logic

This study follows Gerring’s (2004) definition of a case study, where the approach is not contained to the study of a single case, *per se*, but rather the examination of a single relatively bounded phenomenon in a single policy domain that develops a detailed, multi-dimensional picture of events or phenomena. In this study, the policy domain is a P3 program, and the phenomenon is the public system’s capacity to implement that program (the dependent variable).

Yin (1997) recommends a qualitative case study approach when the researcher wants to better understand complicated processes – in this case a complex policy like P3s implemented in a multi-agency context. Of particular relevance to research in a multi-agency partnering situation, Riggins et al. (1992) point out how multiple sources of evidence improve overall data availability, accessibility and validity. Obtaining and analyzing different

²⁸² See the rationale for this research provided earlier.

data sources is important because it produces a convergence or ‘triangulation’²⁸³ of information or data. For example, the data obtained through archival data reviews and key stakeholder interviews was tested against field observations to improve the validity and reliability of the study’s overall findings. In reinforcing this point Riggins et al argue, “Because the validity of the data may be compromised . . . it is important to gather information from several different sources in order to converge on the real picture . . . this sort of triangulation provides an important validity check.”²⁸⁴

A qualitative, multi-dimensional case study approach implicitly assumes the researcher will gain a richness of data through ‘thick descriptions’ of a phenomenon in its real-life context.²⁸⁵ For example, field observations become critical to the gathering of qualitative, real-life data, while the composite of interview responses and analysis of archival data provided an overall profile of each organization. This allowed confirmation of each agency’s strategic approach to attracting and retaining in-house human resources or if they simply outsource (contract out) for P3 expertise on an as-needed basis, and the rationale behind their chosen method. As Yin also points out, “A major technical concomitant is that (qualitative) case studies will always have more variables of interest than data points, effectively disarming most traditional statistical (quantitative) methods, which demand the reverse situation.”²⁸⁶

²⁸³ See for example Cherry (2000), Marshall & Rossman (1989), Riggins et al. (1992), and Yin (1997, 2009).

²⁸⁴ Riggins et al. (1992), p. 41.

²⁸⁵ See for example Marshall & Rossman op. cit., and Yin (1997).

²⁸⁶ Yin (1997), p. 70, parentheses added.

Subjects and Setting

This study is most interested in institutional or performance capacity for public policy implementation, rather than at the pre-policy development and strategic planning phase. In other words, it is not concerned with the political leadership of government *per se* or those aspects of public administration that do not directly or indirectly influence public program delivery.

Excluding the political dimensions of the public sector does not imply that ‘administration’ is or should be independent from ‘politics’. (Although this is an important public administration issue, entering into discourse on the dynamic relationship between the two is outside of the scope of this paper.) Nor does it suggest that other variables or influences like the political environment have no bearing on the administrative or policy implementation functions of the public sector (in fact, the literature review revealed that many authors consider the political context an influential part of the ‘action environment’²⁸⁷ that agencies operate within).

The capacity of BC’s public sector to manage the ongoing P3 arrangements *ex post* is also an important public administration issue. However, few if any P3s in BC have reached a level of operational maturity to adequately define and measure post-construction performance, such as achieving value-for-money, or to determine whether the network approach has a beneficial or detrimental effect on the outcome of individual projects. Such analysis is also limited by the proprietary nature and limited availability of data, and by the time constraints of this study.

²⁸⁷ See for example Goggin et al. (1990), and Grindle & Hilderbrand, *op. cit.*

Another issue of note is whether a case study such as this should examine the capacity of multiple policy sectors within government, for example, transportation and healthcare. At the outset of the study, the literature review affirmed the multi-agency nature of P3 implementation, so a goal was to identify capacity development in the form of strategic resource transfer via network linkages. Background research was then conducted to identify a suitable domain to study collaboration outcomes in the most dynamic environment possible. The healthcare sector was chosen because most P3s undertaken and planned in BC are in this sector, and therefore it provided the most abundant source of ongoing and observable or live data. Also, this sector necessarily involves multiple agencies, some at arm's-length to government (Health Authorities), and also multiple levels of government (local and provincial), further enhancing the robustness of the healthcare P3 task network for analysis.

Sector-specific capacity analysis (for example, adding transportation and education sectors) would certainly be of value for specialized analysis, and it is possible that sufficient data for their examination may be found. However, examining the dynamics of P3s in the health sector does not take away from the concept of a generalizable measure of public sector capacity comparable across sectors or even from one country to another, but does add a dimension to P3 capacity not necessarily found in sectors like transportation where the Ministry of Transportation has direct responsibility for capital project procurement and service delivery. Capacity research of other sectors or comparative research and analysis of BC to other jurisdictions are suggested as areas for future research in Chapter Seven.

*Mapping the Architecture of the Task Network*²⁸⁸

As mentioned, the ‘implementation structure’²⁸⁹ of many public systems are typically composed of central government units (such as Treasury Board Staff) and policy departments like the Ministry of Health, but also arms-length public institutions (for example health authorities or crown corporations), other levels of government (such regional hospital districts) , and non-profit and private firms.

Another useful conclusion from the literature is that when a policy domain such as P3s involve numerous and complex tasks performed by multiple agencies, the logical result is an organic ‘performance network’.²⁹⁰ Bardach (1998) argues the importance of taking into account the structural characteristics of such networks, insofar as such features impact a network’s capacity to collaborate and in turn the likelihood of producing desired policy outputs. For example, the divergent expertise and potentially conflicting cultures of multiple public agencies involved in a P3 project can create complex organizational boundaries that public managers need to be aware of and effectively navigate.

As a mapping tool, Grindle and Hilderbrand emphasize the value of the ‘task network model’ in examining interactions between organizations and analyzing whether such exchanges are effective or represent, as they put it, “. . . an area of capacity weakness.”²⁹¹ They add, “The interactions of organizations within this network can facilitate or constrain

²⁸⁸ Figure 1, Chapter Four, diagrams the categories of agencies and the governance hierarchy of the BC healthcare network.

²⁸⁹ Hanf & O’Toole (1992) use this term to describe the system or network of public agencies involved in complex policy development, implementation and program oversight.

²⁹⁰ See Cohen (1995).

²⁹¹ Grindle & Hilderbrand op. cit., p. 21.

organizational performance.”²⁹² Employing this model can assist the researcher in determining the functional or relational clusters of agencies.

Task network mapping or profiling is used in this study as part of the analysis of the effect of the process or collaborative variable on the healthcare P3 network. This involved: i) defining the number and types of agencies involved as a measure of network complexity; ii) examining the specific architecture or dynamic relationships amongst agencies within the network; and, iii) measuring the extent of collaborative activity (such as the willingness of actors to share knowledge, information or other resources). This analysis began prior to the interviews and concluded after the participant observations.

The field or participant observations provided a critical vehicle to operationalize the task network mapping, particularly in examining the process or collaborative architecture of the healthcare P3 network in BC. This process is considered, by several authors as an important tool to track the coordinated activities of multiple organizations required to accomplish particular tasks, and in analyzing whether interactions between organizations add social value.²⁹³

Introducing a P3 program (like we have seen in BC) penetrates an environment where a broad constellation of public sector stakeholders already exist, new players are emerging (such as special purpose P3 agencies like Partnerships BC whose *raison d'être* is to move forward the P3 agenda), and network actors likely have a vested interest in maintaining their existing or new involvement and interests. O'Toole (1997) refers to such phenomenon as agencies operating in a constellation of “functionally induced interdependence.” Mapping or

²⁹² Ibid, p. 16.

²⁹³ See for example Campbell & Gregor, (2002), Elmore (1985), and Grindle & Hilderbrand (1995).

diagramming such systems, and analyzing the specific architecture or dynamic relationships amongst its members, helps one to better understand the ecology of capabilities of a complex network,²⁹⁴ adding further rigor to studying capacity at a system level.²⁹⁵ Examining the extent of collaborative activity, such as the willingness of actors to share knowledge, information or other resources, also aids in determining the nature and source of relationships amongst agencies and the degree of network effectiveness or dysfunction.

Establishing the ‘ecology of central capabilities’²⁹⁶ (manifest for example in the relevance of central government managed policies, guidelines and regulations) provides further richness of data for the researcher. For example, the degree of synergy between central agency policies and practices and the practical requirements of implementation agencies at the ‘street level’²⁹⁷ can influence network culture by either supporting or deterring effective inter-agency collaboration.²⁹⁸

While not as central to this framework as the independent variables, a better understanding of the distinctive roles and capacity requirements of central versus implementation agencies aids in examining the unique tasks associated with each group, the administrative or performance capacity to perform those tasks, and better understanding of the inter-agency dynamics both within each group and transcending the rational boundaries between the two categories.

²⁹⁴ See Lindquist (2006b).

²⁹⁵ See for example Campbell and Gregor (2002), and Grindle & Hilderbrand *op. cit.*

²⁹⁶ See Lindquist, *op. cit.*

²⁹⁷ See Lipsky (1980).

²⁹⁸ See for example Bakvis & Juillet *op. cit.*, Bardach (2001), Davis *op. Cit.*, Monteiro (2005), O’Toole (1986, 2000), O’Toole & Meier (2004) Pollitt, M. (2005), and UNECE (2007).

BC's P3 Healthcare Network

As mentioned, the study is concerned with public sector agencies that constitute the task network within BC's public sector. An important first step to properly examine the capacity implications of P3s in BC's health care system is to identify the various agencies (players) involved, their roles, and the dynamics of this network of agencies. We call this the 'P3 architecture' of BC's health care system, and this is mapped and presented in considerable detail as part of the governance capacity profiling done in Chapter Four, and the process or collaboration analysis in Chapter Six. Background assessment involved semi-structured interviews with key administrators at organizations within the health care P3 task network to validate the initial assumption of which agencies to include. As a result, additional suitable agencies for participation in the study were identified through the previously mentioned 'snowball sampling' technique.

In establishing the unit or level of analysis, it was considered that organizational arrangements within contemporary public sectors can be so diverse, even within the same policy domain, that attempts to exclude agencies on the basis of organizational form (such as core government departments versus semi-autonomous agencies) or even level of government (provincial versus municipal) can be artificial. For example, with P3s in BC's healthcare sector, the disaggregation of tasks and functions associated with project funding, planning, procurement, and project delivery necessarily involves a broad range of agencies that extend beyond the boundaries of traditional government departments (line ministries such as Ministry of Health Services, and central agencies such as Treasury Board Staff). It also includes semi-autonomous service delivery organizations (Health Authorities) and quasi-governmental special purpose agencies (Partnerships BC). In addition, funding of

most healthcare capital projects in BC involves mandated cost-sharing with multiple levels of government (Regional Hospital Districts and the BC Government). Again, this range of agencies constitute the task-network for healthcare P3 projects in BC, and for the purpose of this paper the scope of the public sector incorporates organizations that make up this network in its entirety.

Methodology Challenges and Limitations

A significant study design dilemma involved determining an appropriate scope for the research—in other words maintaining a precise focused and manageable research agenda. Through a very iterative process with my dissertation committee, the scope of this study was framed in two ways: first by focusing on the issues related to P3 program implementation rather than the merits of the P3 model or the *ex post* project operations; and second, restricting the review to internal relations amongst public agencies rather than the more common public-private relations approach found in the literature.

Another challenge involved determining the most suitable research methodology. From a methodological standpoint, given the multiple dimensions of capacity it was critical to develop an analytical model or framework to guide the research. Considering the nature and dynamics of the architecture of the P3 healthcare network, it was also necessary to employ multiple methods of enquiry to obtain truly evocative and contextual data. This also helped validate information obtained from one method against data from other approaches. For example, a standalone survey approach was insufficient to elicit either the range of data needed or the context of that data.

In designing and conducting this study, a number of other research limitations were identified or encountered. While the diversity of the key participants (executives; senior managers; finance; project management) and agencies (central departments; line ministries; arms-length agencies) provided for a vigorous source of data, it also meant adapting the survey to suit the audience. Other challenges included: executives and senior personnel in the now disbanded Capital Planning Secretariat choosing not to participate; freedom of information and privacy considerations that some participants cited as limiting the level of detail they felt at liberty to discuss; and, sensitivity on the part of most members of central agencies to participating in a study critically examining a policy area of high strategic importance to their employer—a factor that at times noticeably affected the willingness of some participants to speak more openly. For example, some participants would not agree to an interview unless their immediate supervisor received and approved the questions in advance, and at least three participants would only agree to an interview if it occurred in a physical setting away from their place of employment.

Another study limitation related to the concern of some participants that their comments might be construed as criticism of their employer, as the P3-first policy is a system-wide strategic priority of the government, not simply a single department or ministry. In fact, the most guarded responses came from participants who were either members of central departments or the most senior (executive level) staff of implementation agencies. Respondents most at ease in discussing the Province's approach to its P3 program were either implementation agency staff most active in project delivery, and former provincial employees.

During interviews one ethical issue related to ‘how far to push’ when eliciting opinions and comments on more sensitive aspects of BC’s P3 program. As these were semi-structured interviews, as a researcher I was compelled to explore topics in greater detail when initial responses motivated deeper enquiry. Again, some participants simply chose not to answer certain follow up questions, despite the promise of confidentiality. The researcher respected these wishes, and also reinforced that at any time participants could choose to withdraw from the study. Once having agreed to participate no interviewees withdrew from the study, although some chose to simply not answer or expand on certain questions.

Another ethical issue involved disclosing information from interviews in a manner that might inadvertently identify individual participants. Again, this was addressed by explaining to participants that data would be presented without citing names and that if interviewees were concerned about total anonymity they could always withdraw from the study and the specific information provided would not be used. Again, no participants elected to withdraw from the study after providing their initial consent.

A final ethical challenge of note related to field observations and whether to disclose to non-participants that information gleaned by the researcher would be used as part of the research. This was addressed in a number of ways. First, since key personnel in all organizations had been previously approached and interviewed with their explicit consent, the researcher deemed that such observations were being made within the spirit of the original consents. Second, the researcher’s employer was fully aware that the study was in progress. Third, observations were intended to validate statements made during interviews that related only to P3 implementation ‘in practice’. No observations or notations were made

of individuals in the context of performing their professional duties - field observations focused instead on the contextual and process aspects of P3 project planning and delivery.

Methodology Summary

The notion of capacity is a diverse area to study, and the broad scope and complexity of the infrastructure P3 domain provides even greater challenges when it comes to examining each important aspect in a meaningful yet manageable way. The application of a comprehensive analytical model developed for this study, coupled with using multiple data points (triangulation), is an attempt to fill a void specific to P3 capacity research while building on previous work in the area of public sector capacity more generally. Having established the analytical framework and clarified how the study was conducted, the next three chapters present the study's findings according to each of the three variables of capacity beginning with governance.

Chapter Four - The Critical Role of Governance Capacity in P3 Program Implementation

Paying attention to governance issues has particular relevance in a P3 policy domain. This can be attributed to the increasingly ill-defined boundaries between public and private sectors created by the P3 model, the obligations inherent in shifting the role of the public sector to 'steering' from 'rowing', and the demands placed on public managers to negotiate and manage deals based on assumptions that can change considerably over the life of a given project. Taking into account the innate embeddedness of each long term P3 arrangement, an important message from the literature (as presented in Chapter two) is that appropriate

institutional oversight structures and processes are critical components of public sector capacity to deliver P3 programs in an effective and accountable manner.

To help readers follow what is essentially a ‘story-line’ of the study’s results for each variable, the next three chapters provide a systematic presentation of the connections between the various components of the study. For example, this chapter briefly recaps the structure of the analytical model related to governance capacity, and highlights the importance of the methodology used and relevance of each component (archival review, interviews, field observations). A summary profile is then presented of the P3 governance structures and processes put in place to date by the BC government. This is followed by a review and analysis of the study’s data and findings, and concludes with a more critical perspective of the study’s results. A similar approach is taken in the following chapters to present the study’s findings related to human resource (Chapter Five) and collaboration capacity (Chapter Six).

Governance Framework and Methodology Revisited

The analytical framework (Table 2.1) developed in Chapter Two became an invaluable guide to examine the governance capacity of BC’s healthcare P3 program against what an ‘ideal’ P3 model should look like. Restated, study questions were clustered around the following core elements:

- i) The importance of articulated roles, responsibilities and mandates to differentiate the function and performance obligations of the network of various agencies that are necessarily involved in a comprehensive P3 program;

- ii) The need for formal institutional structures and processes to ensure adequate development, updating and application of relevant P3 policies, guidelines and regulations;
- iii) The crucial role of central agencies in policy coordination and program performance oversight.

In gathering and analyzing the data, the archival review of documents surfaced as the key data collection method. For example, this particular technique was instrumental to establishing the presence or absence of documented policies and procedures which in turn provided key reference points to help focus the interviews, as well as greater context for observing governance in practice through my own field observations. This provides an example of the merits of a multi-method or triangulation approach.

In terms of participant interviews, some interesting clusters or groupings emerged. A differentiation between central departments and implementation agencies was evident in the degree of willingness to discuss all issues presented during the interviews. The seven central department participants were observed as apprehensive and guarded in many of their responses. Only two central department participants willingly engaged in discussion around two particularly sensitive topics: i) the role and mandate of PBC relative to their own central department; and, ii) the crucial role of central agencies in P3 policy development and program oversight, specifically why the government would introduce a P3 agenda while at the same time downsize central departments. As noted, the entire staff of one central department (Capital Planning Secretariat) declined the invitation to participate in the study altogether, so their insight was unavailable.

During the interview process another interesting cluster emerged within the twenty implementation agency participants. Four out of the five executive-level participants were either generally supportive or neutral about the state of BC's P3 governance elements examined in this study, often exhibiting considerable caution when answering questions. These participants had a greater interest in the operational and financial aspects of P3s and capital projects in general, so many of the governance-related project implementation issues were less directly relevant to their areas of responsibility. The lone critical voice amongst these executive-level participants is the only participant to voluntarily leave BC's public sector since the interviews took place. This individual also referred to BC's healthcare delivery system as in a 'perpetual state of chaos'.²⁹⁹

The remaining fifteen current implementation agency participants interviewed had the greatest involvement in P3 project planning and delivery. Four were generally supportive of the P3 governance system in BC, while the remaining eleven consistently voiced a high degree of criticism.

Before proceeding, it is important to clarify that in any research study involving survey interviews the inclination of the reader may be to over-emphasize the importance of the interviews to the detriment of the other methods – in this case archival reviews and first-hand observations. As important as the interviews were, I must reiterate the logic and merits of the triangulation theory behind this particular study and the importance of giving credence to each methodology element. It is the fullness of the collective data from all techniques used that gives the results of this study a robust quality.

²⁹⁹ See Appendix L. Interview #6.

Guided by the framework and this approach, the following section presents a profile of current P3 governance mechanisms and processes in BC's healthcare system put in place by the BC government. This profile is a compilation of information and observations obtained through a review of archival or text-based materials, augmented by interviews with key public sector senior managers and executives in agencies involved in healthcare P3s, and firsthand field observations by the primary researcher. The value of illustrating or profiling the P3 governance environment as a first level of analysis is that it establishes a reference or benchmark against which the study's data and results were contrasted.

Profile of BC's P3 Governance Environment

Deloitte consulting (Deloitte, 2000) was expressly commissioned by the provincial government in the late 1990's to identify critical 'system gaps' in the Province's capital program governance and to outline a comprehensive set of recommendations. The review of government archival records affirms this Report was a milestone document in examining capital infrastructure program governance. Under the heading "Project governance is weak", Deloitte noted the following:

The need for a comprehensive, consistent framework to guide in the identification, justification, approval and implementation of projects has been identified by the Government but it has yet to be completed or implemented. The result is inconsistent management of projects (and) unclear accountability for success or failure.³⁰⁰

³⁰⁰ Deloitte (2000), p. 4.

The Government responded to this specific Deloitte recommendation by publishing in 2002 the *Capital Asset Management Framework (CAMF)*³⁰¹ and companion *Guidelines*³⁰² to articulate and consolidate in an all-inclusive document the Province's public infrastructure policies and procedures and suggested best practices. Crafted just prior to the establishment of Partnerships BC by the former Capital Division of the Ministry of Finance, CAMF was an effective response to the Deloitte Report.³⁰³ My own observations and study interviews confirm that CAMF is still used extensively by public sector agencies in BC and is considered by most public infrastructure practitioners in BC as the capital planning and project implementation 'bible'.

The literature highlights the importance of clearly documenting the different roles and responsibilities between central departments and implementation agencies, particularly in a system involving a broad range of agencies delivering a government-wide program.³⁰⁴ Table 4.1 represents how CAMF portrays the BC Government's perspective on agency roles and responsibilities related to capital planning and project implementation. It illustrates that CAMF does differentiate between central agency governance obligations and implementation agency project delivery responsibilities, with all central agencies captured under the category of the 'Ministry of Finance'.

When Table 4.1 is applied to the healthcare sector, the responsibilities and obligations of the Ministry of Health (MoH) fall under the category of 'Provincial Ministries'. For healthcare P3's project implementation rests with the Province's six health authorities

³⁰¹ See BC (2002a).

³⁰² See BC (2002b).

³⁰³ See Cohn (2008).

³⁰⁴ See for example Barrett (2003), Bevir & Rhodes (2006), Davis (1997), Desautels, op. cit., Ford & Zussman (1997), Goggin et al., Mayne (2010), OECD (2005), UNECE (2007).

(‘Local Agencies’ in Table 4.1), which report to the Minister of Health.³⁰⁵ This current healthcare governance structure was put in place by the BC government in 2001, following years of various iterations that involved as many as seventy-nine separate and independent agencies and hospital societies delivering healthcare services under contract with the government.

All references to ‘Crown Corporations’ in Table 4.1 refer to agencies such as BC Hydro, BC Transit and BC Ferries, which own and operate public infrastructure in a more arms-length nature relative to line ministries like Health. A key element missing from Table 4.1 is the role of Partnerships BC (PBC); significant because PBC is the only institutional or structural change made to BC’s public sector to enact the province’s P3 program. Unlike most other crown agencies, PBC does not own or operate any assets; it is strictly a business consulting firm that is owned by the Minister of Finance.

³⁰⁵ See Appendix F for a map of Health Authorities and their geographic boundaries.

Table 4.1 - BC “Capital Asset Management Framework” Key Capital-Related Roles and Responsibilities³⁰⁶

	AGENCY CATEGORIES			
	Ministry of Finance	Provincial Ministries	Local Agencies	Crown Corporations
Financial Framework & Policy				
Establish/administer government’s central financial framework and policy.	✓			
Borrow funds on capital markets, guarantee agency debt and advance funds to agencies.	✓			
Prepare and report provincial financial statements.	✓			
Develop, maintain and implement a capital-related financial framework, relevant to the agency (or government as a whole in the case of the Ministry of Finance), addressing such issues as debt service, debt and risk management.	✓	✓	✓	✓
Develop and implement internal policies, standards and procedures consistent with CAMF.		✓	✓	✓
Program & Planning				
Establish ministry and program-level standards, policies and procedures; communicate these to local agencies, along with program requirements and ministry strategic priorities.		✓		
Identify and assess capital needs at the program or agency level.		✓	✓	✓
Prepare Capital Asset Management Plans.		✓	✓	✓
Review capital-related submissions and prepare the provincial Consolidated Capital Plan.	✓			
Capital Management & Implementation				
Implement capital plans.		✓	✓	✓
Manage capital projects/programs, public-private partnerships or other activities necessary to meet service delivery or capital needs.		✓	✓	✓
Own, maintain and operate facilities.		✓	✓	✓
Monitor/audit compliance with government requirements (e.g., Treasury Board conditions of approval).	✓	✓		
Monitor ministry's capital program and approved capital projects.		✓		
Publicly communicate capital-related approvals and/or key milestones in the life cycle of capital projects.		✓	✓	✓

³⁰⁶ Taken from CAMF Guidelines, BC (2002b).

As mentioned, MoH is ultimately responsible for securing capital funding for projects and ensuring healthcare projects are delivered on time and on budget and remain within the approved scope and quality. Recently, responsibility for oversight of P3 project implementation was shifted from MoH to the Ministry of Transportation and Infrastructure, and this is not shown in CAMF either.

In addition to the specific capital infrastructure purpose of CAMF, the archival review of central agency documents and websites revealed numerous other references to broadly-applied ‘good governance’ policies and practices in BC.³⁰⁷ Collectively, these form the basis of the BC Government’s own stated governance framework with associated performance measures. One example is the *Governance Best Practice Guidelines* developed by the Board Resourcing and Development Office, which proclaims for all public agencies that: “Regardless of organizational type, corporate governance regimes are unlikely to be effective where there is a lack of clarity about the participants involved, their relationships with each other and their respective responsibilities.”³⁰⁸ This general statement is consistent with what the literature suggests ‘ideal’ governance practices should look like.³⁰⁹ In a slight contrast to the text-based system structures and obligations identified in CAMF, Figure 4.1 provides an illustration of the actual governance ‘ecology’³¹⁰ of BC’s healthcare P3 system. Figure 4.1 was developed from a compilation of field observations, comments and opinions from participant interviews and a review of agency documents.

³⁰⁷ See for example BC (2000a, 2000b, 2002a, 2008b, 2010a, 2011a).

³⁰⁸ BC (2005c), p. 3.

³⁰⁹ See for example Australia (2006), Davis (1997), Deloitte (2000), and OECD (2004).

³¹⁰ “Ecology” refers to the unique contextual setting, the trade-offs among problems, and the ways in which institutions function and interact.

Figure 4.1 - Agency Hierarchy of BC's Overall Healthcare P3 System

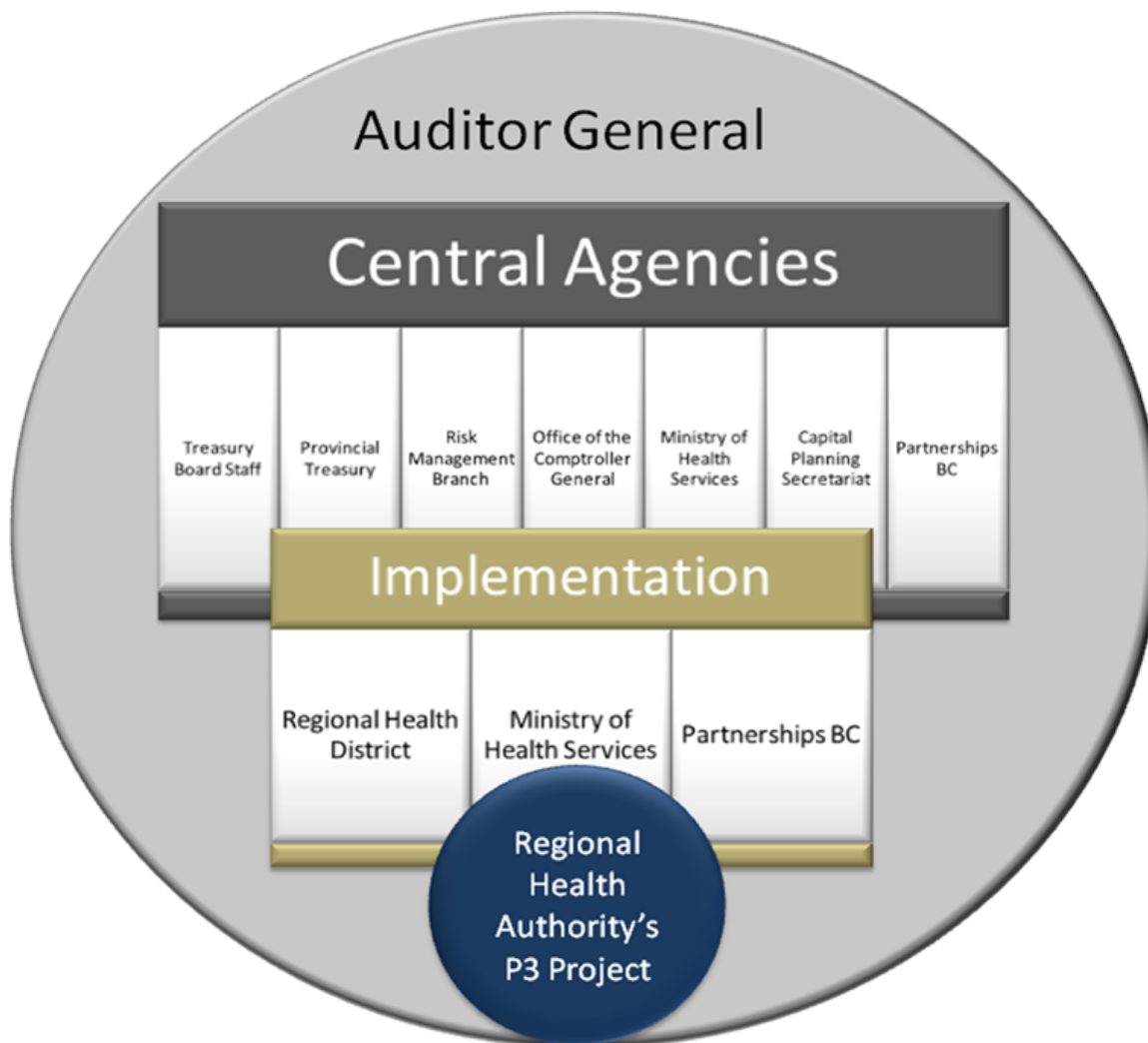


Figure 4.1 shows the extensive array of agencies involved in healthcare P3s in BC clustered into logical groupings and tiered from a 'top-down' perspective to illustrate the system's hierarchy of accountability. It reveals BC's P3 healthcare system is comprised of numerous distinct units and agencies, clustered into central government departments and implementation agencies.

Of particular relevance are the often dual function of Partnerships BC and the Ministry of Health, which is why they appear in both groupings in Figure 4.1. The band or cluster of central departments is comprised of the following Ministry of Finance departments typically involved in projects on an as-needed basis: Provincial Treasury responsible for management of the Province's revenues and overall debt; Risk Management Branch, which assesses and minimizes the Province's risk exposure from P3 deals; Treasury Board Staff who operationalize the strategic priorities of government (for example P3-first policy) and manage the day-to-day information flow and decision making of Treasury Board and Cabinet (such as P3 project approvals); the former Capital Planning Secretariat responsible for cash flow management of all Provincial capital infrastructure programs (disbanded in 2011); and, the Office of the Comptroller General, which serves as public accounting 'gatekeeper', for example determining whether P3 projects qualify as capital (debt) or operating liabilities for the Province.

The Office of the Auditor General is a unique entity in that it reports directly to the Legislature. It has a mandate to audit and oversee government programs for performance compliance. For P3s this typically involves determining whether original value-for-money assumptions are achieved.

As introduced in Chapter One, the most discernible institutional decision by the BC government was to create Partnerships BC (PBC) in 2002. Since PBC is owned by the Minister of Finance, it is inextricably linked to the decision making structure of government. From a P3 program governance standpoint, PBC acts as the P3 viability 'gatekeeper' and lead project approval advisor to the Minister of Finance as the Chair of Treasury Board.

An element unique to the healthcare system (missing from Table 4.1 but shown in Figure 4.1) involves the role and function of Regional Hospital Districts (RHDs).³¹¹ RHDs are legal entities created by provincial statute³¹² to voluntarily cost-share with the Province (through Health Authorities), healthcare infrastructure expenditures. RHDs fund up to 40 percent of total project costs using local property taxes, but have limited authority over capital planning decisions made by Health Authorities and the Province, except to withhold their voluntary contributions. Further complicating this structure, RHDs are part of the corporate structure of regional districts, a separate level of local government autonomous from the Province, with Board membership composed of Mayors, Councillors and Electoral Area elected officials.

This profile establishes the text-based governance policies and procedures, as well as the system structure and P3 institutional oversight framework in place in BC. The following section is a review of the study's results as compared to this governance structure and more importantly how BC's P3 system has functioned in practice relative to the ideal governance model developed from the literature and summarized in Table 2.1.

As previous noted, to maintain participant confidentiality, the reporting style used throughout this paper will cite specific quotes to interviews conducted on precise dates rather than to specific individuals. Appendix L provides a list of interviews, and is the citation reference document used to attribute direct quotes by participants.

³¹¹ RHDs are a sub-set of Regional Districts. See Appendix D for a summary of RHDs and their relationships to Regional Districts in BC. An exception is healthcare infrastructure projects undertaken in Metro Vancouver (formerly the Greater Vancouver Regional District or GVRD). In a complicated arrangement negotiated in the late 1990's, the GVRD and the Provincial government agreed to the GVRD assuming responsibility for regional transit infrastructure costs in exchange for the Province taking full responsibility for healthcare infrastructure funding for projects undertaken within GVRD municipalities. In so doing, the Province allowed the Greater Vancouver Regional Hospital District to disband.

³¹² The original legislation was enacted in 1966 and revised in 1996. See BC (1996b).

Study Results Related to Mandates, Roles and Responsibilities

For traditional infrastructure projects, CAMF is comprehensive and replete with best practices information.³¹³ Those study participants more directly involved in traditional as well as P3 capital program planning and delivery (including four Executive Directors or Directors of Capital branches, and two Project Managers) responded that CAMF generally provides well documented and articulated policies and practices. However, when asked of its relevance to P3s these same participants deemed it of little practical value, citing elements such as the complexity of doing P3s and the challenge of navigating central government agencies which may or may not have responsibility of interest in P3 projects. Specific comments from participants included:

It was great when the government created the Capital Asset Management Framework, but its relevance to P3s is either unclear or incomplete and there is no one left in government to answer many of the practical questions we have.³¹⁴

Having the (CAMF) Framework is very useful, but it has outlived its usefulness because no one has bothered to update it with relevant information on how best to do P3s.³¹⁵

Overall, the Capital Asset Management Framework gives you a bit of a flavour of how to do P3s, but it is full of references like ‘this section on P3s is under

³¹³ See also Cohn (2008).

³¹⁴ See Appendix L. Interview #5.

³¹⁵ See Appendix L. Interview #13.

development,' and without the (former) Capital Division in the Ministry of Finance there is no one left to complete those sections or get advice from.³¹⁶

Despite the development of over twenty P3s in BC since CAMF was published, including thirteen healthcare projects,³¹⁷ there have been only two minor updates or addenda to the original Framework: an *Overview* document (BC, 2008c) that simply makes reference to the Framework's existing limited application to P3s; and, a *Capital Procurement Checklist* (BC 2007a) that surprisingly makes no reference to the P3 model whatsoever.

Looking at institutional structures, prior to 2002 the Ministry of Finance had a specific department tasked with overseeing BC government capital infrastructure programs. This included responsibility for the development and maintenance of P3 policy materials and overseeing the performance of capital programs. The study affirmed that implementation agencies find it challenging to clarify and navigate P3 policies and processes in the absence of a specific central agency, confirmed by several implementation agency participants:

There really is no one left in the Ministry of Finance who can provide practical advice on how to translate and apply (CAMF) to P3s.³¹⁸

When the government created Partnerships BC, I guess they thought there was no need for a capital group in the Ministry of Finance, let alone a P3 unit.³¹⁹

Such comments as well as my own field observations reveal that in general roles and responsibilities are not well understood by many public managers involved in BC's P3 program. Partnerships BC is not mentioned in CAMF, and the role and mandates of both

³¹⁶ See Appendix L, Interview #10.

³¹⁷ For a complete list of healthcare P3 projects, see Appendix D.

³¹⁸ See Appendix L, Interview #5.

³¹⁹ See Appendix L, Interview #17.

central and implementation agencies in the planning, delivery, management and oversight of P3s is often ambiguous. The structure outlined in Table 4.1 also does not reflect the complexity of P3 transactions and the need for additional central agency involvement, particularly in the acute areas of value-for-money, financing (for example who is assuming debt risk on a given project?) and other risk management issues.

Despite the significant implications of the Premier's 'P3-first' pronouncement, no formal policy directive was ever circulated within government clarifying the mandate of other central agencies (particularly Treasury Board Staff) relative to PBC's new 'gatekeeper' role. Of the seven central department participants interviewed only one offered any formal comment on this (the other six generally confided that commenting might be construed as criticizing the Government):

In this government, when the Premier speaks about Partnerships BC, you don't ask for clarification or wait for the paperwork to arrive to tell you what the rules are . . . you know Partnerships (BC) will eventually tell you what the rules are.³²⁰

My own observations, as well as a review of organizational structures and materials and interviews, reveal there is no central department identified or mandated to guide implementation agencies through the often disjointed and at times undocumented policies and procedures. This conclusion is reinforced by several central agency participants:

For the purpose of P3s, the Framework is obviously incomplete, but no one is in charge if it (CAMF) now. Considering BC has done so many P3s, I can't understand why the (CAMF) doesn't have more relevant and up-to-date information. What's the

³²⁰ See Appendix L, Interview #18.

value of having this big P3 program if we don't document what we learn as we do them?³²¹

It seems like the intention was there to enhance the (CAMF) section on P3s, but the government was anxious to get it published and 'out there' for use, and once Partnerships BC was created, those of us remaining in the (central government) just didn't have any mandate to do that extra work to update it.³²²

The absence of any formal P3 mandate within central departments also contradicts the explicit CAMF reference to the Ministry of Finance having responsibility for 'clarifying or amending the Framework' in response to multiple factors, including: concerns identified by Treasury Board, the Ministry of Finance or affected agencies; changes in legislation or regulations; or regular reviews of the framework's effectiveness by the Ministry of Finance itself. The study found numerous examples that should have triggered such clarifications or amendments, including concerns raised by Public Accounts Committees,³²³ and the Premier's P3-first proclamation.³²⁴

Further confusing the Government's priorities regarding the use of P3s, CAMF explicitly states, "Stipulated sum is the Province's preferred (construction) contract method . . . it provides relative certainty regarding project costs and the sharing of risks."³²⁵ This seems at cross-purpose with the Premier's P3-first directive. Such incongruity is also found

³²¹ See Appendix L, Interview #21.

³²² See Appendix L, Interview #23.

³²³ BC (2006).

³²⁴ See Campbell (2006).

³²⁵ BC (2002b), p. 92.

in the web-based³²⁶ Ministry of Finance corporate policies related to capital planning, procurement and financing. For example, Policy 5.3.1 advises:

Capital management decisions must be based on meeting service needs rather than the delivery method. No one way is inherently better in building and operating public assets and safeguarding the public interest.

Yet Policy 5.3.3 immediately proclaims:

A public private partnership (PPP) must be considered the base case procurement option where the provincial contribution to the capital cost exceeds \$50 million.

No central agency participants could explain this policy discrepancy. When asked, no participants believed their department had ownership to amend this policy contradiction.

When asked how their organization interpreted this inconsistency, it was generally dismissed as irrelevant, with one implementation participant commenting:

We stopped reading this (policy) material or expecting Ministry of Finance folks to give any advice. Partnerships BC runs the P3 show and if the Premier says to us, “If you want a new hospital it’s P3 or no project at all.”, then obviously that trumps anything we see in writing.³²⁷

The literature reinforces that in dynamic public systems it is critically important for implementation agencies to obtain policy clarity from central departments (for example

³²⁶ Ministry of Finance Policy and Procedures Manual, Capital Asset Management Policy, sourced January 15, 2012 at: http://www.fin.gov.bc.ca/ocg/fmb/manuals/CPM/05_Capital_Asset_Mgmt.htm

³²⁷ See Appendix L, Interview #3.

Ministry of Finance staff), particularly in complex policy domains like P3s.³²⁸ Yet, the study found that no Ministry of Finance department is tasked with clarifying or correcting such obvious discrepancies or providing P3 policy advice. This situation goes against lessons from P3 programs in other jurisdictions and evidence of exemplary practices in the literature.³²⁹ This also illustrates an obvious structural disconnect within the BC government's P3 policy framework and the government's stated 'good governance' policy objectives.

Of particular relevance, the often dual function of Partnerships BC and the Ministry of Health was noted by at least five implementation agency participants as contributing to role confusion. My own field observations confirmed that implementation agencies spend considerable time trying to clarify policies and practices, a conclusion that is also evident in the collaboration results presented later in Chapter Six.

Study Results Related to Governance Structures

There is strong agreement in the literature³³⁰ and from the experiences in other more mature and sophisticated P3 jurisdictions³³¹ of ensuring a clear separation between program oversight and program delivery. The rationale is that such separation provides transparent

³²⁸ See for example Broadbent & Laughlin (2005), English & Guthrie (2006), Goggin et al. (1990), Hodge (2005), Kernaghan (1993), Kettl (2006), Klijn & Koppenjan (2000), Langford (1999), Lindquist (2004), Milward & Provan (2000), Pollitt M. (2002), and UNECE (2007).

³²⁹ See for example Asenova et al. (2004), Barlow & Köberle-Gaiser (2009), Darcy (2006), Deloitte (2000), Hopkins et al. (2001) Kettl (1998), Rhodes (1996), Rodal & Mulder (1993).

³³⁰ See for example Bakvis & Juillet (2004), Chisholm (1989), Davis (1997), EC (2003), Goggin et al (1990), and (UNECE, 2007).

³³¹ See for example KPMG (2007), OECD (2005), PWC (2008), and World Bank (2006).

and effective accountability structures, and appropriate system checks and balances.³³² From this concept emerged an important study question presented in Table 2.1:

Does a clear institutional separation exist in BC between a) departments performing policy development and program oversight, and b) agencies implementing P3 policy?

Again, the study reveals there is no central department mandated to provide P3 policy and program advice to Treasury Board or Cabinet, and that this function has been abdicated to Partnerships BC. Treasury Board Staff would seem the logical host department for such a function, as it formerly housed both the Capital Division and the Capital Planning Secretariat.

Logically, PBC should have a prominent role in operational aspects like standardization of processes, technical support in deal negotiations, and dissemination of P3 best practices.³³³ However, and again counter-intuitive to governance exemplary practices, in the same year PBC was established (2002) the Capital Division³³⁴ of Treasury Board Staff was disbanded to help achieve a twenty-five percent reduction target in central agency budgets established as part of the government's Core Review.³³⁵ Dating back to the mid-1990s, the Capital Division's mandate included overseeing early forms of P3s in BC (at that time referred to as 'alternative capital procurement'³³⁶), as well as developing and

³³² Pollitt (2005) refers to this as the purpose of 'supreme audit institutions'.

³³³ This point is well established by the research of Rachwalski & Ross op cit.

³³⁴ The Capital Division was created in the mid 1990's to oversee the development of capital policies, procedures, and project delivery.

³³⁵ Initiated as a central election platform of the new Liberal government (to reduce the size of government and "red tape" (See www.bcliberals.com/Campaign_2001/Platform.shtml for "A New Era"). The broad scope of the Core Review can be found in BC (2001).

³³⁶ BC (2002b), p. 33.

maintaining capital policy documents like CAMF. Since the elimination of this Division, no central departmental unit has backfilled this critical role.

In addition to decommissioning the Capital Division, since 2002 other government downsizing has resulted in the closure of entire central departments and agencies with varying mandates, directly and indirectly affecting oversight and performance capacity of the Province's P3 program. These include the following:

- The Capital Planning Secretariat, established in 2006 to oversee the Province's overall capital expenditures program, was eliminated in early 2011. Although its mandate was limited to debt and cash-flow management, following the demise of the Capital Division in Treasury Board Staff, the Secretariat was the *only* central agency specifically tasked with capital program oversight.
- The BC Buildings Corporation (BCBC) was decommissioned in 2005 as a Crown corporation after over thirty years of operation.³³⁷ BCBC was mandated to set standards for capital infrastructure project costing, procurement, building design, and project management best practices for the BC public sector.³³⁸

BCBC appeared targeted for elimination as part of the Liberal's broader reform platform³³⁹ and "...increased business focus."³⁴⁰ A comment by a one long-serving central agency participant sums up how BCBC was viewed by the incoming Liberal government:

(BCBC) was deemed a competitor to the private sector real estate development and commercial lease industries. The mantra of this government is if you can find it in the

³³⁷ BC (2005e).

³³⁸ The British Columbia Buildings Corporation Act was repealed in April 2006.

³³⁹ See www.bcliberals.com/Campaign_2001/Platform.shtml for "A New Era," the Liberal's campaign pledge.

³⁴⁰ From a leaked Ministry of Finance memo posted on Public Eye, *BC Buildings Corp. mistaken for BC Lotteries Corp.*, July 29, 2005. Sourced at <http://www.publiceyeonline.com/archives/000761.html>, January 12, 2009.

Yellow Pages then government shouldn't be doing it. In fact I have heard members of Treasury Board use that analogy.³⁴¹

Four study participants had previously worked with or for BCBC. Each noted that its demise signalled a significant loss of public sector capacity (knowledge and expertise), as the corporation provided valuable continuity for property development, procurement and project management standards, and disseminated up-to-date construction industry best practice information to other public agencies. I had also worked closely with BCBC for fourteen years, and based on my experiences I concur with these observations. Also important to note, unlike Partnerships BC, BCBC did not provide capital project advice to government decision-makers.

A major downsizing of the BC public sector in 2009 also saw the closure of the three unique departments created within the Ministry of Labor and Citizen Services to strengthen capacity within government in non-traditional procurement and service delivery: i) the Alternative Service Delivery (ASD) Secretariat, a shared-services government department responsible for assisting line ministries in developing and managing ASD projects; ii) the Executive Institute on ASD, created to develop and lead training programs for senior public managers involved in ASD programs and services;³⁴² and, iii) the Centre of Excellence in Project Management, a department dedicated to developing greater project management capacity and expertise throughout BC's public sector.

My own considerable experience working with the ASD Secretariat confirms they had developed a very unique and successful model of working closely with implementation

³⁴¹ Appendix L, Interview #17.

³⁴² The author served on the advisory board during the establishment of the training curriculum for the Executive Institute.

agencies and line departments to develop innovative procurement strategies (Joint Solution Procurement). This included seeking considerable input from client ministries and agencies into ASD training programs (Executive Institute on ASD), as well as other mentorship-type programs to increase ASD human resource capacity. I served on an inter-ministerial advisory committee on the development of Executive Institute on ASD government-wide staff training curriculum.

Although unsupported by any specific Government documentation, two study participants (each with considerable public sector experience) suggested the downsizing of the Ministry of Finance and the elimination of other key central agencies was a strategic action by the BC government to circumvent central agency oversight of the Government's P3 agenda:

With the elimination of the Capital Division and no other Ministry of Finance unit to replace it, we basically have Partnerships BC having free reign over everything P3.³⁴³

Make no mistake Partnerships (BC) has been given *carte blanche* by the Premier's Office to impose the government's P3 agenda.³⁴⁴

In one of the more outspoken interviews, one study participant with a lengthy career in BC's public capital infrastructure development area commented on the evolution of PBC:

The main architects of Partnerships BC were senior bureaucrats from the Ministry of Finance who wanted to make sure no one was left in central government to oversee Partnerships' operations. Clearly, they wanted to run the Province's P3 program however the hell they wanted. The method they (the creators of PBC) used to create

³⁴³ Appendix L, Interview #26.

³⁴⁴ Appendix L, Interview #6.

Partnerships got the Ministry of Finance off the hook for much of the downsizing targets established in the Core Review because the wholesale transfer of people from Finance to work at Partnerships as a Crown agency no longer showed up as FTEs³⁴⁵ on the Ministry's books. They (the alleged architects of PBC) came across like heroes to the Minister of Finance because the creation of Partnerships BC allowed the government to get on with its P3 agenda and the Ministry of Finance to meet its downsizing targets. Eliminating the Capital Division was one of the most visible results of this downsizing, but it has left a big hole in Government in an area that needs greater accountability capacity, not less.³⁴⁶

Numerous authors caution that without an oversight body within central government that is separate and independent from an agency like PBC (which is mandated to promote P3s), the accountability integrity of the public system can be seriously compromised.³⁴⁷ The precariousness of BC's P3 program in this regard was very evident to many participants, with comments including the following:

As far as I know we don't have the mandate to deal with P3 policies. That's Partnerships BC's job and no one around here wants to question how government wants to do things. . . not after all the staffing and budget cuts that have gone on around here.³⁴⁸

³⁴⁵ FTE is an acronym for "Full Time Equivalent," which equates to the total cost of one full-time permanent staff member—wages and benefits.

³⁴⁶ Appendix L, Interview #27.

³⁴⁷ See for example Broadbent & Laughlin (2003), Darcy (2006), Deloitte (2000), EC (3003), English (2007), Fitzgerald (2004), Flinders (2005), Hodge (2002, 2004a, 2004b), James (2004), Peters (2001), Pollitt (2005), and Zussman (2002).

³⁴⁸ Appendix L, Interview #17.

The lack of clarity around who does what . . . basically the P3 ‘rules of the game’ . . . doesn’t seem to be a problem for Partnerships BC. The more confused or uncertain the rest of us are, the more we all need to rely on them (PBC), which keeps their revenue flowing.³⁴⁹

Now that Partnerships BC has picked the *low hanging fruit* of obvious P3 projects, they are now changing the evaluation metrics . . . basically lowering the bar on what should be a P3.³⁵⁰

No-one challenges Partnerships BC’s conclusions when it comes to determining the viability of P3 projects, and with policy now that P3s are the base case for capital projects, it’s like a license for them (PBC) to print money.³⁵¹

In fairness to PBC, the BC government has created a structure where PBC has been empowered with broad authority over the province’s P3 program.

Another question from the framework presented in Table 2.1 is whether formal policies and procedures are in place to ensure independent and informed *ex post* assessments of P3 projects in relation to the function and performance of the Auditors General Offices (AGO) in program performance oversight.³⁵² A sub-set of this question relates to the use of a public sector comparator (PSC) introduced in Chapter Two. Again, the merits of the PSC are that it establishes a critical benchmark against which P3 deals are compared and value for

³⁴⁹ Appendix L, Interview #23.

³⁵⁰ Appendix L, Interview #3.

³⁵¹ Appendix L, Interview #10.

³⁵² See for example Australia (2006), English (2007), English & Guthrie (2006), NAO (2001), Monteiro (2005), Newberry & Pallot (2003), and UNECE (2005a, 2007).

money assessed, so the PSC provides an important metric of the policy capacity to evaluate P3 program performance.³⁵³

For example, in the UK the Treasury's guidelines illustrate the importance of such performance measures in the PFI process:

Good appraisal entails being clear about objectives, thinking about alternative ways of meeting them, estimating and presenting the costs and benefits of each potential worthwhile option, and taking full account of associated risks and uncertainties. Good evaluation, after the event, entails many of the same demands together with a desire and willingness to look for better ways of doing things. Used properly, appraisal and evaluation lead to better decisions by policy makers and managers. They encourage both groups to question and justify what they do. They provide a framework for rational thought about the use of limited resources.³⁵⁴

Through my own field observations, I can attest that during the initial introduction of the P3 model (2002-2006) the PSC was the standard project assessment and P3 viability tool used in BC.³⁵⁵ By 2006, Partnerships BC had convinced the BC government to employ what PBC refer to as an 'affordability ceiling' as an alternative to the PSC. The affordability ceiling approach places greater emphasis than the PSC on hypothetical risk-adjusted costs, based on the speculative valuation placed on certain risks associated with each project.³⁵⁶ More importantly, an affordability ceiling establishes what government deems it can afford to pay (for example for a new hospital and other services bundled into a P3 deal), rather than

³⁵³ See for example ADB (2008), Canada (2003), HM Treasury (2006a), Quiggin (2004), UNECE (2000) and Victoria (2001).

³⁵⁴ HM Treasury (1997), paragraph 1.1.

³⁵⁵ In 2002 I participated with Ministry Finance staff (Capital Division) in a 'beta test' of the Province's PSC template.

³⁵⁶ See for example Cui (2010), and Kerali (2006).

establish a budget based on a comparative cost of a traditionally procured (stipulated sum) and operated project.³⁵⁷ As PBC states in a discussion paper it produced on quantitative analysis methodology:

As Partnerships BC has moved towards establishing a pass/fail affordability ceiling as its guidance, it is imperative that the correct value be chosen to calculate the affordability ceiling, otherwise bidders will be unduly eliminated and/or the scope of the project (and benefits) will have to be reduced.³⁵⁸

Regardless of the model employed (PSC versus ‘affordability ceiling’) a common concern shared by implementation agency study participants is that their complexity significantly reduces the utility for most sponsoring agencies, like health authorities. As other studies have indicated, this complexity creates an over-reliance on external consultants and often uneven results in terms of the ability to accurately anticipate and quantify risks and track future value-for-money performance tracking.³⁵⁹ This is reinforced by one senior financial (implementation agency) study participant who commented:

It is one thing to hire these consultants to produce complicated project cost modeling projections, but it’s quite another to simply trust the numbers they produce, because the end product is painfully difficult to understand. In some cases we had to hire one consultant to explain what the other (consultant) has just been paid to produce.³⁶⁰

³⁵⁷ See Appendix L. Interviews #20 & #30.

³⁵⁸ PBC (2011), p. 63.

³⁵⁹ See for example Fitzgerald (2004), Hodge (2002), Nisar (2007), OECD (2008), and Quiggin (2004).

³⁶⁰ See Appendix L. Interview #27.

In discussing the notion of an affordability ceiling, another participant expanded on the complexity of the underlying formulas inherent in the model and how adjustments to the input variables can easily change the final cost estimates to be either positive or negative:

Even though we are not the P3 experts, it is pretty obvious to those of us experienced in the (capital projects) business that PBC uses their in-house risk analysis matrix to over-value project risk to government so it can justify doing projects as P3s. But when you have to rely on their assumptions we have no choice but to just go with it because of the P3-first policy.³⁶¹

The study's findings point to the downsizing of central agencies in the area of capital program oversight as a key contributor towards the thinning or weakening of central agency institutions in BC and government's ability to counteract even perceived self-interest on the part of PBC.

Study Results Related to Central Government P3 Oversight and Coordination

The next section presents the study's results related to the question: *Does BC's public system have the capacity in its central agencies to determine if value for money is being achieved?* One of the more important features of P3 governance noted in the literature is the importance of maintaining the integrity of the program oversight and policy coordination capacity of central government departments.³⁶² As introduced in Chapter One, the 'Governance and Oversight' section of CAMF illustrates this was at least acknowledged by the BC government. CAMF also provides a comprehensive overview of the regulatory

³⁶¹ See Appendix L. Interview #30.

³⁶² See for example APSC (2007), Australia (2004, 2006), Bevir et al. (2003), Broadbent & Laughlin (2005), Davis (1997), Deloitte (2000), Dixon et al. (2005), (EC, 2003), English & Guthrie (2006), Fitzgerald (2004), Goggin et al. (1990), Hall & O'Toole (2000), Henisz (2006), Hill & Hupe (2002), Hodge (2005), Kernaghan (1993), Kettl (2006), Klijn & Koppenjan (2000), Langford (1999), Milward & Provan (2000), Pollitt M. (2002), and UNECE (2007).

framework for traditional capital projects, and outlines in considerable detail policies and recommended procedures for such projects.

However, as noted in the previous section, CAMF does not provide the fullness of P3 information necessary for implementation agencies to undertake projects with any degree of clarity. For example, despite CAMF explicitly identifying the Ministry of Finance as the source of central agency P3 leadership, the Ministry of Finance Capital Division (the only central department tasked with P3 program governance) was disbanded concurrent with PBC being established. Instead, the BC Government empowered Partnerships BC with these functions through the P3-first policy directive.

Further confounding the decision to essentially replace the Capital Division with PBC, archival documents and interviews confirm that no central agency has been given the explicit mandate, and in turn the authority, to oversee PBC as a crown agency. This situation is a complete outlier to the relationship between central government and all other crown agencies. Concerns over this situation were expressed by numerous study participants from both implementation agencies and central departments:

Partnerships (BC) is an arm's-length Crown agency that is the Government's 'golden-child.' No (central) agency is prepared to look over their (PBC's) shoulder from an accountability standpoint like we would do with any other government department or particularly a Crown (corporation).³⁶³

The double standards related to Partnerships BC make a mockery of the whole notion of public accountability. I don't understand why they are so untouchable."³⁶⁴

³⁶³ Appendix L, Interview #17.

³⁶⁴ Appendix L, Interview #23.

They (Partnerships BC) just seem to make up their own rules and no one in government dares questions it.³⁶⁵

The dual mandate and degree of authority afforded PBC (providing advice to government on P3 viability and a monopoly on P3 consultant services) is contrary to exemplary practices noted throughout the literature.³⁶⁶ This situation is legitimized by the tone of the Premier's P3-first directive: ". . . unless Partnerships BC says there's a compelling reason to do otherwise,"³⁶⁷ rather than 'unless *the government* is convinced otherwise'.

Most study participants acknowledged that PBC has a unique status within BC's P3 architecture, and often provides an important and value-added service through technical assistance on projects. However, interview comments (all implementation agencies) reflected a high degree of concern over the authority afforded PBC:

The 'elephant in the room' that no one seems to want to talk about is PBC getting funded only if projects are approved, but also being the agency authorized by the Premier to determine if projects should be P3s or not.³⁶⁸

The government seems only prepared to fund major capital projects as P3s. They also give us significant amounts of money to hire Partnerships BC as the lead project consultants. It just seems strange to have the agency that oversees the preparation of the business case the same as the agency that advises government on which projects should get approved . . . but if that is how the system gets capital projects approved

³⁶⁵ Appendix L, Interview #26.

³⁶⁶ See for example Broadbent & Laughlin (2005), Flinders (2005), Hodge (2004, 2005), OECD (2004, Osborne & McLaughlin (2002), Rachwalski & Ross op cit., and Shaoul (2005).

³⁶⁷ Campbell op. cit.

³⁶⁸ Appendix L, Interview #10.

and funded, then agencies learn to adapt to taking the path of least resistance to the money.³⁶⁹

In theory we do have the choice not to use Partnerships BC, but with their political connections in government and the gatekeeper role they have been given in getting projects approved, for us (implementation agencies) to hire private sector consultants is worse than shooting yourself in the foot . . . it's more like shooting yourself in the head when it comes to capital for major projects.³⁷⁰

Everyone knows that more traditional rules get circumvented when government really wants to ensure a policy like P3s goes ahead, and that the best way to make sure that (implementation of the policy) happens is to reduce the capacity of central agencies to do their job of monitoring. The other method is to limit documentation around who does what, which also definitely works to PBC's advantage.³⁷¹

While reviewing P3 project reports from the Auditor General's office a 'Parliamentary Standing Committee on Public Accounts' raised similar concerns regarding accountability and potential bias when PBC's business model became fused with the P3-first policy.³⁷²

The role and mandate of the Auditor General's Office (AGO) is to conduct independent audits and advise on how well government is managing its responsibilities and resources. Yet, the review of archival documents and interviews with study participants reveals that the AGO has taken a passive approach to oversight of the Province's P3 program, particularly in comparison to other jurisdictions like the UK and Australia. The

³⁶⁹ Appendix L, Interview #13.

³⁷⁰ Appendix L, Interview #8.

³⁷¹ Appendix L, Interview #21.

³⁷² BC (2006).

AGO has relinquished much of its audit authority to PBC itself, with the AGO's review of the Abbotsford Hospital and Cancer Clinic P3 Project (Abbotsford) exemplifying this 'hands-off' approach.

Despite the fact that Abbotsford was touted as the government's P3 pilot initiative to set standards for all future projects,³⁷³ the AGO chose to undertake only an 'attestation' of PBC's own "Value for Money Report,"³⁷⁴ rather than a full and 'substantive' independent audit.³⁷⁵ Rationalized on the basis that a substantive audit might duplicate much of the work of PBC,³⁷⁶ the AG's review could still only provide a 'moderate level of assurance' of the evidence and conclusions by PBC, noting:

The level of assurance I can offer is based, in part, on my ability to verify information. The (PBC) Report contains significant future-oriented information, which by its nature requires assumptions about future economic conditions and courses of action. Given the difficulty of obtaining sufficient, appropriate evidence to support a high level of assurance on future-oriented information, I determined that a moderate level of assurance was appropriate.³⁷⁷

Notwithstanding the AGO's cautioning, an *ex post* audit of the Abbotsford P3 project was not conducted. The 'Parliamentary Standing Committee on Public Accounts' reviewed the AGO Abbotsford project report³⁷⁸ and noted several important governance related concerns, including:

³⁷³ PBC (2005).

³⁷⁴ Ibid.

³⁷⁵ For greater detail on 'substantive audits' see for example Broadbent & Laughlin (1999), Edwards et al (2004), Froud & Shaoul (2001), Shaoul (2005), Pollock et al (2002), and Pollock et al (2005).

³⁷⁶ BC (2005b).

³⁷⁷ BC (2005a), p. 1, parentheses added.

³⁷⁸ BC (2006).

- How would the Abbotsford project’s lessons be applied for other P3s?
- What were the accountability provisions in the project agreement with the private partner?
- What is the Fraser Health Authority’s role in ongoing contract accountability monitoring?
- How would the dual mandate of Partnerships BC (P3 proponent and P3 evaluator) be reconciled with future projects?³⁷⁹

No evidence could be found of these concerns being addressed by the AGO, Partnerships BC or the Ministry of Health (as the sponsoring department).

To date, the AGO has conducted only one other report on healthcare P3s, a value-for-money audit of the Academic Ambulatory Care Centre P3 in Vancouver (BC 2011). In this 2011 audit, the AGO made several key observations and recommendations based on concerns related to project and contract management and oversight. Although prepared five years after the Abbotsford review, this audit was presented by the AGO as a ‘forward looking’ Report:

The *goal* is to provide guidance for future P3 projects to ensure that government, which would normally assume most of the risks associated with these major projects, can distribute appropriately the financial, technical and operational risks between both the private and the public sector partners, thereby achieving the desired cost reductions and higher-quality results commonly associated with P3s.³⁸⁰

³⁷⁹ Within six months of this Committee hearing, the Premier announced the government’s P3-first policy and PBC’s enhanced “dual mandate.”

³⁸⁰ BC (2011b), p. 458, italics added.

Given this goal, had the AGO chosen to undertake a full independent audit of the Abbotsford project (again touted as the P3 pilot for BC) in 2005, rather than simply attest to PBC's own Value for Money Report, the potential lessons and advantages for BC's thirteen other healthcare P3s undertaken since Abbotsford (including the Ambulatory Care project) could have been incorporated.

The results of this study point to shortcomings in the Province's P3 program governance capacity, based in part on the AGO's philosophy of focusing primarily on financial auditing practices, but also on the limited resources and depth of P3 expertise within the AGO's office to explore beyond this narrow mandate.³⁸¹ Although a key message in the literature,³⁸² the AGO did not acknowledge in its Abbotsford report that once P3 agreements are in place, the opportunity is lost to negotiate terms and conditions of the deal without incurring significant additional costs.

Critical Analysis of the Study's Governance Findings

Before launching into a detailed critique of the study's governance results, it may be useful to clarify by hypothetical example or scenario how a hospital P3 project might have expected to proceed in BC during the intervening years between the formal introduction of the P3 model (2002) and the P3-first policy directive (2006). Based on my many years of experience directing capital programs within several policy sectors and discussions with study participants, the process starts with central government (Treasury Board and Cabinet)

³⁸¹ The AGO's approach to P3s are in stark contrast to the efforts of the UK's National Audit Office and the Office of the Comptroller, whose active oversight of both specific PFI projects and of the PFI program in general includes over 250 reports or audit documents published since 2001, as mentioned earlier.

³⁸² See for example Barlow & Köberle-Gaiser (2009), Daniels & Trebilcock (2000), Dixon et al. (2005), Grimshaw et al. (2001), Malone (2005), OECD (2008), PWC (2008), and UNECE (2005a, 2007).

giving budgetary parameters to the Ministry of Health. This would include both strategic government priorities on capital expenditures (for example increasing acute care bed capacity), as well as an overall capital funding (debt) envelope for the entire healthcare sector, as the Ministry's system-wide healthcare capital allocation.

As the entity responsible for healthcare funding and program oversight, the Ministry of Health would receive broad budgetary direction from the core or centre of government (Treasury Board and Cabinet). The Ministry would then provide instruction and guidance to each Regional Health Authority on government and Ministry specific priorities, funding availability, and expectations regarding the form and content of capital plan submissions (such as the P3-viability of each proposed project). This instruction would also have detailed guidelines on establishing project business cases including P3 viability.

The Ministry would then: review each project proposal (conceptual level of detail) from the Health Authorities based on multiple criteria (such as available capital and degree of need for the specific project in a global provincial context); work closely with a dedicated Ministry of Finance capital planning unit (such as the former Capital Division) on the P3 viability analysis; and, advise the Health Authority of projects worthy of pursuing in greater detail as a P3 through a much more comprehensive and detailed business case.

At this stage the Health Authority might engage Partnerships BC (PBC) to assist in developing a P3 option along with the Public Sector Comparator or PSC (the PSC was introduced in Chapter Two and is based on a typical design-bid-build approach). Assuming the comparison affirmed that the P3 option made the best business sense for a given project (P3 viability test), the Ministry would request from Treasury Board approval for the project

to proceed as a P3. Again, assuming Treasury Board consent, the Ministry would instruct the sponsoring Health Authority to undertake a full P3 analysis exploring the full value-for-money and risk assessment/transfer, which would typically involve PBC in a lead consulting role.

Once the full P3 analysis was complete, the Ministry of Health would coordinate with Ministry of Finance (Treasury Board Staff) final project funding approval. Based on the final funding approval as a P3, the Ministry would oversee the establishment by the sponsoring Health Authority of a P3 project committee and would directly participate in the project as a key member of this committee through the phases of procurement and construction to completion and start-up. The Ministry would be the direct liaison with Treasury Board Staff and other central agencies throughout the life of the P3 project.

There are several elements of this scenario worth highlighting. First is the continued key role of the Ministry of Health from project inception through to completion, particularly in the Ministry's relationship with central agencies in obtaining P3 project approval in the context of the healthcare sectors overall capital requirements. Second, this 'ideal' scenario would have a dedicated P3 unit or at least a capital-specific department within central government, typically the Ministry of Finance. Such a unit would have capital expertise and be mandated and tasked with critically analyzing the business case or rationale for pursuing a project as a P3 or through traditional procurement and development approaches.

Finally, the function of developing the business case comparing P3 viability versus the traditional capital project method would be clearly separated from the P3 project approval

process. In other words, an agency with a mandate and business model like Partnerships BC would not have direct involvement in the decision making process.

Compared against this scenario, and based on the results from the data gathered through this study, P3 governance institutional structures in BC are far short of exemplary or best practices. This begins with the absence of any organizational units within central government mandated to provide policy guidance and regulatory oversight of the P3 program in general, and over Partnerships BC as a Crown agency.

Partnership BC's dominant power position as the 'gatekeeper' within the overall P3 system ecology is incongruous to the role and authority such an arms-length agency should command. Overall, the P3 role and mandate of central agencies in BC is extremely unclear, and Partnerships BC has been inappropriately afforded an authoritative role in the Province's corporate P3 policies and practices. Based on exemplary practices from other jurisdictions and scholarly literature,³⁸³ this situation does not comply with the governance checks and balance standards.

The archival review reveals a lack of clarity from the BC government around P3 procurement policy. Participant interviews confirm this creates ongoing confusion for policy implementers. In my experience managing capital programs and applying central government policy, when a policy statement starts off with, (a) meeting service needs first, then, (b) exploring a range of procurement options to meet service needs, this provides the reader with some perspective of the business-case structure and flow of thought behind the creation

³⁸³ See for example Asenova et al. (2004), Barrett (2003, 2004), Bevir & Rhodes (2006), Burger (2006), Burlone (2006), Davis (1997), Deloitte (2000), Dixon et al. (2005), Eaton et al. (2007), English (2007), EC (2003), Fitzgerald (2004), Hodge (2002, 2004a), James (2004), Terry (2005), UNECE (2007), Watson (2003), and World Bank (2006).

of the policy – which is important in a large and diverse system of agencies and multiple policy implementers.

However, when the same policy document then deviates from such business-like thinking with a directive that P3s are to be the base-case, the pathway or thread of logic becomes lost. Counter-intuitively, this suggests that adhering to the P3 method takes precedence over sound business planning processes and due diligence related to service needs. Think of it as ‘putting the cart before the horse’.

Some might suggest employing the P3-first directive is the government’s response to bureaucratic inertia or resistance to the P3 model.³⁸⁴ In my experience and observations, if the model makes good business sense then that will prevail through sound business planning and analysis. But when the P3 ‘gatekeeper’ is also the agency most benefiting from P3s then the whole process loses its integrity, as PBC embeds its fees into the total costs of each P3 project. Further to this, the study validates the exemplary practices from the literature that challenges the appropriateness of government relying on an agency such as PBC for both P3-viability analysis of projects and *de facto* policy and program performance oversight. PBC’s *raison d’être* is promotion of the P3 model, and its fee-for-service corporate business model means the sole source of revenue is generated when P3s proceed.

The notion of ensuring good-governance and accountability practices in relation to such special purpose or executive agencies is well documented, with explicit, impartial central department governance over such agencies in P3 domains a common best-practices

³⁸⁴ See for example Rachwalski & Ross op cit.

theme.³⁸⁵ In effect, PBC has been allowed to self-regulate its own performance. While initially this could be attributed to a lack of maturity in the BC's P3 program compared to other jurisdictions (particularly the UK and Australia), and the strategic importance seen in other jurisdictions to establish such agencies to 'kick-start' a P3 program,³⁸⁶ the Province's P3 agenda has been operational since 2002.

No evidence exists that the conclusions and recommendations stemming from the Abbotsford/Cancer Centre P3 put forth in 2005 were acted upon for the Academic Ambulatory Care Centre project. Again, this finding highlights a critical capacity deficit in central agency P3 program oversight, as no agency exists to monitor implementation of AGO recommendations. The conclusions and recommendations of the Deloitte (2000) report provides a performance 'benchmark' to assess the current state of the BC government's P3 governance capacity relative to where it was advised (and the Province agreed)³⁸⁷ to go. The lack of P3 program oversight is particularly troublesome considering the following conclusions by Deloitte:

We found that the authority of central agencies, which ultimately fund these capital projects, to demand and stipulate progress reporting is unclear and open to challenge. The ability of central agency officials, by law or policy, to obtain information on projects is unclear . . . this apparent lack of clear authority was most apparent with Crown corporations.³⁸⁸

³⁸⁵ See for example Burger (2006), Darcy (2006), Dutz et al. (2006), James (2004), Pollitt et al. (2004), Pollitt & Bouckaert (2000), Rhodes (1996), Talbot (2004), and Thomas (1998).

³⁸⁶ See Rachwalski & Ross op cit.

³⁸⁷ When the Capital Asset Management Framework was unveiled to public sector agencies at a closed-door gathering in May 2002, senior Ministry of Finance staff hosting the event specifically stated that the Framework was in response to recommendations in the Deloitte Report.

³⁸⁸ Deloitte, op. cit., p. 5.

Of direct relevance to this study, Deloitte also cautioned: “The legislation and policies regarding the role and authority of central agencies to monitor, investigate and control capital projects being funded by the decisions of the Treasury Board Ministers are unclear.”³⁸⁹ Yet, in the period since the Deloitte report was commissioned, the overall capital governance function of BC’s central agencies has diminished in almost exact proportion to the increased trajectory of P3 projects. Over a decade after the Deloitte report the mandate and role of central agencies over the Province’s P3 program is extremely vague. With the establishment of Partnerships BC and the absence of specific policy documentation around P3 governance structures, this points to an accountability and oversight deficit in BC’s public sector.

Another area of governance capacity concern emerging from the data is the absence of corporate documentation around roles and mandates of the numerous agencies or layers of responsibility present in P3 implementation. For example, on the one hand PBC’s involvement in each P3 project is optional for Health Authorities; but on the other hand, PBC has a monopoly on the P3-viability analysis of each project and makes recommendations on project funding to Treasury Board and Cabinet. This structure circumvents, or at the very least diminishes, the role of both MoH (which is the Ministry accountable for all healthcare expenditures and oversight of all traditional capital projects) and Treasury Board Staff who make recommendations to Treasury Board and Cabinet for all other capital and operation budget decisions.

MoH is ultimately responsible for securing capital funding for projects, as well as ensuring that healthcare capital projects are delivered on time and budget, and remain within

³⁸⁹ Deloitte, *op. cit.*, p. 7

the approved scope and quality. Recently, considerable authority for healthcare P3 project implementation shifted from MoH to the Ministry of Transportation and Infrastructure. This change came about when the former Deputy Minister for Transportation and Infrastructure became the new Deputy Minister of Health. The rationale was that the Transportation and Infrastructure was more experienced in P3s, although it has not knowledge in healthcare infrastructure. Both field observations and participant interviews verified that no formal or documented protocols, structures or processes have been developed to guide this new arrangement.³⁹⁰

Counter to both exemplary governance practices cited in the literature,³⁹¹ and the BC Government's own stated practices (for example CAMF), no central department is mandated to oversee the policy framework and implementation of the Province's P3 program. Not only is this counter-intuitive, but the next section also reveals that such an agency did exist prior to the formal establishment of the P3 program (Capital Division) and was eliminated at the same time PBC was created.

From a program performance standpoint, an obvious concern this raises is whether the BC government is paying sufficient attention to the very real negative consequences in terms of P3 program performance. Compared to exemplary practices,³⁹² an accountability gap exists in BC in the area of P3 program oversight and policy coordination by central departments, and much of what has occurred does not even pass a 'common sense test, for example, eliminating the Capital Division at the same time as aggressively pushing a P3

³⁹⁰ See Appendix L. Interview #23.

³⁹¹ See for example Bakvis & Juillet (2004), Chisholm (1989), Davis (1997), EC (2003), Goggin et al (1990), and (UNECE, 2007).

³⁹² See for example Dixon et al. (2005), English (2007), English & Guthrie (2006), EC (2003), Farrugia et al. (2008), Fitzgerald (2004), Hodge (2004a), Hodge & Greve (2005), Monteiro (2005), OECD (2008), Rachwalski & Ross op cit., Rosenau (2000), UNECE (2005a, 2007), and Watson (2003).

agenda. The result is a structural governance capacity deficit, with the very real consequence of unclear value for money for taxpayers. Downsizing of BC central agencies in the area of capital program oversight must be viewed as a significant contributor towards the thinning or weakening of central agency institutional capacity to administer and coordinate the necessary P3 accountability structures and processes.

Summary of the Governance Results

The governance component of this study provides an important profile of a critical leg of the BC's P3 program capacity stool, but also illustrates a number of paradoxical findings. Firstly, BC developed some useful governance frameworks to guide the Province's traditional capital infrastructure program, particularly CAMF. The paradox is that considering the maturity of BC's P3 program (the number of projects undertaken spanning over a decade), the Framework has never been amended and is of little practical value in the P3 domain. The inadequate coverage of P3 policy, procedures and oversight elements in the Framework suggests the government has simply not paid adequate attention to monitoring and adjusting its approach to P3 program implementation.

The study reveals that the Liberal government in BC also established some key departments with the Ministry of Labor and Citizen Services to help move forward the government's alternative service delivery agenda through the ASD Secretariat. The Secretariat's business collaborative approach of working with public agencies to develop greater ASD system capacity aligns more closely to the exemplary P3 practices identified in the literature. Yet, the government's approach to P3 implementation is a stark contrast to this

ASD model, for instance: no central agency was tasked or resourced by the government to move forward the Province's P3 program like they did for ASD; and, as noted earlier, the government eliminated the ASD Secretariat as the only centre of expertise within government dedicated to supporting implementation agencies and increasing capacity in non-traditional procurement and service delivery...which P3s can be generally classified. This highlights another significant finding: central government weakness in policy development, program coordination and overall P3 program oversight.

Considering the strategic importance of P3s to the BC government, this finding does not comply with exemplary practices. For example, there should be central agencies in place to: provide impartial advice to decision-makers on both broader P3 policy issues and on specific projects; develop clear policy and regulatory guidance to implementation agencies; and, coordinate inter-agency collaboration and system-wide capacity building.

In terms of the methodology used to examine governance capacity, the data gathered through the review of archival documents proved central to this analysis. Interviews and field observations were important in rounding-out the data and validating assumptions about the import of sound text-based governance frameworks. I believe this provides a sufficient level of validation of the merits of the triangulation method. For example, my own considerable experience collaborating with the ASD Secretariat provided significant exposure into a government strategic program with remarkable similarity to the P3 model. This first-hand and intimate perspective would not have been possible through archival reviews alone or even interviews with healthcare infrastructure participants.

The examination of human resource and collaboration capacity variables in the next two chapters completes the capacity profile of the two clusters of agencies involved in BC's P3 program—central government departments and implementation agencies. The useful information obtained from the network mapping tool proved useful in tracing the collaboration dynamics amongst agencies and the governance ecology of BC's healthcare P3 system presented later in Chapter Six.

Chapter Five - Human Resource Capacity: P3 Task Performance in a Network Setting

Given limited resources and the pressing problem of improving governmental performance, it is essential to target capacity building on specific types of personnel. . . . The problem is to determine, among other things, which of these types of capacity are needed and to seek to enhance them.³⁹³

People with network skills—collaborative skills not currently highly sought nor valued by government—need to be recruited, rewarded and promoted.³⁹⁴

These references summarize two broadly held perspectives on human resource (HR) capacity and reflect the overall approach taken in this study to examine HR capacity. In the first, Cohen (1993) reflects a more generally ascribed functionalist view of addressing operational capacity needs. Simplistically stated, this process begins with; (a) identifying key performance task areas in a program domain (in this case P3s) and the expertise and capacity required to do these tasks effectively – HR demand; followed by (b) determining current capacity or the availability of skilled personnel to execute these identified tasks – HR supply. An HR gap analysis or capacity deficit can then be measured simplistically by comparing demand (a) against supply (b). Logically, improving program delivery capability is achieved by employing strategies to address specific HR gaps in performance areas where agencies are weak or deficit.

³⁹³ Cohen (1993), p. 12.

³⁹⁴ Goldsmith & Eggers, 2004, p. 159.

The second quote above from Goldsmith and Eggers (2004) captures another widely-held belief that in today's environment of complex and boundary spanning issues, governments need to pay closer attention to the human resource implications of public managers having to collaboratively identify and solve problems in multi-agency settings. As with performance capacity, central departments have a key yet distinct role in this area of developing and coordinating strategic HR policies and collaborative practices amongst public agencies in a P3 task network. Concurrently, in the course of executing public policy implementation, agencies and their 'street-level'³⁹⁵ managers need to have the tools and requisite skills to manage and work effectively within networks of multiple organizations. While being successful in this milieu requires particular skills and some degree of political savvy, it also demands a cultural shift away from traditional vertical silos of activity and turf protection.³⁹⁶

Goldsmith and Eggers (2004) add that implementation of complex programs often requires multiple agencies and the necessity of sharing of limited resources, imparting knowledge gained, and incorporating learning and exemplary or best practices. In turn, public managers require the necessary collaborative management skills to navigate such networks and take advantage of the inherent value-added benefits of inter-agency collaboration, which involves the more obvious skills of project management, but also process management and communication. Lessons from the most experienced and

³⁹⁵ See for example Hill (2003) and Lipsky (1980).

³⁹⁶ For more on the phenomenon of silos within government, see for example Australia (2004), Bardach (1998), and Dutil et al. (2010).

sophisticated P3 jurisdictions validate the importance of adequately resourcing such functions with in-house expertise, rather than relying exclusively on external consultants.³⁹⁷

Recognizing the distinct role and function of central departments and implementation agencies already validated in the previous chapter, in the P3 realm these groups perform different but equally important task-types, namely policy development, program coordination and accountability oversight (central unit function), and managing project deal making, delivery and management (implementation agency operational tasks). In a 'performance capacity' context, central departments are also responsible for coordination of corporate HR policies to attract and retain specialists in key performance areas and develop the knowledge and capabilities of existing personnel. Each of these elements also appears in the analytical model.

Illustrating the inter-connectedness of the three legs of the capacity stool, there is also a link between HR capacity and the ability of government to develop and maintain relevant and clearly articulated policies, practices and regulations. This relationship could also apply to the skill-set needed to effectively perform *ex post* project audits and program reviews.

Following the style used in Chapter Four, to help guide the presentation of HR capacity it is important to illustrate to the reader the connections between the study's various components in a somewhat linear and systematic way. To achieve this, this chapter briefly revisits the structure of the HR analytical model and the methodology used. A profile is then provided of the P3 human resources put in place to date by the BC government, followed by

³⁹⁷ See for example Barlow & Köberle-Gaiser (2009), Dixon et al. (2005), Grinshaw et al. (2001), Malone (2005), OECD (2004, 2008), and UNECE (2007).

a review and analysis of the study's HR data and findings. The chapter concludes with a more critical perspective of the study's HR results.

HR Research Framework Revisited

In applying a more functionalist view of how to adequately plan and address operational capacity needs, implementing a comprehensive P3 program should involve determining what personnel are needed with the essential knowledge, training and hands-on experience in P3 task areas. With this in mind, the first key area of the HR analytical framework developed in Chapter Two (Table 2.2) examined the depth of 'performance capacity' in BC's public system in key P3 competency areas.

The centre of government plays a key function in coordinating implementation of boundary-spanning policies such as P3 programs and in establishing a culture within the public sector more conducive to intra-governmental collaboration. However, such cultural change requires both a mandate from government to establish this ethos and skilled personnel to make collaboration work in practice. From this, the analytical model emphasized two other important HR elements: *central policy development and coordination*; and *structural supports*.

All three data collection methods had equal value in gathering and analyzing the HR capacity results. The archival review and field observations proved most useful in establishing the profile of the P3 human resources put in place by the BC government. This in turn provided invaluable information to help guide participant interviews.

As with the governance variable, participant interviews revealed some interesting clusters or groupings. Again all twenty-seven current public sector participants responded to HR-related questions and discussion. Unlike the oversight process, what distinguished the positive from the more critical responses was the respondent's position within the organization (senior financial officer versus P3 project planning and implementation). In contrast, the governance results show a stronger demarcation in responses based on agency type (central versus implementation agency). Regardless of agency origin, participants at the senior financial level (for example Chief Financial Officer) were generally more positive in their responses and observations, whereas those at the more operational or P3 project planning and delivery level were noticeably more critical of the state of the public sector's HR capacity to deliver P3s.

Profile of BC's P3 Human Resources

Before presenting the study's HR results, it is important to set the stage for the critique of these findings and establish what is known about the BC government's general approach to HR capacity-building. This includes a brief overview of the Liberal's approach to human resource policy development and coordination, and the current design and makeup of healthcare P3 delivery systems.

As outlined at the outset of this paper, immediately after coming to power in BC the Liberal's introduced an array of strategies and reforms through the Core Services Review³⁹⁸

³⁹⁸ See BC (2001).

and Public Service Renewal.³⁹⁹ Of great significance from a government HR standpoint, these changes were soon followed by the consolidation of government strategic and operational human resource functions into the monolithic BC Public Service Agency (PSA). Under the auspices of the PSA, the BC government introduced a number of HR strategic plans and initiatives, particularly a series of annual HR resource plans unveiled since 2005, branded *Being the Best*.⁴⁰⁰

The evolution of *Being the Best* priority areas provides a profile of the government's HR goal priorities. For example, Version 3.0 (BC, 2008e) emphasized: promoting mobility and new work experiences; supporting employee learning and career development; more carefully managing the use of external resources; developing expertise in specific job streams; and, creating more entry level positions for the next generations of career public service employees.

In terms of structural changes to improve staff efficiencies, in 2009 a Health Authorities Shared Services Organization (SSO) was created, with the full support of the BC Government and all six health authorities. Rather than duplicate infrastructure and systems when they already existed in the system, the decision was made to move SSO operations into the Provincial Health Services Authority (PHSA) based out of Vancouver, under a new division of PHSA called Health Shared Services BC (HSSBC). The underlying principle is to work collaboratively on procuring common services to achieve greater cost efficiencies through combined healthcare purchasing power.

³⁹⁹ For an extensive study of the impact of the Public Sector Renewal agenda in BC see Vakil (2009).

⁴⁰⁰ The BC government has updated this report annually since 2006.

Consistent with the HSSBC approach, healthcare capital planning, project design, procurement and project management was consolidated with the establishment of Lower Mainland Facilities Management. However, unlike the HSSBC the Lower Mainland Facilities Management group is comprised only of PHSA, Fraser Health Authority and Vancouver Coastal Health Authority (also includes a standalone society - Providence Health Care). Also, the base of operations for Lower Mainland Facilities Management is the Fraser Health Authority.

As mention in Chapter Four, recently the Ministry of Transportation and Infrastructure assumed more direct responsibility for P3 project oversight from the Ministry of Health. This aligned with staff resource already in place with transportation P3s, which make up the majority of the BC government's other P3 commitments.

Study Results Related to HR Performance Capacity

In terms of professional development, no study participants interviewed had received formal training around the specific P3 technical requirements for their task area. Twelve of twenty-seven participants had attended P3 conferences, but each participant commented these conferences had limited practical value in their area of responsibility. This was summed up by one participant:

These sessions were more about promoting P3s than anything to do with how I can become better at doing projects.⁴⁰¹

⁴⁰¹ Appendix L, Interview #18.

One exception was a workshop in 2008 hosted by PBC to debrief public sector senior managers on recently completed healthcare P3 projects. However, seven of the nine study participants who attended made general comments that the greatest benefit came from the more informal interactions with staff from other agencies where experiences and information on projects was shared, rather than any specific P3 knowledge exchange or skill development that enhanced their professional or technical niche area.

Addressing one of the study questions related to understanding the difference between traditional and P3 projects, several study participants did commend PBC for helping clarify at this workshop the key distinctions. Although as one participant commented:

Partnerships (BC) did help clarify the difference between typical stipulated sum and P3 projects and the technical areas and skills needed to do P3s. But then they used this opportunity of having us all in the room together to sell their services rather than talk about how each of us could build internal capacity to do P3s.⁴⁰²

Discussions with implementation participants verified that none of the healthcare implementation agencies had staff with previous experience with P3s prior to the Abbotsford Hospital and Cancer Centre project, which completed in 2008. Even within PBC the ‘first wave’ of staff was all P3-neophytes, having transferred over mostly from the Ministry of Finance as part of the Core Review downsizing and later from the BC Buildings Corporation when it was decommissioned. One participant described how in the early days of the P3

⁴⁰² Appendix L, Interview #17.

program PBC ‘fumbled through’⁴⁰³ P3 projects, developing processes and even technical documents as the projects progressed.

Over time, a core group of P3 expertise has developed in BC’s healthcare sector, although there is a noticeable disparity of expertise amongst health authorities. Those Authorities involved in a larger volume of major capital projects in general seem better resourced to take on P3s in the key areas of procurement and project management, with the level of sophistication and staffing expertise influenced by three factors:

- 1) *Geography*: not surprisingly the ability to attract and retain P3 expertise is positively affected by closer proximity to larger urban centers, particularly Greater Vancouver. Also, the Lower Mainland Facilities Management group has become a *de facto* healthcare centre of P3 expertise.
- 2) *Economies of scale*: as mentioned, health authorities with a higher volume of major capital projects have greater HR expertise in the infrastructure design and development field, which transcends into greater P3 capacity in key skill areas. One participant used the sports analogy of having greater “bench strength” to do P3s when an agency more frequently develops large capital projects.
- 3) *Previous experience with P3-type projects*: study participants consistently cited the value of continuity of staff in key task areas, and the need to establish greater dedicated in-house resources in key deficit P3 skill areas, rather than relying on external agencies or consultants.

⁴⁰³ Appendix L, Interview #20.

As noted in Chapter Four, the Ministry of Health's own Capital Branch was downsized in the mid 1990's when the Ministry of Finance 'harvested' ⁴⁰⁴ capital planning and project management staff from most line departments to create the centralized Capital Division within Treasury Board staff. Health's Capital Branch was reduced from eighteen FTEs prior to formation of the Ministry of Finance Capital Division (1996) and currently has nine FTEs (although two positions were vacant at the completion of this study due to a government-wide hiring freeze). This despite the fact the Ministry of Health has a significantly larger capital expenditure plan than in the late 1990s, and is managing the majority of P3 projects in BC.

As noted in the previous chapter, responsibility for P3 oversight is now shared with the Ministry of Transportation and Infrastructure. This has fragmented the healthcare capital program, as traditional projects are managed solely by the Ministry of Health and P3 project implementation is overseen by an awkward compilation of Ministry of Transportation and Infrastructure, Ministry of Health, Partnerships BC and the sponsoring health authority.

Although P3 processes for healthcare projects in BC have become more standardized, implementation agency participants were unanimous in noting not only the critical need to recruit staff with previous P3 experience, but also the continuing struggle to retain in-house P3 experts once recruited. As one participant noted:

⁴⁰⁴ This term was regularly used by line ministries who lost FTEs to the Ministry of Finance in the government's late 1990's capital program restructuring.

All the best processes, documents and guidelines in the world are of little or no value if you don't have the right people to do the job. Getting and keeping the right people is a constant challenge.⁴⁰⁵

The most common barrier cited by study participants to getting and keeping the 'right people' was the inability to compete with compensation provided by the private sector, a fact validated by PBC's own research.⁴⁰⁶

The issue of compensation disparity between PBC and regular government departments was also cited as a barrier to agencies attracting and retaining their own staff:

Partnerships staff gets paid a lot more than me and my colleagues do, yet our staffing and operating budgets have been cut to the bone.⁴⁰⁷

At least three central agency participants and five implementation participants expressed a general frustration in having to compete with PBC for the same scarce P3 expertise.

Although the Lower Mainland Facilities Management group has established itself as a healthcare P3 centre of expertise, its staff are made up of transferees from the facility planning departments of the three member health authorities (Vancouver Coastal; Fraser; and Provincial), and it has faced the same recruitment challenges as other agencies in filling vacancies with P3 experts.⁴⁰⁸ For traditional government agencies this recruitment issue is even more acute given the inherent constraints for government ministries on FTE-based hiring, as well as structural limitations on salary and other forms of compensation.

⁴⁰⁵ Appendix L, Interview #3.

⁴⁰⁶ See Lee (2011).

⁴⁰⁷ Appendix L, Interview #18.

⁴⁰⁸ Appendix L, Interview #30.

As noted previously, the central agency coordination function is critical in complex policy domains to ensure effective use of limited public sector resources and link information, units and capacities. Effective coordination in this context requires particular attention to the skill-set, leadership qualities and overall culture of central government agencies in the form of catalytic or ‘symbolic capabilities’.⁴⁰⁹ However, the study reveals the absence of central agency involvement in developing or supporting inter-agency collaboration activities, attributed to both the lack of any explicit strategic priority given to this approach and no central agency units mandated to oversee this practice. The impact of this performance capacity deficit is manifest in the weak culture of collaboration also noted in the findings on collaboration in the next chapter.

Study Results Related to Central HR Policy Development and Coordination

Through both the documents reviewed and interviews with key staff, the study shows that with the exception of PBC, no central departments have any dedicated staff resources in support of P3 policy development, project oversight or technical support to specific projects. This includes the absence of a separate dedicated unit with a P3 mandate or staff whose formal job description makes specific reference to P3s. Technical support is provided on a project specific, as-needed basis. The staffing levels within central departments are very modest, with many departments comprised of no more than two or three professional staff.

Returning to the governance findings, despite the development of over twenty P3 projects, the Ministry of Finance does not have the performance capacity and expertise to appropriately update the original CAMF. This illustrates the inter-connectedness between capacity variables. Again, as one study participants noted:

⁴⁰⁹ See for example Bakvis & Juillet (2004), Hanf and O’Toole (1990), and Lindquist (2004).

There really is no one left in the Ministry of Finance who can provide practical advice on how to translate and apply (CAMF) to P3s.⁴¹⁰

For example, with the demise of the former Capital Division within the Ministry of Finance, any oversight functions normally performed by that Division would fall within the purview of Treasury Board Staff (TBS). However, with the twenty-five percent cutback in the Ministry of Finance through the Core Review TBS Analysts have even larger portfolios to manage. The TBS analyst with the healthcare portfolio is also responsible for the large post-secondary education policy area, and has no previous capital experience.

From a regulatory and oversight standpoint, the OECD (2004) cautions that the increased use of P3-type programs has increasingly strained the performance capacity of central departments in jurisdictions studied. From an HR best practices standpoint, for audit and oversight agencies, the OECD concludes,

. . . in order to follow developments, they will have a significant demand for fully qualified staff to provide effective oversight and investigative capacity which will need to be appropriately funded. The ability to attract staff on competitive terms will enhance the quality and independence of supervision and enforcement.⁴¹¹

Also noted in the governance findings, a noticeable gap exists in the text-based guidance necessary to ensure consistency and effectiveness in large and complex networks or systems. From an HR standpoint, there is an absence of any central agency mandated and staffed to clarify for other agencies what the policies and procedures actually mean in practice, as well as ensure the textual reference materials remain relevant. This illustrates a

⁴¹⁰ See Appendix L, Interview #5.

⁴¹¹ OECD (2004), p. 31.

systemic flaw, namely the long term ineffectiveness of policies and guidelines when there is an absence of qualified and competent staff to ensure governance frameworks remain relevant or to provide accountability oversight, as well as guidance, advice and clarity to implementation agencies tasked with applying these policies in practice. Several study participants commented on this circumstance:

For the purpose of P3s the Framework is obviously incomplete, but no one is in charge if it (CAMF) now. Considering BC has done so many P3s I can't understand why the (CAMF) doesn't have more relevant and up-to-date information. What's the value of having this big P3 program if we don't document what we learn as we do them?⁴¹²

It seems like the intention was there to enhance the (CAMF) section on P3s, but the government was anxious to get it published and out there for use, and once Partnerships BC was created those of us remaining in the (central government) just didn't have any mandate to do that extra work to update it.⁴¹³

Although the study revealed that each central agency department identified one staff member as the internal P3 contacts, no central agency participants have a reference to P3s in their job description, and none of the participants interviewed from these departments had any formal training in P3s. The scan of central agencies and information obtained through interviews also revealed that P3s are not explicitly part of the mandate of any central organizational units. With the exception of PBC staff, of the remaining five central agencies involved in this study only two participants had been involved in any substantive way in

⁴¹² See Appendix L, Interview #21.

⁴¹³ See Appendix L, Interview #23.

providing technical advice and support for P3 projects. Indicative of the ad hoc approach to their P3 assignments, these two participants each expressed somewhat similar concerns over their assigned tasks: “I do get drawn into P3 projects, but they are always done off the corner of my desk.”,⁴¹⁴ and, “It is a very isolating and unnerving experience, and I feel tremendous pressure not to screw up because of the dollars at stake.”⁴¹⁵

One participant became directly involved in a particular project because the deal was about to collapse and the Government was adamant it would happen as a P3. In recounting the situation, the participant revealed the following:

I negotiated with these private sector guys on some of the most critical aspects of the (P3) deal. I was locked in a room with them (private proponents) sometimes for 3 or 4 days, and there is just me on one side of the table and 4 or 5 lawyers and accountants for the proponents on the other side. It was very intimidating. They (the P3 proponent) wanted me to make decisions on the spot, but some of their proposals (financing arrangements) I had never heard of. I hate to say it, but I definitely felt like I was in over my head . . . and I’m the most experienced guy in our office.⁴¹⁶

When asked why no central departments are involved in P3 policy development and oversight, another central department participant responded: “That is Partnerships BC’s role...at least that is what I have been told.”⁴¹⁷

Despite the consolidation of HR functions within the Public Service Agency, there is no evidence of centrally developed or coordinated corporate P3 personnel recruitment,

⁴¹⁴ Appendix L, Interview #18.

⁴¹⁵ Appendix L, Interview #21.

⁴¹⁶ Ibid.

⁴¹⁷ Appendix L, Interview #23.

retention or professional development strategy. There is no evidence that P3 expertise is considered by government as a hard-to-fill skill area, unlike fields hard-to-fill areas like information technology (IT) where workforce adjustments have been in place since the early 2000's to provide additional benefits to attract and retain IT specialists.

Shortly before the BC Liberals came into power the Auditor General identified numerous 'urgent' public sector human capital requirements that threatened the effectiveness and quality of government services, noting in particular:

A number of issues place the human capital of the provincial public service at risk: lack of succession planning, an aging workforce, the impact of reorganization and downsizing, and a competitive job market. The government has no overall human resource plan to address these issues . . . All of these findings reinforce the need for a much stronger focus on the development of government employees in the next few years, particularly in the area of management.⁴¹⁸

As the Auditor General (BC 2005d) concluded in a follow up report, the residual effect of consolidating most HR functions into the Public Service Agency in 2003 was shifting the function for those HR staff that remained in line ministries from providing full HR services to simply serving as the implementation tool for government's overarching reform agenda. One consequence was departmental managers in non-HR service areas assuming greater responsibility for day-to-day staffing issues, including all tasks related to hiring. The Auditor General determined that this change was extremely unwelcomed and viewed by many managers as simply an 'off-loading' of HR responsibilities at a time when

⁴¹⁸ BC (1999c), p. 10-11.

most departments were trying to cope with significant staff downsizing and budget reductions related to the Core Review.

As noted in the previous section profiling BC's HR practices, the Province introduced a number of HR strategic plans and initiatives under *Being the Best*. However, by 2010 the government's stated HR priorities had changed from professional development and career advancement opportunities to 'adapting the culture' within the public sector.⁴¹⁹ This emphasized shifting to greater use of technology and virtual offices to 'change the tools that work for you'.⁴²⁰ For example, in an obvious strategy to attract and retain technology proficient employees, the 2010 strategy went as far as to symbolize the removal of restrictions on downloading program applications onto government computers as, "... favouring the trustworthiness of employees over risk aversion."⁴²¹ While *Being the Best* 2010 also includes a priority to improve executive communications, this issue and a general distrust of senior management and executives by employees has been identified as a major concern in numerous Auditor General Reports.⁴²²

In terms of professional development opportunities, no evidence was found of initiatives like P3-specific temporary lateral transfer opportunities for central agency staff to obtain valuable field experience in P3 project implementation. Several study participants lamented that short-term knowledge and skill-gains from hands on experience, collaborative resource sharing and development activities are often for naught, as in-house staff who gain P3 experience are often 'poached' to join the far more lucrative opportunities in the private

⁴¹⁹ BC (2010c), p. 12.

⁴²⁰ Ibid, p. 2.

⁴²¹ Ibid, p. 9.

⁴²² See BC (1999c, 2005d).

P3 sector. Three study participants confirmed either recently applying for private sector P3-related employment or being approached by private firms.

Unlike early transportation P3 projects, no examples exist of health authority or Ministry of Health staff being temporarily seconded to PBC. Over time, some increase in P3 knowledge and experience has developed, and for some agencies this has transcended into an actual increase in staff targeted to P3 projects (the Lower Mainland Facilities Management group is the best example). However, any P3 knowledge sharing through the overall healthcare system can be attributed to more informal activities occurring through existing communities of practice and working relations at the senior management level, rather than as a result of any deliberate government corporate strategy to increase capacity through the sharing of knowledge and attracting, developing and retaining P3 expertise.

No evidence could be found of a comprehensive, coordinated central government corporate strategy to increase P3 skills capacity for any public agencies or for the P3 domain as a unique and hard-to-fill area of expertise; and central departments do not have a strategy to attract and retain their own required P3 expertise. Similarly, the study reveals that no staff within the key oversight departments of the Office of the Comptroller General or Office of the Auditor General had received any formal training in P3 project audits or reviews. Not surprisingly, given the lack of P3 knowledge and expertise in these central departments *ex post* project reviews or audits do not examine the skills required of implementation agencies to deliver projects effectively compared against industry HR standards or best practices.

Study Results Related to HR Structural Supports

The study reveals the absence of any corporate HR strategy to increase P3 performance capacity, except to allow implementation agencies (health authorities) to hire project-specific staff and charge that cost to each project. Unlike arms-length agencies such as health authorities who can hire additional staff through P3 project budgets, government departments like the Ministry of Health and Ministry of Finance are constrained in their hiring practices through central control of FTEs. Although the Ministry of Health cites capital infrastructure in its business planning, I can attest through first-hand experience that Health's Capital Services Branch is woefully under-resourced.

It is evident that subsequent second and third wave (post Abbotsford Hospital) healthcare P3 projects benefited considerably from knowledge sharing amongst Health Authorities. All study participants were in general agreement that over time there has been some increase in P3 knowledge capacity, simply as a result of gaining experience through direct project involvement or information sharing with other colleagues in their department. Any advancement in expertise was universally attributed by participants to informal learning rather than a deliberate strategy to share knowledge, and attract, develop and retain P3 expertise. This is validated by the archival review of government documents that show there is no strategic plan in place around HR development or collaborative practices, and through my own field observations. As one participant commented:

I've learnt far more by accidentally running into others in the course of my day-to-day work who are involved in P3s than through any formal training courses or conferences.⁴²³

The researcher observed that PBC's role with the larger Health Authorities (particularly Vancouver Coastal, and Fraser) has evolved to be more of a project approval 'lobbyist' function, as these larger Health Authorities have lessened their reliance on PBC over time. In fact, as noted the Vancouver Coastal, Fraser and Provincial Health Authorities have pooled their capital project resources with the Lower Mainland. However, the effectiveness of this pooling of resources has been impeded by inherent organizational 'boundary issues'⁴²⁴ between parent agencies, a factor that is examined in greater detail in the next chapter on collaboration.

⁴²³ Appendix L. Interview #21.

⁴²⁴ Appendix L. Interview #19.

Critique of the Study's HR Findings

It can be generally concluded that BC's public sector continues to be under-resourced relative to the necessity of in-house capacity advocated in the literature. The availability of P3 expertise ranges from uneven amongst Health Authorities to non-existent within central government departments. Further to this, the ability of central departments to recruit needed P3 experts are constrained by centrally dictated hiring policies governing compensating and controls on FTEs.

Relating back into the governance findings, limited central agency HR capacity to maintain relevant P3 policies contrasts the CAMF explicit reference to the Ministry of Finance as responsible for maintenance and updating of these guidelines and the other documents that make up the Framework. The Ministry of Finance is also cited in CAMF as responsible for clarifying or amending the Framework in response to multiple factors, including: concerns identified by Treasury Board, the Ministry of Finance or affected agencies; changes in legislation or regulations; or regular reviews of the Framework's effectiveness by the Ministry of Finance itself. Yet there are numerous examples that should have triggered such clarifications or amendments, including concerns raised by Public Accounts Committees,⁴²⁵ and the Premier's P3-first proclamation.⁴²⁶

From a regulatory and oversight standpoint, the OECD (2004) cautions that the increased use of P3-type programs has increasingly strained the performance capacity of central departments in jurisdictions studied. From an HR best practices standpoint, the OECD concludes:

⁴²⁵ BC (2006).

⁴²⁶ See Campbell (2006).

. . . in order to follow developments, they will have a significant demand for fully qualified staff to provide effective oversight and investigative capacity which will need to be appropriately funded. The ability to attract staff on competitive terms will enhance the quality and independence of supervision and enforcement.⁴²⁷

However, the study reveals the absence of a clear and strong mandate amongst any central agencies (including the Auditor General's Office) to oversee P3 policy development and program performance and accountability. The scan of central agency organizational structures and interviews with staff verified the government has not paid any attention to establishing appropriate institutional structures or have recruited staff with P3 expertise. Any P3 oversight is performed by staff with traditional financial, auditing and risk management training and experience. In the absence of formal training and explicit recruitment processes, the P3 staff development strategy for central agencies appears limited to on-the-job training.

Overall, there is little evidence of a comprehensive, coordinated strategy to increase P3 HR capacity in BC, and the data suggests that the shift to centralization of HR functions has not ameliorated the general distrust and dissatisfaction expressed by BC public service survey respondents since the mid 1990's. It also exposes a short-lived general emphasis in the *Being the Best* strategy on capacity building. There seems a lack of attention to chronic HR problems flagged by the Auditor General, often attributed to downsizings and restructuring dating back to the mid-1990s. This finding is particularly relevant considering the reduced performance capacity of both central agencies (elimination of the Capital Division in the Ministry of Finance) and the Ministry of Health (FTE reduction in the Capital Services Division).

⁴²⁷ OECD (2004), p. 31.

Regarding project implementation capacity, the study reveals that at the initial stages of BC's P3 program there was very limited P3 expertise within the public sector to undertake P3s on a comprehensive, government-wide scale or even within specific sectors (for the purpose of this study, the start date of BC's P3 agenda began when PBC was established in 2002). Even by the end of the formal research period (2011), few agencies examined have in-house staff with either the specific skills needed or sufficient experience in P3s, with two exceptions. The first (already mentioned) is the consolidated group (Lower Mainland Facilities Management) in Greater Vancouver providing P3 and other capital-related services to three of the Health Authorities. This was initiated by these Health Authorities strictly as an efficiency measure, and no evidence could be found to attribute this to a centrally initiated Government HR strategy.

To the Province's credit, the second exception stems from the Province allowing Health Authorities to hire in-house staff on a contract basis and charge this cost to each P3 project. However, there are structural problems with this approach:

- There continues to be difficulty in the long term retention and development of P3 expertise...in other words there continues to be turn-over or 'leakage' of P3 expertise from the system;
- Charging staff time to capital projects means the taxpayers fund such costs over the full life of the project (often 35 years), with interest;
- More remote regions face a greater P3 expertise recruitment challenge than those project sponsors located in the larger urban centres.
- Although this practice benefits Health Authorities, departments like the Ministry of Health's Capital Branch are unable to recruit and fund P3 experts in this manner, so they

must compete with other Ministry departments for scarce FTEs. The HR challenge this creates is exacerbated by the ongoing downsizing and hiring freezes inside the BC Government in recent years which do not directly affect Health Authorities.⁴²⁸

While anecdotally the study found evidence of some project-specific lateral transfer opportunities for early transportation sector projects, no examples were evident for healthcare sector P3s. Also, the study could find no evidence of a formal strategy in place within any of the organizations surveyed that encouraged professional development practices specific to P3s, such as mentoring. Such opportunities should be part of a corporate strategy to increase P3 expertise throughout the public sector given the P3-first agenda.

In terms of change management processes, participants who are at the project delivery level (Directors, Project Managers) consistently stated that the prevailing culture within government undervalues the importance of P3 project planning and delivery capacity, despite the P3-first declaration. Project planning and delivery services are viewed as ancillary to core healthcare activities. The consequence is that capital departments must compete for increasingly scarce organizational resources against other internal units who deliver core services.

The study also revealed an initial passive-resistance to P3s. This aligns with my own experience as P3s were a centrally dictated policy with unclear financial benefits to implementation agencies, with all the down-side of undertaking a new business model with no in-house expertise. No additional resources were provided to plan and implement P3 projects, except to hire PBC.

⁴²⁸ See for example “B.C. to slash spending, freeze hiring”, Time Colonist, September 13 2012.

With captive clients, PBC can either control or openly share P3 knowledge and resources with other organizations within the public sector. Consistent with the governance findings, the study illustrates that in practice PBC operates more from a position of self-interest and has a dominant power position within the P3 network. Although this finding is in keeping with its business model, the study affirms that PBC gains power in BC's public sector in several ways, such as: from the Premier's office through the P3-first policy; through its statutory reporting relationship to the Minister of Finance; and, due to the absence of any central unit mandated to oversee PBC's practices and ensure P3 knowledge, expertise and learning is disseminated to other public agencies. In the absence of central program oversight, it remains in Partnership BC's own interest to ensure continued public sector reliance on its services as the centre of P3 knowledge and expertise.

PBC and other consultant services are absorbed into the overall 'soft costs' of projects, which provides some solace to the absence of in-house resources. Implementation agencies also circumvent the in-house funding challenge by establishing project-specific P3 teams that can be financed through each project's capital budget, similar to how PBC's services are funded. The trade-off is that, once a project is complete contracted staff are no longer funded, unless implementation agencies find the operating budget to hire them as regular employees, which means competing for resources against core healthcare service departments. This practice raises broader questions around long-term capacity and staff retention, but also around the fiscal prudence of financing the cost of staff resources through long-term borrowing (often greater than thirty years). The literature also strongly suggests that a special purpose agency should play a seminal role in the dissemination of P3

knowledge, expertise and best practices to other less equipped agencies.⁴²⁹ However, the evidence from this study indicates that PBC has served a very limited role in this function.

HR Capacity Results Summary

The study reveals that the BC government's approach to HR capacity has emphasized resourcing the system by emphasizing implementation agencies (health authorities) hire staff on a project specific basis funded through the budget of each project. While this form of just-in-time recruitment practice seems efficient, it does little to advance P3 expertise and grow in-house capacity in a sustainable way. This approach has also starved central agencies and the Ministry of Health of the critical human resources needed to ensure sufficient due diligence on each project and ongoing program oversight and accountability. Despite government departments (like Treasury Board Staff and Ministry of Health Capital Services Division) and more arms-length agencies (for example health authorities) being part of the overall public sector domain, an uneven HR playing field exists in BC. This creates an overall structural deficit in the system's P3 performance capacity.

As with governance capacity, the lack of a comprehensive and sustainable P3 human resource strategy suggests the government has not paid adequate attention to monitoring and adjusting its approach to HR capacity for the P3 program. Also highlighted in the governance findings and with implications for HR capacity, the Province established the ASD Secretariat as an exemplary example of how to work with agencies to develop greater system capacity in non-traditional procurement and service delivery. The province's P3 program would benefit

⁴²⁹ See Rachwalski & Ross op cit.

greatly if a central agency took the lead in developing training and other P3 human resource capacity enhancing initiatives.

Returning briefly a review of the study's methodology, the HR data was gathered through an equal balance of the three research methods - review of archival documents, interviews and field observations. This proved a true triangulation of the data, as no single method fully satisfied the information needed to make a complete analysis, but in their totality the assessment was convincing. Again, as an example my own considerable experience, working in partnership with the ASD Secretariat provided key insights into a very useful and effective strategy to implement a government priority program on non-traditional procurement and service delivery – a new program identical in many ways to the P3 model.

From all of this, an obvious question emerges: *Is there an ideal P3 program implementation model that can best support the capacity needed to develop and sustain an innovative and accountable P3 program?* While this has been explored to a limited extent based on the scenarios of one central P3 agency versus developing expertise at the sectoral level,⁴³⁰ addressing this question in much greater detail from an HR, governance and collaborative practices standpoint is warranted. This and several other future research questions are summarized in the final chapter. For now, the paper next sums up the final results of the study by examining the collaborative capacity of BC's healthcare system.

⁴³⁰ See Rachwalski and Ross op cit.

Chapter Six – Benefits and Tradeoffs of Intra-Governmental Collaboration

Introduction

From a system capacity or network analysis standpoint, infrastructure P3s are unique because of the range and diversity of functional or task areas such as debt management, risk management, procurement, contract management, project management, client service delivery, and legal and regulatory oversight. From previous chapters we have also determined the number and diversity of agencies involved in BC's healthcare P3 network. The challenges associated with aligning and coordinating functions across agencies include the very real potential of conflicting priorities and conflicting organizational cultures in the numerous stakeholders involved, and the scarcity of P3 expertise and resources, often thinly dispersed throughout a system of public agencies.

Kettl (2006) points out another paradox in contemporary public administration - what he calls an inherent 'wickedness' - when public managers attempt to solve 'horizontally' increasingly complex and boundary-spanning policy issues within the traditionally 'vertical' (hierarchical) culture of government. Given the nature of the P3 model, collaboration amongst public sector agencies seems a necessary approach to adequately implement a comprehensive P3 agenda. So the fundamental question seems: Do governments who are determined to pursue P3s as rigorously as BC has, fully understand the concept of intra-governmental collaboration and have made the necessary adjustments to make this work in practice?

Consistent with the previous findings on governance and HR capacity, this chapter presents the study's results of the process or collaborative dynamics between public agencies

in BC's healthcare P3 task network as they enacted the government's P3 program. It briefly reviews the structure of the collaboration analytical model and the methodology used. A profile is then provided of the systems and processes put in place by the BC government to establish a collaborative culture within BC's public sector and healthcare P3 network, followed by a review and analysis of the study's collaboration data and findings. The chapter concludes with a more critical perspective of the study's collaboration results.

Collaboration Research Framework Revisited

The intent in analyzing system structure is to measure the dynamic interplay between multiple public agencies performing the numerous critical tasks involved in a comprehensive P3 program and the characteristics of the agencies involved. The study used the analytical framework (Table 2.3) from Chapter Two as a guide to examine collaboration within BC's healthcare P3 network. The specific collaboration capacity elements and associated study questions revolved around two key areas:

- *Structure of the network of agencies involved in healthcare P3s; and*
- *Collaborative processes between agencies and the dynamics of inter-agency relations.*

The analytical model emphasizes elements such as the frequency of interaction between agencies, the types of information and data shared, whether collaboration is informal or an explicit capacity-building strategic priority, and power dynamics amongst agencies in the network.

Examining the structural characteristics and dynamic interactions within a P3 task-network provides a useful indication of performance capacity or response capability at the

problem domain or system level.⁴³¹ This becomes particularly valuable for examining relationships between core or central government units and implementation agencies, a benefit of clustering agencies into these discrete groups for study purposes. Again, the distinction between central and implementation agencies and the variations on how capacity should be viewed according to each category is a common theme or linkage across the legs of the capacity stool.

Collaboration is very much about how agencies work together, so interviews and field observations were a key data collection method. The archival reviews were also important in defining what stated strategic important the government placed on collaboration and how this translated into formal guidelines or directives to the public sector.

Consistent with the other capacity variables, participant interviews revealed some interesting clusters or groupings when discussing collaboration. Similar to the governance findings, a differentiation between central departments and implementation agencies was noticeable, but for collaboration the distinction involved the degree of interest in the idea of inter-agency collaboration. For instance, seven central department participants were noticeably disinterested in the whole notion of collaboration, generally viewing it almost as a distraction from performing their regular tasks and duties. Two central department participants (those with the most P3 exposure through actual projects) showed some interest in the prospect of working with other agencies to develop their own skill-set relative to P3s. However, none of the seven central department participants felt the concept of central agency coordination of system-wide collaboration was an important role for government to play.

⁴³¹ See for example Gray (1996), Gray & Wood (1991), Wood & Gray (1991), O'Toole (1988, 1997), Page (2004), and Sullivan & Skelcher (2002).

Another interesting cluster emerged within the twenty implementation agency participants. Consistent with the results of the HR discussions, all five executive-level participants viewed inter-agency collaboration quite differently from the remaining fifteen implementation agency participants interviewed. Executives took a more strategic or return-on-investment perspective, generally perceiving collaboration as a mechanism to achieve efficiencies through structural integration, such as consolidation of some non-core activities like purchasing. Whereas, implementation agency participants more directly involved in P3 project planning and delivery viewed collaboration more as information and resource sharing, and also from a P3 professional development standpoint. The P3 project implementers generally perceived that collaboration with colleagues was an effective means to share HR expertise. The more collegial nature of the network of implementation agencies reflected greater openness during the interviews to the overall concept of collaboration.

Profile of BCs Cross Departmental Structures and Collaborative Culture

To better understand the context of inter-agency collaboration in BC's public system I began by exploring what policy strategies, and institutional structures and processes were put into place by the province. One by-product of the 'New Public Management'⁴³² movement is greater emphasis on joined-up or whole-of-government services (introduced in the collaboration section of Chapter Two). Consistent with this concept, the Liberal government created Service BC in 2004 within the (then) Ministry of Labour and Citizen Services as part of its service transformation strategy. Service BC's stated mandate is to "Drive value through

⁴³² See for example Barzelay (2002), Bevir, Rhodes & Weller (2003), Hood (1991, 1995), and Pollitt & Bouckaert (2000).

service delivery transformation”⁴³³ by integrating and if necessary consolidating and rationalizing functions and services across line or service ministries. A main focus of Service BC has been the application of information technology (IT) solutions to escalate the government’s transition to e-government as a service delivery model - wherever possible.

Reflecting a strong collaborative ethos, a cross-ministry committee of Assistant Deputy Ministers (ADM) was tasked with overseeing public sector service transformation, in particular Service BC. As a result, Service BC can be seen as an exemplary example of cross-departmental coordination and collaboration from a strategic policy implementation standpoint. A significant result of this ADM committee was the establishment of service level agreements between Service BC and ‘client’ line departments and agencies. These agreements were operationalized by Service BC client managers in its Alliance Management Office working closely with counterparts within each client agency.⁴³⁴ This structure not only institutionalized the concept of integrated service delivery and managing relationships within the BC government, it also recognized the need to have managers in line ministries explicitly tasked with making this integration work in practice.

Since 2001, the BC Liberals have put in place other structures and systems which have characteristics of cross-departmental coordination or elements of establishing a collaborative culture - with some related to capital infrastructure and P3-type initiatives. Of particular relevance are the following unique departments (first introduced in Chapter Four) that were created to strengthen capacity within government in non-traditional procurement

⁴³³ BC (2008e), p. 24.

⁴³⁴ This is reviewed in considerable detail in Langford & Roy (2009).

and service delivery (also under the portfolio of the Ministry of Labour and Citizen Services):

- Alternative Service Delivery (ASD) Secretariat - a shared-services government department responsible for assisting line ministries in developing and managing ASD projects. Although this Secretariat focused primarily on IT initiatives, it established a strong culture of collaborative practices with line ministries through service delivery agreements similar to Service BC and other initiatives like the Executive Institute on Alternative Service Delivery (ASD), and Joint Solution Procurement. As part of its mandate to increase public sector ASD capacity, the Ministry of Labour and Citizen Services noted in its 2008/09 Service Plan: "...action is being taken to ensure we recruit and retain ASD staff through targeted programs including: ASD specific training; Creation of the Alliance Management Framework; active recruitment and retention strategies; and a targeted Succession Management program";⁴³⁵
- Executive Institute on ASD - created as an extension of the ASD Secretariat to develop and lead training programs for senior public managers involved in or considering ASD programs and services;⁴³⁶
- Joint Solution Procurement – also housing out of the ASD Secretariat, Joint Solution Procurement is a multi-stage, collaborative process that uses private sector expertise to design a wider range of outsourcing procurement solutions, typically large-scale, long term and involve some form of business transformation.⁴³⁷ This initiative mirrored the Service BC approach of specialized support to line ministries and public agencies, except

⁴³⁵ BC (2008e), p. 18.

⁴³⁶ As noted, the author served on the advisory board during the establishment and beta-testing of the training curriculum for the Executive Institute.

⁴³⁷ Taken from the Executive Institute on ASD 'Training Manual', 2006.

specifically for atypical and complex IT procurement strategies like outsourcing revenue management and other financial services.

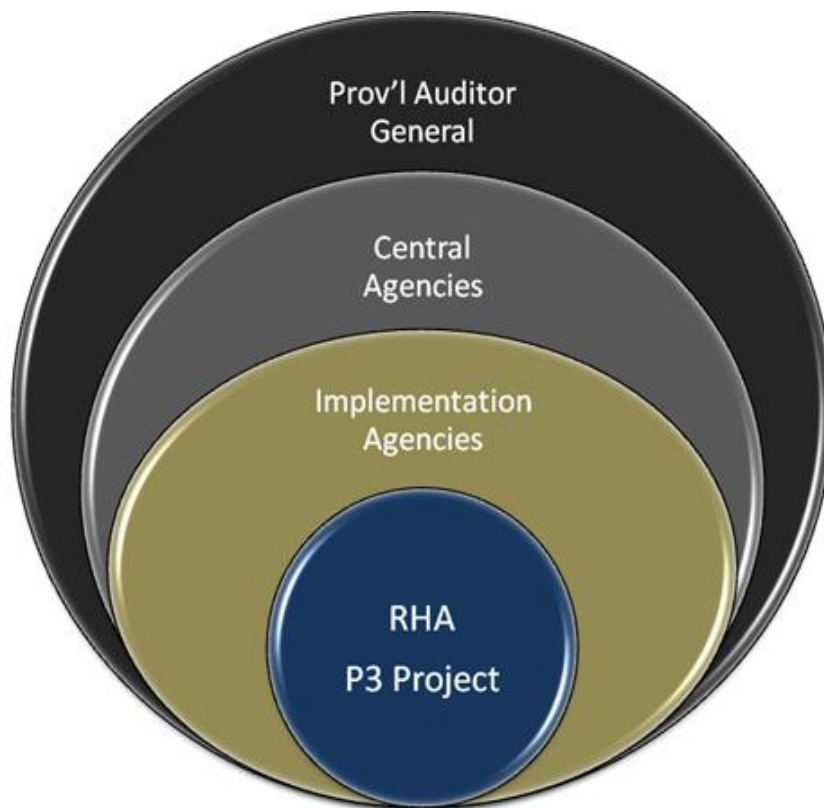
- Centre of Excellence in Project Management - mandated to develop greater project management capacity and expertise throughout BC's public sector, the Centre followed a similar collaborative approach to developing its training development template and protocols as the Executive Institute on ASD.
- Capital Planning Secretariat - created in 2006 to oversee the Province's overall capital expenditures program, with a focus on debt and cash-flow management. This Secretariat was later moved to the Ministry of Finance to become the only central agency specifically tasked with capital program oversight, and as a result of this portfolio shift its role morphed from capital project coordination to central capital expenditure control.

As noted previously in Figure 4.1, analysis of the P3 architecture in BC's healthcare system affirms it is composed of two functional clusters or categories of public agencies: central government departments or units responsible for program monitoring and policy coordination; and implementation agencies or line departments responsible for program delivery.

Following a process consistent with 'backward mapping',⁴³⁸ the structure of the healthcare P3 system can be conceptualized as concentric rings emanating from each project, with specific projects and associated services at the hub of the network. This is shown in Figure 6.1.

⁴³⁸ See Elmore (1979).

Figure 6.1 - Structure of BC's Healthcare P3 Task Network



At the institutional core of each healthcare P3 project is the sponsoring health authority (HAs), as introduced in Chapter Four. To date, all HAs have undertaken at least one provincially-mandated P3 infrastructure project.

Another key member of the implementation agency cluster, the Ministry of Health (MoH) is at the crossroads in the overall healthcare system. As the provincial department responsible for health policy strategic planning, healthcare fiscal planning, and health services delivery oversight, this responsibility also includes planning and managing the Province's overall healthcare infrastructure budget, such as P3s. MoH performs an intermediating role in operationalizing government strategic priorities between the highest level corporate function of central agencies and the on-the-ground healthcare service delivery

by health authorities. As such, MoH performs many of the nexus functions Goggin et al. (1990) identify in their ‘communications model’ of policy implementation.

For healthcare infrastructure such as hospitals, the Ministry is ultimately responsible for ensuring healthcare capital projects are delivered on time, on budget, and within the approved scope and quality. It must oversee all capital projects delivered by HAs, not just P3s. The MoH Capital Branch, responsible for planning and implementation of the healthcare infrastructure budget, has established formal capital planning and policy working groups with HA counterparts and other healthcare task-network members such as regional hospital districts (RHDs).

Illustrating the structural complexity of the healthcare infrastructure system, as noted, RHDs are legal entities created by provincial statute to cost-share healthcare infrastructure costs with the Provincial government, using local property taxation. RHDs are part of the corporate and governance structure of Regional Districts, and as such are autonomous levels of government separate from the provincial government (RHD Boards are the same as the parent regional district). Health authorities have established formal working committees with member RHDs to improve capital planning and joint-funding decision making, and the Union of BC Municipalities has a standing committee that works with the BC government and the Ministry of Health on province-wide healthcare capital planning and funding issues.

The other cluster of agencies in the P3 network is made up of relatively small (often only two or three professional staff) and specialized central departments providing P3 technical analysis and support to provincial government line departments as well as to the BC government corporately. The Provincial Treasury is the Ministry of Finance department

responsible for overall management of the province's debt and borrowing activities. Its role in P3s includes evaluating the financial soundness of P3 financing schemes, providing financing advice and technical support to Provincial agencies, and at times directly negotiating financing schemes with P3 proponents.

Another Ministry of Finance Department, the Risk Management Branch, has overall responsibility for managing the risk exposure to the Province and provincial agencies, including evaluating the risk transfer components of proposed P3s deals, and providing risk management advice and technical support to provincial agencies like Health Authorities.

In support of Treasury Board, Treasury Board Staff (TBS) serves as the central financial accountability authority within the Ministry of Finance. Its principal gate-keeper role is centered on project due diligence during the capital project business case appraisal and working with PBC and sponsoring Ministries like Health on Treasury Board project approval processes. TBS works directly with the Ministry of Health on all budgetary and financial matters requiring government approvals.

The outermost band of the P3 architecture involves departments responsible for financial accountability and service quality. The first is the Office of the Comptroller General, another Ministry of Finance department responsible for the overall quality and integrity of the government's financial management and control systems. The other oversight and accountability agency is the Office of the Auditor General (AG). Reporting directly to the provincial Legislature, the AG is responsible for overseeing how well government manages its responsibilities and resources, including undertaking post-project P3 evaluations and audits.

Like the Ministry of Health, Partnerships BC (PBC) has a dual role in the P3 system. Central agency characteristics or functions include responsibility for oversight of the Province's P3-first policy and it is the primary source of technical advice (such as value-for-money and risk assessments) for all P3s considered by Treasury Board. Other central departments may be consulted by PBC, but all P3 project reports flow through PBC. As noted in Chapter Four, PBC also has a *de facto* lead role in development of the Province's corporate P3 policies and practices.

Study Results Related to Collaboration Structures

Consistent with what we have gathered about the other capacity variables, a conclusion from the literature is that policies and practices established at the central government or corporate level can affect the culture of collaboration and the overall tone or working environment at the implementation agency level.⁴³⁹ Bardach (1998), for example, argues that the degree of synergy between central departments and implementation agencies can either support or deter effective inter-agency collaboration. He views elements such as culture, policies and strategic priority setting as structural characteristics of networks of public agencies, and argues that taking account of such features helps establish the profile of a network's capacity to collaborate, and in turn the likelihood of producing desired policy outputs in complex domains.

⁴³⁹ See for example Bakvis & Juillet op. cit., Donahue et al. (2000), and Grindle & Hilderbrand op. cit.

Despite the significant transformation to e-government enacted by Service BC, as Dutil et al. point out, "...there is no formal institutional recognition that the responsibility for transforming a service or set of services is *collectively shared* and there are no formal mechanisms to hold managers or ministers *collectively accountable* for cross-ministry service transformation initiatives."⁴⁴⁰ In terms of the province's infrastructure P3-first agenda, there is no evidence of any cross-ministry planning or oversight committee like we have seen with the transformation to e-government for many traditional government programs and services.

As Agranoff and McGuire (1999) also point out, *power concerns* should be at the core of any general theory of and research into collaboration, because we must know whether power moves by one of the players within the network hinder the kind of synergistic creativity that reciprocal relationships are purported to produce. Collaboration can involve changes in structures of domination or asymmetries of resources employed in the sustaining of power relations. Power in networks, they add, can be portrayed neutrally, or at least dualistically, as a property that either prevents or facilitates action. Further to this, Rhodes (1988) argues that, as political structures, networks can influence policy outcomes by constraining or facilitating the actions of actors within the network.

Unquestionably there are overlaps between the discussion in Chapter Four and the results of this review of structural elements of the P3 system in an inter-agency context, so mapping out the specific power dynamics and relationships within the healthcare P3 task network in BC was an informative exercise. Through participant interviews and a review of agency documents, detailed information was obtained on the broad range of mandates and roles of each agency in the P3 healthcare network in BC, including the degree of autonomy

⁴⁴⁰ Dutil et al., p. 92.

of agencies from the P3-first policy. Determining the number of agencies involved and their role in P3 implementation is a measure of the structural complexity of the network, and Figures 4.1 and 6.1 illustrate the complexity of BC's healthcare P3 network.

Overall, the study reveals that the structure of the healthcare P3 system is a complex mix of multiple levels of government and agencies, guided by often unclear mandates and at times competing interests. For example, all three elements of the study (archival reviews, interviews and field observations) reveal a high degree of regional hospital district (RHD) distrust of the province's P3 agenda. The cost sharing on healthcare infrastructure projects is technically between health authorities (as proxies of the BC government) and RHDs, which adds to system complexity.

Further complicating the interplay within the network, RHDs have collectively voiced concerns to the province about the P3 model (such as the extraordinary transaction costs), but have in effect been advised that for major capital projects (greater than \$50M) it will be 'P3 or no project at all'.⁴⁴¹ This was reinforced by some participant comments:

They [the Province] have told us as much that for major hospital projects it will be P3 or no project at all. We don't like it, but they [the Province] have created this divide and conquer approach that rewards Hospital Districts and Health Authorities that play ball. So you eventually play ball, even if it means accepting terms and conditions that (RHDs) may not agree with.⁴⁴²

⁴⁴¹ See Appendix L. Interview #8.

⁴⁴² See Appendix L. Interview #28.

It's one thing for the Province to impose mandatory cost sharing, but quite another for us to have to pay the additional [transaction] costs that do not get us any additional building, or when we don't have clear lines of authority over our contribution.⁴⁴³

The study also reveals that the dual role of the Ministry of Health is both challenging to administer and unappreciated by the BC government. For example, the Ministry is accountable to the Legislature for the overall quality of healthcare services delivered by Health Authorities, global management of the Province's healthcare budget, and enacting the government's strategic healthcare priorities (like moving forward the P3-first agenda). In terms of the relationship between the Ministry and HAs, Health Authority Boards of Directors are appointed by and report to the Minister of Health. As a result, at a strategic level, policy development and program implementation is very much dictated by government through the Minister of Health.

On the other hand, the Ministry has an obligation to the healthcare delivery system (primarily Health Authorities) to ensure adequate operational resources, including capital funding for new healthcare facilities. Ministry staff also serve an *ex officio* role on P3 project 'management committees', but these are typically chaired by PBC and the lack of clarity around roles and the culture and business model of PBC often sees information controlled by PBC rather than shared,⁴⁴⁴ a situation observed firsthand. The involvement of the Ministry of Transportation and Infrastructure in P3 implementation adds further complexity to the P3 task-network.

⁴⁴³ See Appendix L. Interview #25.

⁴⁴⁴ A situation observed in practice.

The government's use of 'capital rationing' illustrates its use of funding as a mechanism to leverage its strategic policy objectives—in this case P3-first. However, the P3-first policy has at times caused considerable tension between government as the primary funder, health authorities as the legal owner of the property being developed, and RHDs as a major funder. For example, as noted in Chapter One the P3-first policy represents both a carrot (capital funding being made available) and a stick (P3 strings attached to the funds), and health authorities have adopted a pragmatic approach to obtaining capital funding.

Comments from study participants and principal researcher observations underline the sometimes overt, but often subtle, power dynamics at play within the structure of BC's healthcare P3 system. As one participant stated:

When your facility needs are at a crisis level, you do whatever it takes to get the capital funding from government. If that means P3 then it will be a P3.⁴⁴⁵

The researcher observed that PBC's role with the larger health authorities has evolved to be more of a lobbyist in obtaining project approvals, as these larger health authorities have developed and retained in-house P3 expertise. In fact, as noted in Chapter Four the Vancouver Coastal, Fraser and Provincial Health Authorities recently pooled their capital planning and project development resources to form a dedicated P3 unit for projects in Greater Vancouver. However, the effectiveness of this pooling of resources has been impeded by inherent organizational 'boundary issues'⁴⁴⁶ between the authorities.

Despite inconsistent structures and capabilities throughout the healthcare P3 task-network, it is evident from the study that subsequent second and third wave P3 projects (i.e.,

⁴⁴⁵ Appendix L. Interview #7.

⁴⁴⁶ Appendix L. Interview #19.

post Abbotsford Hospital) benefited considerably from the knowledge sharing amongst colleagues. The descriptions given by health authority participants categorized this knowledge sharing in a manner consistent with communities-of-practice, and the use of that knowledge consistent with a community-of-learning (both discussed in the collaboration section of Chapter Two). Lessons were incorporated into practices such as the creation of dedicated in-house P3 project teams as each health authority undertook additional projects and the increased use of standardized documents and processes.

Consistent with the observation that no deliberate corporate strategy is in place to share knowledge and attract, develop and retain P3 expertise, study participants attributed capacity building to more informal activities based on existing working relations akin to communities of practice.

Study Results Related to Relational Processes and Network Dynamics

Another element in the capacity model involves examining the nature and extent of collaborative activity between agencies, such as the willingness of actors to share knowledge, information or other resources. This helps determine the degree of network effectiveness.

We have established that the complex nature of P3s makes it highly unlikely or feasible that a single public agency will have the in-house capacity to implement P3 policy in isolation. Survey interviews and field observations reveal that, in practice, organizations tend to gravitate vertically to other organizations within their same cluster or precisely the same band within the system architecture, with virtually no horizontal collaboration occurring

across agency cluster boundaries. For example, all central agency participants cite their highest interaction with contemporaries within other central government departments.

The highest measureable degree of operational relationships occurs within the implementation agency cluster, particularly amongst the six health authorities (HAs), but also a high degree of inter-agency collaboration between the HAs and the Ministry of Health Capital Services Division. This involves varying degrees of information and resource sharing both formally through committees and working groups, and informally through communities of practice.

The study also shows that despite early forays through agencies like the ASD Secretariat, there is a noticeable absence of a central agency unit responsible for inter-agency or horizontal coordination. In terms of the affect this may have on a culture of collaboration, the study reveals that the further an agency is in relation to the centre or core of government, the greater the inclination towards networking as a means to strengthen an organization's knowledge base and access to resources. In fact, one central agency participant commented that senior managers discouraged staff from reaching out too much to other agencies as the department was, "...already busy enough."⁴⁴⁷ This reinforces the notion that some agencies will view collaboration as a drain on existing resources rather than as an asset.

Most agencies within the implementation cluster generally value networking as a means to strengthen an organization's P3 knowledge base and increase their performance capacity. As one implementation participant noted:

Whether we agree with P3s or not, it's now the only way communities can get capital funding for new hospitals. So we need to figure out how we can all do a better job of

⁴⁴⁷ See Appendix L. Interview #21.

doing them [P3s] because we have to make sure these projects work well for a long time.⁴⁴⁸

Without exception, participants whose agencies are more amenable to the collaborative model also felt that networking and collaboration to share P3 knowledge, experiences and resources should be formalized as a more explicit aspect of a broader government-wide strategy related to P3 policy implementation. However, there is no evidence this is being coordinated in any formal way—except through efforts of the Ministry of Health’s Capital Services Branch to improve system performance in the broader context of capital planning and healthcare project delivery.

The Ministry of Health is in an untenable situation. On the one hand, as part of the provincial government corporate structure, it is under the direct scrutiny of Treasury Board Staff, and is itself expected to perform and act like a central government healthcare services oversight agency. However, the Ministry is also a key partner within the implementation cluster. Yet, as one study participant commented:

We are never sure from one day to the next if we are to use P3s as a carrot or a stick with Health Authorities. The best we can do is maintain good rapport with all our partners (Treasury Board Staff, Health Authorities, Partnerships BC) because we are all learning on the fly, and so you can’t beat up someone because they don’t know how to do something we have forced them into doing.⁴⁴⁹

The study revealed some dysfunctional power dynamics within the P3 architecture. Although the Capital Planning Secretariat’s mandate was financial oversight of all

⁴⁴⁸ See Appendix L. Interview #9.

⁴⁴⁹ See Appendix L. Interview #23.

government capital projects, they declined participation in the study and discuss their agency's role in P3s, advising that "... Partnerships BC is responsible for all matters related to P3s."⁴⁵⁰ This response came despite most other participants explicitly citing the Secretariat as a key strategic agency in government's capital program.

Central agency participants were extremely reticent to offer comment on the BC government's P3 policies. The default response was to defer to PBC questions related to P3 policy development and program oversight, which the literature affirms should be the purview of central agencies structurally separated from project implementation.⁴⁵¹

For example, a former PBC executive recited an incident where PBC's opinion on a P3 project was challenged by a central department that specialized in a key technical area, and PBC responded as follows: "The (Central Agency Branch) would not agree with our (PBC's) opinion on the value-for-money and risk analysis for a project. We convinced Treasury Board otherwise and now they (central agency) see things our way."⁴⁵² One could interpret this in two ways: i) that PBC made a persuasive argument based on its expertise in this area and convinced decision-makers of the validity of their conclusions; or ii) that the government is committed to P3s was prepared to give PBC authority over other central departments. The study was inconclusive on this.

As a result of the Premier's P3-first directive, PBC's status transitioned from having to actively promote its fee-based consulting service (marketing itself as the 'inside track' to

⁴⁵⁰ Email from Capital Planning Secretariat, September 14, 2008, in response to a request to participate in this study.

⁴⁵¹ See for example OECD (2004) and UNECE (2007).

⁴⁵² This took place as a first-person field observation with the researcher.

obtain Treasury Board P3 approvals) to implementation agencies as ‘captive-clients’.⁴⁵³

While this might be seen as a means to improve the take-up of P3s by implementation agencies, such a monopoly and the subsequent lack of competition in providing P3 services is viewed in the literature as inefficient.⁴⁵⁴

In another example of what can be described as ‘structural dysfunction’ in the healthcare P3 network, the Ministry of Health is ultimately responsible for ensuring healthcare capital projects are delivered on time and on budget and remain within the approved scope and quality. However, the study reveals that PBC controls the flow of P3 project information, often excluding the Ministry of Health Services in project status reports that go to Treasury Board or the Minister of Finance (as the Chair).

Partnerships BC has been empowered to act as a central control agency or project gatekeeper, with its base of power emanating from a variety of sources, such as:

- PBC reports directly to the Minister of Finance, who is also the influential Chair of Treasury Board. Comments from all implementation agencies and field observations affirm that PBC openly emphasizes this relationship when marketing its fee-for-services to public sector agencies on the basis that it has a direct path to the ultimate source of financial and program policy decision-making.
- Considerable ‘political capital’ has been invested into the Province’s P3 program at the most senior political level (the Premier and Cabinet), so PBC has been given unprecedented authority to determine the P3-viability of all infrastructure projects.

⁴⁵³ A common term used within the public sector to describe when public agency “A” has a monopoly on a unique good or service and all other public agencies must contract with agency “A” to obtain those goods or services.

⁴⁵⁴ See Kubr (1996).

- PBC treats P3 information from active and completed projects as ‘proprietary’. With captive clients, PBC can either control or openly share P3 knowledge and resources with other organizations within the public sector at its own discretion. This situation is described by one implementation agency participant as “The fox guarding the hen-house.”⁴⁵⁵

Returning to Agranoff and McGuire (1999), power imbalances within networks will hinder the kind of synergistic creativity that reciprocal relationships are purported to produce. The control of information without consequence is certainly symptomatic of power unevenness between agencies, and the literature tells us central departments should be equipped and mandated to address such issues.⁴⁵⁶ However, the study results shared in the previous chapters affirm that no such central department function exists.

When prompted, most participants favored the idea of greater inter-agency collaboration. Yet the study reveals a central government vacuum in the much-needed area of coordination of horizontal management practices in general. The study also exposes that there is no stated recognition corporately within any government strategic documents of the benefits of inter-agency collaboration. This was verified through participant interviews, which indicated that, when collaborative practices do occur, it is generally considered as something that ‘just happens’ amongst colleagues.

A study conducted in the UK points out the following lessons that can be learned from a mature healthcare P3 (PFI) jurisdiction:

⁴⁵⁵ Appendix L. Interview #3.

⁴⁵⁶ See for example Bakvis & Juillet (2004), and Lindquist (2004).

There is a need for improved sharing of experience, lessons and expertise within the public sector across organisational and departmental boundaries. . . the success of PFI is dependent on retaining and recycling expertise within the public sector, particularly project management skills, so that awarding authorities can operate from a position of equal strength with their private sector partners when negotiating contracts and operating facilities.⁴⁵⁷

In BC there is no evidence of any professional or organizational development strategy to enhance and support collaborative leadership practices across government in general with specific relevance in the P3 domain. This is in direct contrast to more deliberate strategic approaches to broad inter-agency collaboration such as joined-up government in the UK and whole-of-government approaches in Australia, and the rhetoric, at least, of ‘horizontal government’, at the federal level in Canada.

Yet, in terms of inter-agency collaboration as a concept, virtually all interview participants stated that collaboration with other departments and colleagues is generally ‘a good thing’. Comments included the benefits of seeking advice from others when the mandate of their own department constrained the range of issues it should address directly, or when P3 knowledge and experience within their department was limited. However, nothing resembling a community-of-practice exists amongst central departments where P3 knowledge, experiences, and other intangible resources could be shared.

The study also affirmed my own experience that central government agencies are reticent to interact directly with implementation agencies (Health Authorities), viewing their primary client as their own Minister then Treasury Board and Cabinet, with the Ministry of

⁴⁵⁷ Dixon et al. (2006), p. 422.

Health as a secondary client. Some of this is structural (“Health authorities are not legally our clients”⁴⁵⁸), but much of it can also be attributed to a pervasive hierarchical culture within central government. For example, interactions with implementation agencies was described by one central department participant as ‘purely business-like’⁴⁵⁹ and ‘consultative rather than collaborative’, focusing more on providing limited technical advice on individual projects on an as-needed basis in areas such as risk management, debt financing, and value-for-money assessments.

Impediments most often cited by study participants to actually collaborating with other departments or encouraging collaboration with other agencies were ‘a lack of resources and time’,⁴⁶⁰ as well as not knowing whether collaboration violated the spirit of maintaining an arms-length relationship⁴⁶¹ with, as one participant referred to as “program people”.⁴⁶² Several study participants⁴⁶³ attributed this attitude to the 2001/02 Core Review,⁴⁶⁴ cited in Chapter Four as a ‘watershed’ or redefining moment in the role of central departments for most central agency and line ministry participants. The Core Review resulted in an across-the-board twenty-five percent reduction in the size of virtually all central agencies, a narrowing of agency mandates in general, and elimination of almost all capital program policy and oversight capacity. The Review also significantly altered central agency culture around involvement with ‘outside agencies’, summed up by one central department participant with nearly twenty years in government:

⁴⁵⁸ Appendix L. Interview #17.

⁴⁵⁹ Appendix L. Interview #21.

⁴⁶⁰ 7 Implementation Agency participants and 4 Central Agency Participants.

⁴⁶¹ 3 Central Agency participants.

⁴⁶² Appendix L. Interview # 18.

⁴⁶³ 2 Central Agency participants 1 former BC Government (Central Department) Employee and 1 former BC Government Implementation Agency Employee.

⁴⁶⁴ See BC (2002d).

Following the Core Review, staff in our agency learned to keep our heads down and focus only on the specific tasks they were assigned. We learned not to question any directive or decision . . . whether it made sense or not.⁴⁶⁵

A key issue this raises is whether central agency staff can be expected to coordinate or participate in inter-agency collaboration within task networks when that model is simply not part of the corporate culture of central government in general.

Critique of the Study's Collaboration Findings

I was unable to locate any evidence that the BC government has paid much attention to the notion of provincial agencies collaborating across departmental boundaries. In contrast, the Government of Ontario has a Ministry of Intergovernmental Affairs, which has as one of its key responsibilities an inward focus on enhancing inter-ministerial collaboration.⁴⁶⁶

Establishing a collaborative culture within government is consistently viewed in the literature as a key central or corporate government responsibility.⁴⁶⁷ Yet, the value of collaboration (akin to a whole-of-government approach) is not evident through any government structure or policy framework. Also evident from interviews and field observations is a 'cultural disconnect' in BC's healthcare P3 environment around collaborative practices - central agencies operate in an extremely closed-off and risk-averse environment, while line departments and implementation agencies collaborate amongst

⁴⁶⁵ See Appendix L. Interview # 21.

⁴⁶⁶ See <http://www.ontario.ca/ministry-intergovernmental-affairs>

⁴⁶⁷ See for example Australia (2004), Bakvis & Juillet op cit, Donahue et al, op cit, and Grindle & Hilderbrand op cit.

themselves both out of necessity, and as a community-of-practice pursued by what can be best described as ‘heroic managers’.⁴⁶⁸ Viewing the reluctance to work collaboratively with other departments as an aversion, Table 6.1 is a simple graphic illustration of my ‘field observations’ as the level of observed risk aversion in the Province’s P3 network. As the Figure shows, the observed aversion is highest at the executive level within central agencies and lowest at the operational level within implementation agencies.

Figure 6.2 – Healthcare P3 Network ‘Aversion to Collaboration’

<i>Agency Type</i>		<i>Management Level</i>	
		Project Manager/ Analyst	Executive
Central	(ii) Medium Level of Aversion	(i) Highest level of Aversion	
	(ii) Lowest Level of Aversion	(iv) Medium Level of Aversion	
Implementation	(ii) Lowest Level of Aversion	(iv) Medium Level of Aversion	

As shown in Figure 6.2, the study reveals that collaboration is viewed quite differently by front-line staff actually delivering public programs (like P3 projects) than those responsible for policy development at the most senior levels in government - this despite the fact that many central agency staff are increasingly involved in the technical P3 negotiations with proponents. Field observations, interview comments and government reports reveal a

⁴⁶⁸ See for example Hopkins et al. (2001) and Hudson et al. (1999).

number of contributing factors, such as: low morale and staff fatigue;⁴⁶⁹ the non-existence of any corporate strategic value given to supporting whole-of-government or horizontal P3 implementation practices; a lingering culture of fear through job loss as many central agency staff are not protected through union collective agreement hiring and firing protocols, and apathy, shown in participant comments like “...decision-makers don’t accept feedback from staff”⁴⁷⁰ and “When you have been around as long as I have, you learn to keep your head down below the firing-line”.⁴⁷¹

The central government mind-set of working almost within an operational bubble (reflected in Table 6.1) seems compounded by an absence of what Lindquist refers to as the ‘ecology of central capabilities’⁴⁷² needed to establish a collaborative-like culture. Some of this can be explained in part by restrictive mandates (whether perceived or real), as central agency participants regularly commented they constrained by policy in providing advice to non-government agencies like health authorities.⁴⁷³ Yet, the direct involvement of central departments in P3 deal negotiations, particularly around risk and project financing, clearly shows that the boundary between government and arms-length agency functions is often blurred, somewhat artificial, and should not serve as a deterrent to greater collaboration with others throughout the public system.

In the absence of a formal corporate strategy to champion this concept and the dedication of resources to support relational activities, collaboration will likely remain a low priority for public agencies involved in P3s, with many of its potential advantages being

⁴⁶⁹ See Auditor General (2005d).

⁴⁷⁰ Comment from central agency participant, Appendix L, Interview #20.

⁴⁷¹ Comment from central agency participant, Appendix L, Interview #31.

⁴⁷² See Lindquist (2006b).

⁴⁷³ The author’s own experience validates that arm’s-length agencies such as health authorities must obtain their own legal advice and opinion.

unrealized. This situation contradicts the BC government's Public Service Renewal strategy on changing values within BC's public sector and the emphasis on public sector culture change in *Being the Best*.

The community-of-practice that does exist is hindered by the noticeable absence of any professional or organizational development strategy corporately to enhance and support collaborative leadership skill development and practices across government in general or specific to the P3 program.

Operating outside of a regimented, rule-bound and hierarchical system involves a degree of risk-taking, uncertainty and cultural change management. As challenging as such change might be, the literature supports the concept of central agencies making such adjustments.⁴⁷⁴ Another consistent theme for success in the literature is the presence of leadership at the center of government, which can take the form of champions or convenors, who recognize value in collaboration and support the advancement of collaborative practices. It is argued here that an indicator of change involves greater reciprocal information sharing and exchanges both from the top down and bottom up of government.

BC could draw upon the experiences of locales such as Australia and the UK—examples that are worthy of more detailed comparative analysis to the BC situation (this point is revisited in the final chapter). For example, drawing from a jurisdiction sophisticated in both P3s and whole-of-government approaches, even the capacity to coordinate in Australia is identified as a concern:

⁴⁷⁴ See for example Alter & Hage (1993), Bardach (1998), Hudson et al. (1999), and Wood and Gray (1991)

A most important role that appears to have least clarity of ownership is that of building capability and coordinating whole-of-government planning and delivery of infrastructure. The State is resource-limited in project management and financial evaluation skills. Further, those skills are spread thinly across government, with resources supplemented to a very significant degree by external advice.⁴⁷⁵

Returning to Bardach's (1998) perspective on synergy between central departments and implementation agencies, there is a discernible dysfunction occurring within BC's P3 healthcare system here that can only deter effective inter-agency collaboration. Bardach (1998) adds that the value-added benefits produced from getting agencies to 'work well together' quickly dissipate without a more formalized professional development strategy to minimize leakage of specialized knowledge and expertise.

In contrast, this study reveals that PBC's business model and monopoly position serves as an impediment to broader professional P3 development across BC's P3 task network. P3 knowledge and expertise is treated by PBC as proprietary, and rightly so given it survives on revenue from its fee-for-services. Knowledge sharing and the development of greater P3 expertise within the broader system of agencies seem to occur despite of PBC rather than as a result of active sharing of knowledge, information and P3 best practices.

Moving beyond simple rhetoric of concepts such as joined-up or whole-of-government, effective implementation of cross-cutting public policy like P3s requires dedication of resources and an explicit mandate within the core of government to direct and support those agencies tasked with actually doing the work. Put succinctly by Kettl (2006),

⁴⁷⁵ Fitzgerald (2004), p. 36.

“The allocation of resources provides an important clue to just how strongly the government feels about translating symbols into reality.”⁴⁷⁶

The central government resource and policy vacuum that emerged from the findings of the other variables also applies to organizational units mandated with coordinating horizontal management practices in general. As a result, observed and participant-cited collaborative efforts amongst P3 implementation agencies could be categorized as ‘random and disjointed’, occurring primarily within the cluster found in quadrant (iii) of Table 6.1.

Collaboration Capacity Results Summary

Returning to the inter-connectedness of the three legs of the capacity stool, collaboration capacity in implementing cross-cutting strategic policy agendas like a P3 program is affected by governance and HR elements of capacity in several ways, such as: formalized policies and institutional structures in support of horizontal government; dedication of staff resources; and, professional development in areas of collaboration. Inter-agency collaboration also contributes to increasing the effectiveness of governance processes and oversight systems, as well as strengthens HR capacity through the sharing of knowledge, expertise and scarce resources.

When an agency like PBC is inserted into this environment, examining how well public agencies in such a system interact or collaborate becomes another significant indicator of public system capacity. PBC sits in a critically important position in the P3 task network

⁴⁷⁶ Kettl (2006), p. 14.

but has a vested self-interest in other agencies hiring its services rather than building capacity throughout BC's healthcare P3 task-network.

An important issue this study raises is how the centre should dedicate its time and energy in support of mechanisms like horizontal collaboration as a capacity-building strategy. Lessons from elsewhere (for example, whole-of-government in Australia and joined-up government in the UK) and literature examining horizontal government in the Canadian context,⁴⁷⁷ point to the establishment of central 'implementation units' to play a key role in not only steering agencies, but also managing the cross-boundary issues that can emerge.

An important consideration is whether, in the absence of central monitoring, coordination and support, BC can build on the limited collaboration already present in the healthcare P3 domain. The results of this study just begin to scratch the surface of the largely ignored and under-researched multi-agency nature of P3 implementation, and the benefits and trade-offs of a more strategic whole or joined-up government approach in support of P3 program delivery. This is an area worthy of future research, a suggestion revisited in the Chapter Eight.

⁴⁷⁷ See for example Bakvis & Juillet (2004), Davis (1997), and Lindquist (2004).

Chapter Seven - Study Summary and Conclusions

This paper attempts to address a knowledge gap related to public sector capacity evaluation in a P3 context. The most daunting challenge was to develop an analytical model or framework which could evaluate in a comprehensive and measurable way the dynamic nature of public sector capacity, with its multiple and inter-connected dimensions, within the context of such a complex phenomenon as the P3 model. Another hurdle was to develop a valid and reliable methodology that could adequately test and apply the analytical model in a meaningful and relevant manner.

As a scholarly contribution, an important element of this chapter is to examine the merits and shortcomings of the analytical model as applied and tested through this study. A similar review of the study methodology is also needed. To benefit the public administration profession, the final section of this chapter summarizes and reviews the major findings of the study and the practical implications of the results for capacity analysis and program development in a P3 domain.

Analytical Framework and Study Methodology

An important lesson drawn from this study is that attention at the front-end of the research to establish an analytical framework, and in particular the evaluative criteria, informed the notion of developing a model or ‘ideal’ scenario as a benchmark to measure capacity at both the agency and system-wide levels. The basic foundation for the model came first of all from the strong evidence in the literature that capacity has three discernible yet inter-related elements. The literature also provided considerable granularity of detail that

helped refine key measurable criteria for these elements, but was generally lacking in recognizing the inter-relationships and integration of these elements. A more cohesive approach to examining capacity was a goal of this study, and the analytical model is a reflection of this.

A very useful contribution of the literature to the development of the model is the observation that the constellation of agencies that make up a P3 task network (or policy implementation in general) can be logically categorized or clustered into two discernible groups for analysis: central government departments; and implementation agencies. This distinction helpful further define the unique roles, responsibilities and P3 tasks associated with each group, and examine the administrative or performance capacity required to perform functions unique to P3 program delivery.

Differentiating agency types also helped in two other ways: i) establishing metrics related to governance capacity (more relevant to central agencies; and, ii) mapping the architecture of the overall task network of agencies to better understand the dynamics of inter-agency activity, both within each cluster and transcending the rational boundaries between the two categories.

After applying the analytical model to this study there are certainly some areas of refinement and improvement. One aspect could involve expanding the survey tool in two ways: i) incorporating more quantitative elements which would require defining more statistically measurable criteria; and, ii) applying the survey more broadly to include all middle to senior managers to elicit information and opinions on elements such as the culture of collaboration in government. This is not to say that the qualitative method used was

invalid or not relevant – simply that some aspects of examining capacity could be more fully explored and explained through more quantitative techniques.

Regardless, the concept itself of developing and applying an analytical model has considerable merit. This is particularly important in examining a phenomenon like capacity, where multiple variables each have an expansive set of elements that need to be distilled into a manageable set of evaluative criteria.

Turning to a critique of the study methodology itself, there were numerous examples where cross-referencing and integrating one data source against one or more others either validated initial conclusions or helped provide information by examining actual practices against concepts. For example, interviews and field observations helped put into more practical context the merits and gaps in policy and oversight identified in the review of government documents.

A specific example is the *Capital Asset Management Framework (CAMF)* which serves as the primary text-based policies and procedures document related to public infrastructure planning and delivery in BC. The analysis and assumptions of the merits and shortcomings of CAMF were certainly affirmed through both interviews and my own observations and experiences as a senior manager in BC's infrastructure program domain.

One trade-off to this approach is that it may limit the depth of line of enquiry in a particular method. For instance, a more broadly distributed survey to all managers involved in the healthcare sector or in central government could have elicited other relevant data on capacity, such as the culture in government more generally regarding collaboration outside of

one's own department. However it would have been challenging to undertake a broader survey approach and at the same time maintain a manageable scope to the overall study.

Study Findings

From an inclusive capacity perspective (three-legged stool), the study has produced considerable information and data of what the government put into place to support implementation of its P3 agenda. However, what is most revealing (and arguably more useful from a researcher's standpoint) is how BC's P3 program has evolved relative to exemplary practices noted throughout the literature. BC has certainly done some things well (for example to a great extent CAMF), but there are considerable gaps in each of the three capacity variable areas.

BC's infrastructure P3 program has been extremely active since introduced in 2002. The volume of projects planned, underway or complete is quite remarkable considering the program had very little history or momentum. It seems that the newness of the model in BC may have some bearing on many of the less-than exemplary capacity findings of the study, but does not explain the lack of responsiveness to learning and adapting the P3 program based on experiences gained from completed projects.

Governance

The literature review validated my own initial assumptions, notably that the rubric of effective P3 accountability and good governance and effective oversight practices are relevant policy documents, regulations, performance criteria, and other 'steering

mechanisms'.⁴⁷⁸ The comprehensiveness, clarity and relevance of such devices have a direct bearing on the soundness of any P3 program accountability framework. Overall, the current state of P3 program governance mechanisms available in BC under-achieves the best practices criteria set out in the literature, and also falls short of what the BC Government says it is doing in this area. Implementation agency participants consistently cited the somewhat limited value of CAMF as a P3 reference document. Despite its merits as a central source of capital infrastructure policies and practices, CAMF fails to account for the P3 model's complexity and unique elements in contrast to traditional projects, particularly in areas such as value for money assessment, risk analysis and allocation, procurement, project management, contract management, and *ex post* project operation and audits.

A key element to effective P3 program accountability is the need to separate oversight functions from agencies also responsible for program promotion and delivery. A World Bank report on exemplary P3 capacity practices warns:

There are risks of a conflict of interest in cross-sectoral PPP units that have multiple functions, even where these are purely public sector agencies, for example where a unit has a strong mandate to promote PPPs and increase deal flow, while at the same time having the responsibility for screening projects. The potential for conflicts of interest may be higher with respect to PPP units where success fees incentivize the closing of transactions. These have to be recognized and dealt with.⁴⁷⁹

In complete contrast to this World Bank best practices proclamation, through the P3-first directive BC failed to ensure this separation was in place, giving PBC the authority to

⁴⁷⁸ See for example Australia (2006), Davis (1997), and OECD (2004).

⁴⁷⁹ World Bank (2006), p. 6.

determine project P3-viability. At the same time PBC's *raison d'être* is promotion of P3s and increasing deal flow, and its entire business model is based solely on fees from P3 projects. The conflict of interest in this structure is undeniable. Further to the critical oversight role of central agencies, the World Bank adds:

...successful programs are characterized by clear policy and legal frameworks for PPPs, competent and enabled institutions that can appropriately identify, procure and manage PPPs, and efficient oversight and dispute resolution procedures... if there is to be an increase in the use of PPPs the center should work to strengthen oversight of the fiscal costs of PPPs. A priority need would be for the development of guidance on how states should approach the issues posed by PPPs. This should be supplemented by enhancing analysis of the fiscal costs of PPPs in central government, including the monitoring of the impact by PPPs on the fiscal position of the state.⁴⁸⁰

Again the study reveals there is no dedicated central agency mandated or tasked with providing consistent P3 program oversight and project monitoring. In fact, as noted throughout this study, the only central department with a capital program mandate (Ministry of Finance, Capital Division) was eliminated concurrent with the creation of PBC. In addition, in 2009 the only central agencies providing training and skills development in alternative procurement and service delivery planning (ASD Secretariat, and the Executive Institute on ASD) or project management expertise (Centre of Excellence in Project Management) were eliminated.

⁴⁸⁰ Ibid, p. 8.

Bridging both the governance and HR capacity domains, the literature strongly emphasizes the need for strong central P3 agencies.⁴⁸¹ As Bult-Spiering and Dewulf argue:

Professionalism of the public partner is required: developing capabilities on the public side is an important condition for success....A key factor in professionalism is the establishment of a central PPP knowledge unit, as has been done in many developed countries. This unit should be sufficiently embedded in all government departments involved in urban development and infrastructure projects. The influence of the PPP unit is usually most intense in the early stages of the PPP programme, and will decline over time as policy and procedures are established within the public sector, and as capabilities of the departments to undertake PPP procurements are further developed.⁴⁸²

Another key element of governance involves institutionalizing the capability to conduct the requisite P3 oversight and performance evaluation functions. Central agencies play a critical accountability stewardship function in policy development, coordination and performance monitoring, achieved in large part through regular independent audits of individual projects and overall P3 program reviews. This requires staff knowledgeable and experienced in P3-type deals, guided by benchmark performance criteria and standards. The study found limited evidence of post project audits (two examples) but no evidence of P3 program performance reviews.

A common P3 industry measurement tool is public sector comparators (PSC). PSC's provide the benchmark to determine the viability of undertaking a given project as a P3 and

⁴⁸¹ See for example Rachwalski & Ross, *op cit.*, and UNECE (2007).

⁴⁸² Bult-Spiering & Dewulf (2006), p. 180.

also allow entities such as Auditor's General to perform ex post project audits to verify elements such as value-for-money are achieved.⁴⁸³ However, BC quietly dispensed with the use of comparators around the same time the Premier announced the Province's P3-first policy (2006). From an oversight standpoint, this illustrates a significant shortcoming in the Province's accountability and governance system, particularly in the ability of auditors to examine the performance of projects against pre-tender valuations established by PSC's, rather than against the negotiated terms. This problem is exacerbated by the paucity of central units dedicated to P3 accountability.

The obvious consequence of central agency downsizing, as has occurred in the BC government, was a detrimental effect on program oversight and policy coordination capacity. Authors such as Rachwalski and Ross (2010) have documented the merits of accelerating or jump-starting a P3 program, particularly to compensate for bureaucratic inertia or resistance. However, this study reinforces that from a long-term public interest perspective it is counter-intuitive to expedite a complex business model like P3s while implementing austerity measures (downsizings) of departments responsible for capital program oversight, as this will inevitably affect the public sector's project delivery and program governance capacity.

Human Resources

Public agencies must operate from a position of equal strength with their private sector partners when procuring and managing P3 deals. While the general attrition scenario

⁴⁸³ See for example Barrett (2003), and Desautels (1999).

for the public sector in Canada is one of considerable loss in experience and knowledge over the next few years, this situation is likely to be even more acute in the area of P3 expertise.

An important lesson we can draw from this study and previous research on P3 programs is that long term or sustainable P3 program success is dependent on retaining and recycling expertise within the public sector. In environments like P3s where competition exists between the private and public sectors for scarce expertise, any short-term knowledge and skill gains in the public sector from hands-on experience, collaborative resource sharing, and professional development activities will certainly dissipate without a centrally coordinated and system-wide staff development and retention strategy. Reinforcing the need to pay attention to performance capacity when introducing the P3 model, the World Bank cautions: “In shifting from more traditional methods of service provision, governments need to adapt both their skills and their processes to ensure that PPP programs deliver what is expected.”⁴⁸⁴ The previous section in the chapter on governance also noted how the study reveals BC has paid little attention to adequate P3 processes. Unfortunately the same can be said in BC’s approach to attracting, developing and retaining P3 expertise.

A dilemma is that the public sector is less equipped than the private sector to recruit and retain P3 talent; and the private sector may be more alluring for middle to senior management public employees who develop highly sought-after P3 experience while working for government. Staff turn-over can only worsen the challenges associated with developing human resources. A similar conclusion could be reached regarding loss of inter-agency collaborative expertise, although this might be influenced more from general attrition

⁴⁸⁴ Ibid p. 13.

through retirement rather than ‘poaching’ of subject matter experts from government by the private sector.

The study also reveals that the BC government has given considerable thought and attention to the human resource requirements of developing a sustainable ASD program – a program that has strong similarities to what would be required to implement a P3 program. For example, the Auditor General’s Office (BC 2008f) conducted a program audit of the Joint Solution Procurement initiative which assessed the HR lessons to be learned to date and made recommendations for continual improvements. Another example is the establishment of Executive Institute on ASD training program, and other mentorship-type strategies to increase expertise and develop ASD champions within line departments.

Without a similar approach to addressing the HR implications of infrastructure P3s (arguably far more complex than IT projects) we can infer that the BC government was content to emphasize the building of expertise solely within Partnerships BC, which seems contrary to exemplary practices in more P3 mature jurisdictions such as the UK and the State of Victoria, Australia. Over time this may change, as we have seen in the UK where Partnerships UK has been dissolved and that function now residing in HM Treasury after implementation capacity was explicitly developed over many years and increasingly devolved to policy sectors like healthcare (National Health Service - Local Improvement Finance Trusts or LIFTs), local governments (4Ps) and schools (Partnerships for Schools or Pfs).

Collaboration

The study illustrates that despite the value-added merits of collaboration noted extensively in the literature⁴⁸⁵ it is challenging to change public sector culture, particularly within the highly hierarchical and risk adverse central government network of agencies. This is particularly difficult in the absence of central coordination structures like the inter-ministerial committee put in place to move forward Service BC. While some collaboration occurs amongst implementation agencies to share P3 knowledge, expertise and best practices but this is limited to implementation agencies (specifically Health Authorities), no formal structures have been put in place to support such activities except HAs in the Lower Mainland. Consistent with conclusions from other studies, collaboration in BC's P3 network is more of a professional value which 'heroic managers' bring to their day-to-day work rather than part of any strategic priority of government to change P3 program delivery culture.

The study shows that the status of PBC (P3 gatekeeper; captive clients) and its business model (fee for service) is counter-productive to the underlying values and capacity enhancing gains achievable in genuine collaboration, particularly in the public sector domain. This also contradicts Himmelman's (1996) notion introduced in Chapter Two of 'genuine collaboration' as enhancing capacity of others for mutual benefit. For example, Ahadzi and Bowles (2004) conclude from a survey of public and private managers involved in P3 projects that critical success factors include system-wide capabilities, measured in part by the level of collaboration within the public sector. Further to this, Bult-Spiering and Dewulf

⁴⁸⁵ See for example Agranoff & McGuire (1999), Bardach (1998), Benner (2003), Erridge & Greer (2002), Desveaux (1995), Hudson et al. (1999), Huxham & Vangen (2000), Powell (1990), Weiss (1987), and Wood & Gray (1991).

(2006) argue that tension between public agencies is the major reason for the malfunctioning of P3s.

The absence of something like an inter-ministerial committee specific to P3s is also perplexing given the Public Service Renewal emphasis on changing values within BC's public sector and the considerable investment of public funds to achieve the government's P3 agenda. Other jurisdictions have treated the principles associated with joined-up or whole-of-government from a more holistic or systems-based perspective as a strategic priority, treated as an explicit corporate value in addressing cross-cutting policy issues. Enabling cultural transformation requires establishing formal policies and dedicating central government resources to facilitate, coordinate and monitor the delivery of boundary-spanning programs and services.⁴⁸⁶ Considering the consistency in the literature of the need for leadership and cultural change to validate and move forward a horizontal or collaborative government agenda,⁴⁸⁷ this concept has been ignored in the implementation of BC's P3 program.

This study also sheds some light on the reality that intra-governmental collaboration is challenging at the best of times, and unsustainable without deliberate attention from the core of government. For example, the benefits from networking and community-of-practice activities will quickly dissipate without a more formalized P3 professional development strategy to minimize 'leakage' of P3 knowledge and expertise. Furthermore, PBC's business model serves as an impediment to professional community-of-practice initiatives, as it will always be in PBC's self-interest to maintain its monopoly on P3 knowledge and expertise.

⁴⁸⁶ See the 'whole of government' and 'joined-up government' examples discussed in Chapter Two.

⁴⁸⁷ Bakvis & Juillet (2004) trace this back at least as far as the Federal Deputy Minister's task force in 1996.

The very nature of P3s makes it illogical to expect that a single agency would have the capacity to implement P3 policy in isolation. This validates the assumption that inter-agency collaboration is an appropriate and necessary component to any P3 program implementation model. However, the proposition that collaboration is an appropriate means by which to implement an effective P3 program remains conceptual, as collaboration is more challenging to measure and validate than the HR perform capacity to undertake P3-specific tasks.

Further to this, the study found that while the concept of collaboration is well understood by survey respondents it is noticeably absent within organizational policies and practices. By extension, any government strategy that purports to advance inter-agency collaboration or horizontal management would logically require deliberate attention, planning and resourcing by government at a corporate (central agency) level.

Again, BC chose a more deliberate emphasis on change management and cross-departmental cooperation and coordination when it introduced its Service BC and ASD-related strategies. For example, for the fiscal year 2007/08 the Ministry of Labour and Citizens' Services reportedly added two key roles to the ASD Secretariat: i) oversight of business case development and review processes; and, ii) strengthening of corporate ASD relationship management capacity.⁴⁸⁸ While both components focused on bringing best practices to the management of the entire ASD life cycle, from a system collaboration standpoint, the Secretariat paid even greater attention to relationship management in order to facilitate learning and support the alliance management offices across government. Although it is unclear why the government would not adopt a similar approach to improving its P3

⁴⁸⁸ BC (2008e).

program, this is not surprising considering the business model of PBC and the lack of any central agency program monitoring and coordination function.

Overall, the study reveals that collaboration is viewed quite differently by front-line staff actually delivering public programs (like P3 projects) than those responsible for policy development and program oversight - this despite the fact that many central agency staff are increasingly involved in the technical P3 negotiations with proponents. This was illustrated in Chapter Six, Figure 6.2.

Field observations and interview comments reveal a silo-like culture prevailing within central agencies, with a combination of contributing factors such as: a general lack of personnel (collaboration viewed as additional work); the non-existence of any corporate strategic value given to supporting whole-of-government or horizontal practices; a lingering culture of fear (discriminate job loss as many central agency staff are not protected through union collective agreement hiring and firing protocols) and apathy (“...decision-makers don’t accept feedback from staff”⁴⁸⁹; “When you have been around as long as I have you learn to keep your head down below the firing-line”⁴⁹⁰); and, low morale and staff fatigue.⁴⁹¹

An important issue this study raises is how the centre should dedicate its time and energy in support of mechanisms like horizontal collaboration as a capacity-building strategy. Lessons from elsewhere (for example, whole-of-government in Australia and joined-up government in the UK) and literature examining horizontal government in the Canadian context,⁴⁹² point to the establishment of central implementation units to play a key

⁴⁸⁹ Comment from central agency participant, Appendix L, Interview #20.

⁴⁹⁰ Comment from central agency participant, Appendix L, Interview #31.

⁴⁹¹ See Auditor General (2005d).

⁴⁹² See for example Bakvis & Juillet (2004), Davis (1997), and Lindquist (2004).

role in not only steering agencies, but also managing the cross-boundary issues that can emerge.

Conclusions

Effective P3 governance frameworks, processes and institutional structures are critical to the project viability decision-making process. In fact, other jurisdictions consider the presence of effective regulatory frameworks and strategic policies, and the institutional capacity to develop and oversee them, a requirement of government approval processes *before* undertaking P3 projects. There are two governance-related areas that the study suggests should be addressed.

The first is the establishment of central units dedicated to P3 accountability and oversight. Having central department capacity is paramount if P3 programs are to meet the good governance standards and exemplary practices established in more mature P3 jurisdictions - and identified by Deloitte (2000) as part of any legitimate public infrastructure program.

The second recommended area of governance requiring attention in a P3 domain relates to project auditing. This should occur at two levels: i) the review of specific P3 projects related to criteria such as affordability, value for money, and other economy and efficiency measures; and, ii) program implementation performance, explicitly recognizing the value of inter-agency collaboration to share scarce public sector resources, measured in part by the degree of collaboration occurring amongst the pool of agencies tasked with the various functions associated with P3 policy implementation.

The capacity of central agencies in BC to perform accountability and coordination-type functions should also be included in substantive audits of BC's P3 program, with capacity metrics including the presence of staff with a high degree of knowledge and actual experience in P3 deals. The literature reveals that this function should also include the promotion of horizontal collaboration as a means for optimal sharing of scarce resources, and efficient and equitable dissemination of knowledge and experience.

The concept of viewing collaboration amongst multiple public agencies as a potential program performance measure is generally under-researched. The results of this study strongly suggest that P3 program performance audits should include criteria to measure efficient collaboration amongst the network of public sector agencies involved – Bardach would view this as developing metrics of 'how agencies work well together'.⁴⁹³ This would strengthen the corporate governance role of central departments throughout the policy implementation or program delivery cycle.

From an HR standpoint, the study reveals an absence of professional development and training opportunities for public managers working in a P3 domain. In-house opportunities for advancement, and even communities of practice to increase knowledge and information sharing, are greatly influenced by the attention and priority given to these areas by central government agencies. This has occurred in BC with its ASD program but has received no attention specific to the unique HR requirements of P3s.

A brief scan of professional training examples both locally and in other jurisdictions also suggests a general limited training and professional development opportunities in key P3

⁴⁹³ See Bardach (1998).

skill areas.⁴⁹⁴ In one example, the State of Victoria has linked State P3 funding approval to key agency staff of recipient agencies (such as a Health Authority) participating in the University of Melbourne's professional *P3 Leadership* program. At a minimum, this practice ties public infrastructure policy to some semblance of a corporate HR policy - in theory creating an expanded body of P3 expertise within the State's public sector. Regardless of whether an economy of scale exists to develop such an integrated strategy in BC, this model could be exported to other provinces in Canada and the Federal public service or conversely developed and supported as a national P3 capacity development strategy through the newly created Federal agency P3 Canada Inc. Overall, the technical and process aspects of P3s and the need for more relevant professional development, education and training curriculum, merits further attention in BC.

In terms of public sector attraction and retention of those with P3 expertise, another lesson for practitioners is how this field could be afforded a status similar to other hard-to-fill professional functions such as IT, where subject matter experts receive additional compensation in the form of labor market adjustments. It is important to not only attract skilled P3 practitioners, but also to minimize the loss of P3 knowledge and expertise after it is gained.

The literature also shows that attaining and sustaining the required P3 knowledge and expertise in the public sector is an ongoing issue even in more mature jurisdictions. For example, the State of Victoria (Australia) has considerable P3 experience, with many

⁴⁹⁴ These include the Public Private Partnerships Leadership program at the University of Melbourne and the Public Private Partnerships Executive Program through the University of British Columbia.

completed P3 projects to its credit and a central P3 agency (Partnerships Victoria); yet, an extensive independent review of the State's P3 program concluded the following:

The State (Victoria) would be well advised, to further develop internal resources with skills in financial evaluation, infrastructure planning, procurement and project management rather than have the learning and development dissipated among external advisors. There is also a need for lessons to be syndicated across government on issues such as successes and failures in public and private procurement and contingency planning for default in private contracts. Indeed the building of appropriate skills across government should become a key objective of infrastructure policy makers, and not just in a Partnerships Victoria context.⁴⁹⁵

Reviews such as this, as well as the study presented here highlight the persistent disconnect between the skills, expertise and structures required to effectively govern and manage a modernized, increasingly collaborative or network-like public service, and the traditional mind-set that continues to exist in the public sector towards collaboration.⁴⁹⁶

When HR capacity deficits in key areas of expertise (like working across agency boundaries) plague the public sector as a whole, a corporate strategy is needed that focuses on enhancing both the P3 capabilities and collaborative skills of existing staff through continuing professional development, and recruiting those who already possess such skills. Individual agencies should not have to stumble around in a state of isolation in meeting such needs.

⁴⁹⁵ Fitzgerald, 2004, p. 36, parentheses added.

⁴⁹⁶ This issue is raised by others, including Australia (2004, 2006), Bardach (1998), Castells (2000), Chisholm, R. (1998), Lindquist (2002a, 2002b, 2004) Milward & Provan (2001), Rodríguez et al (2007), Sproule-Jones (2000), Sullivan & Skelcher (2002), Weber & Khademian (2008), and Whorley (2001).

When there are multiple agencies involved (almost always the case in a comprehensive P3 program) , and given the complexity of the P3 model, a government-wide multi-dimensional corporate HR strategy is needed that views developing necessary human capital as a long-term investment. In the P3 domain this might look like enhancing and sustaining employee retention and recruitment through ‘full career paths’⁴⁹⁷ that can move both vertically (inter-promotions) and laterally (opportunities with other public or quasi-public agencies), along with a general monitoring of public service capacity.⁴⁹⁸ This would align with the notion of a broader ‘cosmology’⁴⁹⁹ of public service careers, be consistent with values-based leadership that some advocate for,⁵⁰⁰ and better support objectives such as a cultural change to achieve a more innovative and adaptive public service.⁵⁰¹

Turning to collaboration, given the strategic importance attached to P3s by the BC government, and the stated intent of its Public Service Renewal strategy, it is surprising that greater attention has not been given to the structural conditions necessary to move forward a collaborative agenda. Recognizing there are no quick fixes, public managers and government officials need to tolerate uncertainty and accept the need for a long-term focus on joint learning and collective adaptation.⁵⁰²

Centrally-developed implementation policies and guidelines should explicitly recognize the inter-agency nature of P3 program delivery. Such a focus would ensure limited or scarce resources are best utilized, and that sharing or dissemination of P3 knowledge and

⁴⁹⁷ Lindquist (2000b).

⁴⁹⁸ As asserted by numerous contributors to Lindquist ed. (2000a)

⁴⁹⁹ See Lindquist (2000c, 2002b).

⁵⁰⁰ Such as Kernaghan (2002).

⁵⁰¹ See for example Australia (2004), Borins (1998), Osbourne & McLaughlin (2002), and Zussman (2002).

⁵⁰² Koppenjan & Klijn (2004).

best practices within the P3 network is seen as an explicit dimension to a complex policy domain like P3 program implementation.

Again drawing from the Australian experience, a government report on addressing complex or intractable problems (APSC 2007) explicitly promotes inter-agency collaboration as a means to achieve ‘sustained behavioural change’ through new processes and thinking within the public sector. Of particular relevance here, the APSC report concludes that as complex problems do not conform to the constraints of organizations, the need for public departments to work across agency boundaries is unavoidable, adding that additional core skills such as communication, big picture thinking, influencing, and the ability to work cooperatively, must be developed by public managers.

More specific to capacity development in the field of inter-agency collaboration or horizontal management practices, Sproule-Jones (1999) identifies from a Canadian perspective that in increasingly complex public program environments, “. . . the practical world and its craftspeople need new curricula that can facilitate the development of collaborative, negotiation and bargaining skills within the broader context of inter-organizational service-delivery alternatives.” However, he cautions that, “. . . the craft of horizontal management, which can be taught, in part, in public administration courses, is thus underdeveloped and, predicated on assumptions of vertical management, inadequate as pedagogic guides for practice.”⁵⁰³ Sproule-Jones adds that current curricula are misaligned with the real world skills required to be an effective public sector manager in today’s complex policy environment.

⁵⁰³ Sproule-Jones (1999), p. 106, parentheses added.

It is puzzling that no corporate plan is in place to attract and retain P3 knowledge and expertise within BC's public sector, and to develop skills needed to support inter-agency collaboration. This also suggests revisiting the business model for Partnerships BC is overdue, to ensure that agency is re-directed by government to place greater emphasis on developing increased P3 capacity (knowledge and expertise) throughout the BC public sector. We have seen such evolution with Partnerships UK in this manner. The most important element in the development of greater P3 and collaborative capacities for implementation agencies is the need for explicit direction, coordination and support from central government as a corporate response to system-wide issues.

On the surface, the BC government's Public Service Renewal strategy had many of the basic elements necessary to achieve the kind of change in values and cultural shift needed for a more horizontal public service. In practice, however, it appears there was disconnect between the underlying concept of change management, and the more precise and necessary adaptations required to achieve more sustainable progress in the overall P3 program.

Chapter Eight - Looking Ahead

This study has established a baseline of data related to the capacity of British Columbia's P3 system. It also tests the analytical model and the overarching principle that the three capacity variables are inter-twined.

More generally, the results of this study provide a foundation for more longitudinal examination of the P3 capacity situation in BC or comparative analysis with other jurisdictions. Each variable of capacity in the analytical model developed is worthy of such future research, while ideally not losing sight of the principle of the three-legged stool and the inter-connectedness of the capacity variables espoused here. Comparative studies could also enhance the overall methodology developed and could validate or test assumptions around P3 capacity development. Such research could also enhance the analytical model developed by establishing additional or different criteria or measures for P3 program best practice evaluation.

Areas of Further Study

Examining the dynamics of how P3 policies have emerged would provide an important context to the significant role the private sector now plays in the public infrastructure domain through the P3 model. A significant area given little attention in the literature is the manner and degree of influence non-government (private sector) P3 forces now wield over government policy development. This could be explored through a comparative study of the policy environment that has fostered the growth of the P3 model,

including the role of ‘advocacy coalitions’⁵⁰⁴ ‘policy-communities’⁵⁰⁵ and the P3 industry, and their influence or impact on the decision-making autonomy of governments.

Research on the longer term public policy implications of P3 deals is another public policy area deserving greater attention. Considering virtually all arrangements are at least 30 years and often as long as 60 years in duration, do such deals entrench or embed P3 consortiums into the policy development process and thus allow for undue influence over public policy decisions? This adds another dimension to the policy autonomy issue.

Finally, in the literature P3 performance evaluation field (for example project or program audits) seems extremely disjointed and under-developed. Given the significant weight of value-for-money assumptions inherent in P3 deals, and the important role Auditor’s General play across governments more generally, a useful comparative study of audit policies and practices from multiple jurisdictions would have considerable scholarly value and practical benefit.

From an HR capacity perspective, one of the concluding observations in Chapter Five came from the question posed: *Is there an ideal P3 program implementation model that can best support the capacity needed to develop and sustain an innovative and accountable P3 program?* Some preliminary research in this area by Rachwalski and Ross (2010) conclude that the rationale most often cited for an arms-length (quasi-government) P3 agency is the belief that hiring staff outside the regular civil service provides a better pay and career structure to retain and attract people with the right skills. Under such arrangements, staff could receive various incentives for closing deals in reasonable timeframes and keeping to

⁵⁰⁴ For greater detail on ‘advocacy coalitions’ see Sabatier (1988), and Sabatier & Jenkins-Smith (1993, 1999b).

⁵⁰⁵ For greater detail on ‘policy communities’ see Atkinson & Coleman (1992), and Lindquist (1996).

the targets set for project delivery, as it is critical for such agencies to retain competent staff and provide adequate incentives to do so. Such a system may work best in jurisdictions with significant experience in public private cooperation but is a less viable option where there is already a big differential between pay in the public and the private sectors.⁵⁰⁶

Along these lines, an important area of further study could be a more critical assessment of the business model for central special-purpose P3 agencies such as Partnerships BC, involving a detailed comparative study of P3 agency structures in multiple jurisdictions. For example, what distinguishes the UK from most jurisdictions is not only the scope of its P3 (PFI) program, but more importantly the allocation of considerable specific central agency resources to support the development of P3 governance capacity at the sectoral level. An initial scan of the UK experience shows that significant attention has been given by HM Treasury to several key PFI areas, including: clarifying and articulating to the system of implementation agencies the broad policy context for PFI within the government's modernization and procurement reform agendas; defining roles and responsibilities amongst the various stakeholder agencies; outlining the technical steps involved; and sharing best practices as they evolve.

In particular, the UK has established sector-specific P3 institutional structures to develop and retain P3 expertise under the coordination and guidance of central government agencies and the tutelage of Partnerships UK. This approach incorporates two key elements of relevance to this study. The first is the establishment of a more decentralized institutional system to carry out the government's PFI agenda, as noted for example Partnerships for

⁵⁰⁶ See UNECE (2007).

Schools, Local Partnerships specifically for municipal government projects and LIFTCOs⁵⁰⁷ for healthcare projects. The second element reflects how the UK's decentralized system is operationalized through considerable collaboration amongst network members, particularly the sharing of knowledge and experiences through communities of practice both horizontally across the network of P3 agencies, and also vertically through the system of service delivery agencies within policy portfolios such as health, education and local government.

Other possible comparators include the State of Victoria in Australia, where Partnership Victoria explicitly operates as a central government department providing policy direction, P3 advice, and the sharing of best practices with implementation agencies. As mentioned, the State of Victoria requires that staff from implementation agencies have formal training in P3s as a condition of project approval, so a capacity scan of public agencies and the effect of that training policy and other strategic approaches in Victoria would be of considerable value.

In the last few years most provinces in Canada have established some form of P3-specific agency or department, providing an opportunity to explore from a purely Canadian context the notion of the capacity implications of developing an arms-length agency or an internal-to-government department. One unique model is Infrastructure Ontario, the monolithic agency responsible for all major infrastructure projects in the Province of Ontario. One aspect of interest is whether such a 'super agency' simply internalizes such issues as 'turf-wars' between functional units, staff recruitment and retention challenges, and barriers to information sharing of emergent and best practices - problems typically attributed to multi-agency boundaries.

⁵⁰⁷ For additional information on LIFTCOs see Community Health Partnerships (ND).

From a collaboration capacity perspective, a better understanding is required of the potential value-added qualities of getting public agencies in a P3 domain to work well together. Improving the body of knowledge of the relationship between collaborative theory and practice in public sector P3 networks would also improve the understanding and awareness of the developmental dynamics that are an essential part of collaborative processes. It could also identify more practical implications of collaboration in the context of a complex policy domain such as a comprehensive P3 program.

Having would-be collaborators with the appropriate skills and abilities can help facilitate the actual exploitation of collaborative opportunities with colleagues in other agencies. Along these lines of thought, some obvious questions deserving further examination include the following:

- What is the best strategy to develop human resource or professional development capacity in support of collaborative capacity?
- Can anyone be trained to be an effective network or collaborative manager, or is it more of an innate (heroic) quality that can be screened for when hiring, or nurtured and developed further if it is present within existing staff?
- What characteristics of collaboration are associated with increasing the capacity of individual organizations or the network of agencies as a whole?
- What characteristics of collaboration are associated with the creation of knowledge?

These questions should also be explored in the context of the HR implications of greater horizontal collaboration amongst public agencies.

As noted previously, this study deliberately narrowed its focus to P3 program implementation, intentionally avoiding the capacity implications of ongoing operational issues. As a result, more targeted research is recommended examining the capacity requirements related to *ex-post* project reviews. Such research should focus on questions such as:

- How are reviews done in other jurisdictions and what criteria or evaluation metrics are used?
- How often are they undertaken?
- Are lessons learned incorporated into a policy or operational feedback loop?
- Can the same principles and concepts governing private business-to-business strategic alliances (for example, game theory) be applied to understand or even anticipate the dynamics inherent in sustaining long-term infrastructure P3 deals?

While each of these issues warrant examination as discrete subject areas, some of these questions could be addressed as part of a broader comparative study looking at other more mature Westminster-style government P3 jurisdictions like the UK and Australia, as well as emerging regions such as Europe and Asia.

Final Thoughts

The density of the meta governance and management challenges inherent in the P3 model demands a fuller understanding by governments and researchers of the extent of capacity requirements to adequately implement such a divergent, strategic policy shift in

public infrastructure programs, and be able to measure and evaluate the capacity of a given public system. Again, the importance of paying attention to capacity is magnified in situations where the use of P3s is on the rise. Yet, the ability of BC's public sector to govern and manage both individual projects and a comprehensive P3 program is hindered by what appear to be counter-intuitive government decisions that reduce capability in P3 oversight and fail to introduce corporate strategies to attract and retain expertise in key skill areas.

The issue of system capacity to implement a broad P3 agenda goes well beyond what resources are needed and where they should go. Governments faced with capacity constraints must contemplate a re-orientation of the public system to use its limited resources (including knowledge and expertise) in the most effective way possible. Given the increasingly limited resources of the public sector, policy implementation requires particular consideration to providing public managers with more appropriate and better management tools to take advantage of the capacity-enhancing opportunities of public agency networks. Logically, an intra-governmental network approach could overcome policy implementation barriers previously outlined and use distributed resources in a value-added method to increase the system's overall capacity.

In terms of program relevance and integrity, the extensive literature on public policy implementation affirms the fallacy that government can perfectly plan or map out at the outset how best to achieve effective outcomes in a new program like a comprehensive P3 strategy. What this means is that long-term effectiveness of specific policies and broad reforms require feedback loops that allow for reflection on original intentions and adjustments when necessary based on such feedback and reviews of policies in practice.

It is both naïve and irresponsible to introduce a radically new policy agenda like a comprehensive P3 program without explicitly mandating, tasking and adequately resourcing central government departments to ensure accountability, program quality and performance management oversight. Returning to Kettl's (2006) point raised earlier, an important indicator of the commitment of government to translating symbols into reality is the allocation of adequate resources in key functional areas. Stated another way, the likely results of expecting to do 'more with less' is not doing many things effectively – and some things poorly. Considering the considerable investment of public funds, the purported benefits and other long-term obligations at stake with P3s, a critical function to do well is central department program accountability and oversight.

The true consequences of limited P3 program delivery capacity will likely go undetected if governments do not put into place adequate resources to properly monitor and evaluate project and program performance. Otherwise, we may only know that P3 deals have been poorly structured or negotiated when they achieve financial catastrophe or P3 proponents walk away from money-losing deals.

Regarding the notion of P3s in the context of public sector modernization, as Grimshaw et al (2001) caution, such reforms have little to say about accountability or the ethos of the public service:

A focus upon mechanisms rather than principles is symptomatic of a “new public service ethos” that blurs and blends elements of private and public sector management. The latter's distinctiveness is marginalized, and accountability issues of due process, probity, equity, etc., that have traditionally been central to public administration are pushed aside in the name of modernization . . . an increased

reliance upon public- private partnerships tends to overlook how purchasers of services tend to lose direct control over the delivery of services, including the terms and conditions of those employed to manage and provide those services. Lines of accountability between the purchasers and providers of services become increasingly complex and difficult to discern.⁵⁰⁸

This study reveals how a government has paid insufficient attention to the three elements or variables of capacity related to P3 program implementation. Most obvious is a significant shortfall in the area of governance capacity, but overall there is a discernible capacity deficit in BC's P3 program in human resources and collaboration amongst agencies as well. An important message is that, while the P3 program may achieve short term financial objectives and give a sense of producing more or better product and services with fewer resources, logically this situation will lead to P3 projects that do not serve the public interest. In the absence of adequate, impartial oversight and accountability, there is significant potential that projects have been or will be poorly negotiated to simply achieve P3 deal closure.

The lack of sound governance mechanisms and oversight activities, and shortages in the requisite level of expertise and resources within the public system, will be an impediment to ensuring the public interest is served. In an extreme scenario the public system is vulnerable to opportunism and potential corruption, particularly where details on specific P3 deals remain cloaked behind the almost impenetrable screen of privacy and proprietary protection. This situation can be exacerbated when the agency empowered as the P3 'gatekeeper' is compensated only when projects proceed as P3s - as is the case in BC.

⁵⁰⁸ Grimshaw et al (2001), p. 426.

This does not suggest the system in BC is corrupt. However, the study illustrates how the urgency to transition to P3s can result in noticeable holes in the public system's accountability and oversight capabilities relative to exemplary or P3 best practices and good governance principles. Perception is everything, and not paying attention to such issues could be perceived at the very least as negligence.

Unquestionably, P3s have merit when it makes sound business sense and serves the long-term public interest. However, the foundation of a healthy public system requires an adequately mandated and resourced public sector that is able to 'steer' when needed and to 'row' when appropriate, and can make the best informed decisions of which pathway to take at any given time.

References

- 4Ps (2008). An introduction to building schools for the future. 4Ps and Partnerships for Schools (PFS).
- Abednego, M., & Ogunlana, S. O. (2006). Good project governance for proper risk allocation in public–private partnerships in Indonesia. *International Journal of Project Management*, 24(7).
- Agranoff, R. (2003). *Leveraging networks: A guide for public managers working across organizations*. IBM Center for the Business of Government.
- Agranoff, R., & McGuire, M. (1998). Multi-network management: Collaboration and the hollow state in local economic policy. *Journal of Public Administration Research and Theory*, 8.
- Agranoff, R., & McGuire, M. (2001). Big questions in public network management research. *Journal of Public Administration Research and Theory*, July.
- Agranoff, R., & McGuire, M. (2003). Inside the matrix: Integrating the paradigms of intergovernmental and network management. *International Journal of Public Administration*, 26(12).
- Ahadzi, M., & Bowles, G. (2004). Public-private partnerships and contract negotiations: An empirical study. *Construction Management and Economics*, 22.
- Akintoye, A., Beck, M., & Hardcastle, C. (2003). Introduction, public-private partnerships in infrastructure development. In A. Akintoye, M. Beck, & C. Hardcastle (Eds.), *Public-private partnerships: Managing risks and opportunities*. Oxford, UK: Blackwell.
- Aldred, R. (2007). Closed policy networks, broken chains of communication and the stories behind an “entrepreneurial policy:” The case of NHS Local Improvement Finance Trust (NHS LIFT). *Critical Social Policy*, 27(1).
- Allan, J. R. (2001). *Public-private partnerships: A review of literature and practice*. Saskatchewan Institute of Public Policy, Public Policy Paper No. 4.
- Alter, C., & Hage, J. (1993). *Organizations working together*. Englewood Cliffs, NJ: Prentice Hall.
- Andrew, C., Cardinal, L., Gattinger, M., Juillet, L., Lane, D., & Pacquet, G. (2010). Preface. In P. Dutil, C. Howard, J. Langford, & J. Roy (Eds.), *The service state: Rhetoric, reality and promise*. Ottawa, ON: University of Ottawa Press.
- Arya, B., & Zhiang, (John) L. (2007). Understanding collaboration outcomes from an extended resource-based view perspective: The roles of organizational characteristics, partner attributes, and network structures. *Journal of Management*, 33(5).

- Asenova, D., Beck, M., Akintoye, A., Hardcastle, C., & Chiyio, E. (2004). Obstacles to best value in NHS PFI projects: Evidence from two hospitals. *Journal of Finance and Management in Public Services*, 4(1).
- Asian Development Bank. (2008). *Public-private partnership handbook*. Manila, Phil: ADB.
- Atkinson, M., & Coleman, W. D. (1992). Policy networks, policy communities and the problems of governance. *Governance*, 5(2).
- Aucoin, P. (1990). Administrative reform in public management: Paradigms, principles, paradoxes and pendulums. *Governance*, 3(2).
- Aucoin, P. (1995). *The new public management: Canada in comparative perspective*. Montreal, QC: Institute for Research on Public Policy.
- Aucoin, P. (1997). The design of public organizations for the 21st century: Why bureaucracy will survive in public management. *Canadian Public Administration*, 40(2).
- Aucoin, P. (2002). Beyond the “new” in public management. In C. Dunn (Ed.), *The handbook of Canadian public administration*. Don Mills, ON: Oxford University Press.
- Aucoin, P., & Jarvis, M. D. (2005). *Modernizing government accountability: A framework for reform*. Canada School of Public Service.
- Australian Public Service Commission (2007). *Tackling wicked problems: A public policy perspective*. Canberra, ACT: Commonwealth of Australia.
- Bakvis, H. (2000). Rebuilding policy in the era of fiscal dividend: A report from Canada. *Governance*, 13(1).
- Bakvis, H., & Juillet, L. (2004). *The horizontal challenge: Line departments, central agencies and leadership*. Ottawa, ON: Canadian Centre for Management Development.
- Bardach, E. (1977). *The implementation game: What happens after a bill becomes a law*. Cambridge, MA: MIT Press.
- Bardach, E. (1996). Turf barriers to interagency collaboration. In D. F. Kettl & H. B. Milward (Eds.), *The state of public management*. Baltimore, MD: Johns Hopkins University Press.
- Bardach, E. (1998). *Getting agencies to work together: The practice and theory of managerial craftsmanship*. Washington, DC: Brookings Institute.
- Bardach, E. (2001). *Implementing innovation across agency lines*. Berkeley, CA: University of California.

- Barlow, J., & Köberle-Gaiser, M. (2009). Delivering innovation in hospital construction: Contracts and collaboration in the UK's private finance initiative hospitals program. *California Management Review*, 51(2).
- Barrett, P. (2003). *Public private partnerships: Are there gaps in public sector accountability?* Auditor-General for Australia Presentation to 2002 Australasian Council of Public Accounts Committees 7th Biennial Conference Melbourne, February 3, 2003.
- Barrett, P. (2004). *Corporate governance: A more private public sector.* Auditor-General for Australia, Australian National Audit Office.
- Barzelay, M. (2001). *The new public management: Improving research and policy dialogue.* Berkeley, CA: University of California Press.
- Barzelay, M. (2002). Origins of the new public management: An international view from public administration/political science. In K. McLaughlin, S. P. Osbourne, & E. Ferlie (Eds.), *New public management: Current trends and future prospects.* London, UK: Routledge.
- Beekman, A. V. (1999). *Partnering for growth: Entrepreneurial strategies for value chain management.* New York, NY: Garland.
- Benner, C. (2003). Learning communities in a learning region: The soft infrastructure of cross-firm learning networks in Silicon Valley. *Environment and Planning*, 35.
- Benson, J. K. (1975). The inter-organisational network as a political economy. *Administrative Science Quarterly*, 20(2).
- Bergquist, W., Betwee, J., & Meuel, D. (1995). *Building strategic relationships.* San Francisco, CA: Jossey-Bass.
- Bertels, S., & Vredenburg, H. (2004). Broadening the notion of governance from the organisation to the domain: A study of municipal water systems in Canada. *Journal of Corporate Citizenship*, 15.
- Bevir, M., & Rhodes, R. A. W. (2006). The life, death and resurrection of British governance. *Australian Journal of Public Administration*, 65(2).
- Bevir, M., Rhodes, R. A. W., & Weller, P. (2003). Traditions of governance: Interpreting the changing role of the public sector. *Public Administration*, 81(1).
- Blain, L. (2008). CEO, Partnerships BC, interview conducted September 12, 2008.
- Boase, J. P. (2000). Beyond government? The appeal of public-private partnerships. *Canadian Public Administration*, 43(1).

- Boothroyd, P. (1991). *Developing community planning skills: Applications of a seven-step model*. UBC Centre for Human Settlements Research Bulletin, University of British Columbia, Vancouver.
- Booz A. H. (2008). *Worldwide tab to fix aging infrastructure will total \$40 trillion over 25 years*. Retrieved from http://www.boozallen.com/consulting/industries_article/costs-of-aging-infrastructure
- Borins, S. (1998). Lessons from the new public management in Commonwealth nations. *International Public Management Journal*, 1(1).
- Borins, S. (2002). Transformation of the public sector: Canada in comparative perspective. In Christopher Dunn (Ed.), *The handbook of Canadian public administration*. Don Mills, ON: Oxford University Press.
- Borins, S. (2011). *Governing fables: Learning from public sector narratives*. Charlotte, NC: IAP-Information Age Publishing.
- Bourgault, J., & Lapierre, R. (2000). *Horizontality and public management*. Final Report to the Canadian Centre for Management Development, the Leadership Network, the Federal Regional Council - Quebec and the École nationale d'administration publique, Canadian Centre for Management Development.
- Bouwen, R., & Fry, R. (1991). Organizational innovation and learning: Four patterns of dialog between the dominant Logic and the new logic. *International Studies of Management & Organization*, 21(4).
- Bovaird, T. (2004). Public-private partnerships: From contested concepts to prevalent practice. *International Review of Administrative Sciences*, 70(2).
- Bressers, H., O'Toole, L. J. Jr., & Richardson, J. (1995). Networks as models of analysis: Water policy in comparative perspective. In H. Bressers, L. J. O'Toole Jr., & J. Richardson (Eds.), *Networks for water policy: A comparative perspective*. London, UK: Frank Cass.
- Breukers, S., & Wolsink, M. (2007). Wind energy policies in the Netherlands: Institutional capacity-building for ecological modernization. *Environmental Politics*, 16(1).
- Broadbent, J., Gill, J., & Laughlin, R. (2004). *The private finance initiative in the National Health Service: Nature, emergence and the role of management accounting in decision making and post-project evaluation*. London: UK Chartered Institute of Management Accountants.
- Broadbent, J., & Laughlin, R. (1999). The private finance initiative: Clarification of a future research agenda. *Financial Accountability & Management*, 15(2).

- Broadbent, J., & Laughlin, R. (2003). Control and legitimation in government accountability processes: The private finance initiative in the UK. *Critical Perspectives on Accounting, 14*(1-2).
- Broadbent, J., & Laughlin, R. (2005). The role of PFI in the UK government's modernization agenda. *Financial Accountability & Management, 21*(1).
- Brown, D. (2001). *The public-private partnership that built a "traditional" school: A case study from British Columbia*. Society for the Advancement of Excellence in Education, Kelowna.
- Brown, K. (2007). Are public-private transactions the future of infrastructure finance? *Public Works Management & Policy, 12*(1).
- Bryson, J. (1988, Autumn). Strategic planning: Big wins and small wins. *Public Money and Management*.
- Bryson, J., Crosby, B. C., & Middleton Stone, M. (2006). The design and implementation of cross-sector collaborations: Propositions from the literature. *Public Administration Review, Nov. Supplement, 66*.
- Bult-Spiering, M., & Dewulf, G. (2006). *Strategic issues in public private partnerships*. Oxford, UK: Blackwell.
- Burger, P. (2006). *The Dedicated PPP Unit of the South African National Treasury*. Presented at the Symposium on Agencies and Public-Private Partnerships, organised by the OECD and the Intervención General de la Administración del Estado (IGAE), with collaboration of the Secretary-General of Budget and Expenditure, held in Madrid, Spain, 5-7 July 2006.
- Burlone, N. (2006). Public-private partnerships: When ethics and policy making are an afterthought. *Revue Gouvernance, 3*(2).
- Burnett, M. (2005). *Beyond the new public procurement directive: The future for public private partnerships*. EIPAScope, European Institute of Public Administration, No. 3.
- Campbell, G. (2006). *Premier's address to Union of B.C. Municipalities Annual Convention*. October 27, 2006.
- Campbell, M., & Gregor, F. (2002). *Mapping social relations: A primer in doing institutional ethnography*. Aurora, ON: Garamond Press.
- Canadian Council for Public-Private Partnerships. (2005, April). *Responsible PPP procurement for BC*. CCPPP. Retrieved from http://www.pppcouncil.ca/pdf/bc_procure.pdf

- Canadian Council for Public-Private Partnerships. (2008). *BC Premier Recipient of the CCPPP 2008 Champion of the Year Award*. News Release, November 24, 2008. Retrieved from <http://www.pppcouncil.ca/awards/winners/2008.html>
- Canadian Institute of Chartered Accountants. (2008). *20 Questions about the government reporting entity*. Public Sector Accounting Board, CICA. Retrieved from http://www.psab-ccsp.ca/download.cfm?ci_id=37814&la_id=1&re_id=0
- Castells, M. (2000). *The rise of the network society* (2nd ed.). Oxford, UK: Blackwell.
- Charih, M., & Rouillard, L. (1997). The new public management. In M. Charih & A. Daniels (Eds.), *New public management and public administration in Canada*. Toronto, ON: IPAC.
- Chase, B. (2009). *Public-private partnerships in the United States: Evolving market and new opportunities*. Collaboratory for Research on Global Projects. Stanford University, Working Paper #53.
- Cherry, A. L. (2000). *A research primer for the helping professions: Methods, statistics and writing*. Stamford, CA: Brooks/Cole.
- Chisholm, D. (1989). *Coordination without hierarchy: Informal structures in multi-organizational systems*. Berkeley, CA: University of California Press.
- Chisholm, R. F. (1998). *Developing network organizations: Learning from practice and theory*. Reading, MA: Addison-Wesley.
- Clark, G. L., & Root, A. (1999). Infrastructure shortfall in the United Kingdom: The private finance initiative and government policy. *Political Geography*, 18(3).
- Clifton, C., & Duffield, C. F. (2006). Improved PFI/PPP service outcomes through the integration of alliance principles. *International Journal of Project Management*, 24(7).
- Coates, R., Koyl, M., & Langford, J. (2008). Allocating risk among public and private partners: The mysteries revealed. *Optimum Online*, 38(4).
- Coe, B. A. (1988). Open focus: Implementing projects in multi-organizational settings. *International Journal of Public Administration*, 11(4).
- Cohen, J. M. (1993). *Building sustainable public sector managerial, professional, and technical capacity: a framework for analysis and intervention*. Development Discussion Paper No. 473, Harvard Institute for International Development, Harvard University.
- Cohen, J. M. (1995). Capacity building in the public sector: A focused framework for analysis and action. *International Review of Administrative Sciences*, 61.

- Cohen, S. (2001). A strategic framework for devolving responsibility and functions from government to the private sector. *Public Administration Review*, 61(4).
- Cohn, D. (2005). The public-private partnership fetish: Moving beyond the rhetoric. *Revue Gouvernance*, 1(2).
- Cohn, D. (2006). Transformative change and measuring success: Public-private partnerships in British Columbia, 2001-2005. *Revue Gouvernance*, 3(2).
- Cohn, D. (2008). British Columbia's capital asset management framework: Moving from transactional to transformative leadership on public-private partnerships, or a "railroad job?" *Canadian Public Administration*, 5(1).
- Colgate, M., & Lang, B. (2005). Positive and negative consequences of a relationship manager strategy. *Journal of Business Research*, 1.
- Commonwealth of Australia. (2004). *Connecting government: Whole of government responses to Australia's priority challenges*. Canberra, ACT: Management Advisory Board.
- Commonwealth of Australia. (2006). *Implementation of programme and policy initiatives: Making implementation matter*. Canberra, ACT: Department of the Prime Minister and Cabinet.
- Community Health Partnerships (ND). LIFT - Enabling Integrated Services, Co-location and Partnership Working. Accessed December 2012, at <http://www.communityhealthpartnerships.co.uk/index.php?ob=1&id=63>
- Conklin, E. J., & Weil, W. (1998). *Wicked problems: Naming the pain in organizations*. 3M Meeting Network. Retrieved from <http://www.leanconstruction.org/pdf/wicked.pdf>
- Connolly, M., & Chris, J. (2006). Collaboration for school improvement: A resource dependency and institutional framework of analysis. *Educational Management Administration & Leadership*, 34(1).
- Considine, M., & Lewis, J. M. (2003). Bureaucracy, network or enterprise: Comparing models of governance in Australia, Britain, the Netherlands and New Zealand. *Public Administration Review*, 63(2).
- Considine, M. (2002). Enterprise governance: The limits and shortcomings of quasi-markets as a tool of social policy: The case of Australia's economic services. In M. Edwards & J. Langford (Eds.), *New players, partners and processes: A public sector without boundaries*. Canberra, ACT: National Institute of Governance.
- Cope, S., & Goodship, J. (1999). Regulating collaborative government: Towards joined-up government? *Public Policy and Administration*, 14(2).

- Council of Ontario Universities. (2007, March). *Ontario Universities' facilities condition assessment program*. Prepared by the Task Force of the Council of Senior Administrative Officers and the Ontario Association of Physical Plant Administrators.
- Cropper, S. (1996). Collaborative working and the issue of sustainability. In C. Huxham (Ed.), *Creating collaborative advantage*. London, UK: Sage.
- Cui Q., Sharma, D., Farajian, M., Perez, M., & Lindly, J. (2010). *Feasibility study guidelines for public private partnership projects*. (Vols I & II). University Transportation Center for Alabama, The University of Alabama.
- Daniels, R. J., & Trebilcock, M. J. (2000). An organizational analysis of the public-private partnership. In P. V. Rosenau (Ed.), *Public-private policy partnerships*. Cambridge, MA: MIT Press.
- Darcy, M. (2006). *Institutional arrangements for the effective delivery of PPP*. Presentation to the OECD Symposium on Agencies and Public-Private Partnerships. Madrid, Spain, 6th July 2006.
- Davis, G. (1997). Executive coordination mechanisms. In P. Weller, H. Bakvis, & R. A. W. Rhodes (Eds.), *The hollow crown: Countervailing trends in core executives*. Basingstoke, UK: Macmillan.
- de Bettignies, J-E., & Ross, T. W. (2004). The economics of public-private partnerships. *Canadian Public Policy*, 30(2).
- de Bettignies, J-E., & Ross, T. W. (2006). *Public-private partnerships and the privatization of financing: An incomplete contracts approach*. UBC P3 Project, Working Paper, 2006-03.
- Deloitte Consulting. (2000). *Capital management process review for the Government of British Columbia*.
- Denhardt, R. B., & Vinzant Denhardt, J. (2000). The new public service: Serving rather than steering. *Public Administration Review*, 60(6).
- De Souza, M. (2009, April 3). *Provinces, cities must oversee infrastructure projects, says Infrastructure Minister John Baird*. Canwest News Service.
- Desautels, L. D. (1999). Accountability for alternative service delivery arrangements in the federal government: Some consequences of the sharing of government. In S. Delacourt & D. G. Lenihan (Eds.), *Collaborative government: Is there a Canadian way?* Toronto, ON: IPAC.
- Desveaux, J. A. (1995). *Designing bureaucracies: Institutional capacity and large-scale problem-solving*. Stanford, CA: Stanford University Press.

- Desveaux, J. A., Lindquist, E. A., & Toner, G. (1994). Organizing for policy innovation in public bureaucracy: AIDS, energy and environmental policy in Canada. *Canadian Journal of Political Science*, *Vol. 27*(3).
- DiMaggio, P., & Powell, W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, *48*.
- Dixon, T., Pottinger, G., & Jordan, A. (2005). Lessons from the private finance initiative in the UK: Benefits, problems and critical success factors. *Journal of Property Investment and Finance*, *23*(5).
- Dominguez, D., Worch, H., Markard, J., Truffer, B., & Gujer, W. (2009). Closing the capability gap: Strategic planning for the infrastructure sector. *California Management Review*, *51*, (2).
- Dominion Bond Rating Service Limited. (2007). *The 2007 Canadian Federal and Provincial Governments Overview: Still on Solid Ground*.
- Donahue, A. K., Coleman Selden, S., & Ingraham, P. W. (2000). Measuring government management capacity: A comparative analysis of city human resources management systems. *Journal of Public Administration Research and Theory*, *10*(2).
- Doz, Y., & Hamel, G. (1998). *Alliance advantage: The art of creating value through partnering*. Waterton, MA: Harvard Business School Press.
- Duffield, C. F. (2008). *Report on the Performance of PPP Projects in Australia when compared with a representative sample of traditionally procured infrastructure projects*. Parkville, Victoria: The University of Melbourne.
- Duffield, C. F. (2009, January 17). Interview. Department of Civil and Environmental Engineering, The University of Melbourne.
- Dutil, P., Howard, C., Langford, J., & Roy, J. (2010). *The service state: Rhetoric, reality and promise*. Ottawa, ON: University of Ottawa Press.
- Dutil, P., Langford, J., & Roy, J. (2005). *Managing service transformation relationships between government and industry: Developing best practices*. IPAC, New Directions, No, 17.
- Dutz, M., Harris, C., Dhingra, I., & Shugart, C. (2006). *Public-private partnership units: What are they, and what do they do?* The World Bank Group, Financial and Private Sector Development Vice Presidency, Note #311.
- Dyer, J. H., & Singh, H. (1998). The relational view: Cooperative strategy and sources of interorganizational competitive advantage. *Academy of Management Review*, *23*(4).

- Eaton, D., Akbiyikli, R., de Lemos, T., Gunnigan, L., Kutanis, R. O., Casensky, M., Ladra, J., & El Sawalhi, N. (2007). An examination of the suitability of a UK PFI model within the Czech Republic, the Republic of Ireland, Palestine (Gaza-West Bank), Portugal, and Turkey. *Construction Innovation*, 7(1).
- Edwards P., & Shaoul, J. (2003). Partnerships: For better, for worse? *Accounting, Auditing & Accountability Journal*, 16(3).
- Edwards P., Shaoul, J., Stafford, A., & Arblaster, L. (2004). *Evaluating the operation of PFI in roads and hospitals*. Research Report No. 84, Association of Chartered Certified Accountants, London.
- Elmore, R. F. (1979). Backward mapping: Implementation research and policy decisions. *Political Science Quarterly*, 94(4).
- Elmore, R. F. (1985). Forward and backward mapping: Reversible logic in the analyses of public policy. In K. Hanf & T. A. J. Toonen (Eds.), *Policy Implementation in federal and unitary systems; Questions of analysis and design*. Boston, MA: Maartinus Nijhoff.
- Emery, F. E., & Trist, E. L. (1965). The causal texture of organizational environments. *Human Relations*, 18.
- English, L. M. (2005). Using public-private partnerships to achieve value for money in the delivery of healthcare in Australia. *International Journal of Public Policy*, 1(1).
- English, L. M. (2007). Performance audit of Australian public-private partnerships: Legitimizing government policies or providing independent oversight? *Financial Accountability & Management Journal*, 23(3).
- English, L. M., & Guthrie, J. (2006). *State audit of public private partnerships in Australia: A lack of public accountability?* Paper presented at the 4th International Conference on Accounting, Auditing and Management in Public Sector Reforms, September 2006, Siena, Italy.
- Ernst & Young. (2006). *Canadian P3 survey: Issues facing the Canadian P3 market*. Transaction Advisory Services.
- Erridge, A., & Greer, J. (2002). Partnerships and public procurement: Building social capital through supply relations. *Public Administration*, 80(3).
- European Commission. (2003). *Guidelines for successful public-private partnerships*. Version 1, Director General, Regional Policy.
- European Commission. (2005). *Public-private partnerships and community law on public procurement and concessions*. Communication from the Commission to the European

- Parliament, the Council, and the European Economic and Social Committee of the Regions.
- European Institute of Public Administration. (2007). *Annual report*. EIPA Publications.
- European Investment Bank. (2004). *The EIB's role in Public-Private Partnerships*. EIB Publications.
- European Investment Bank. (2005a). *Evaluation of PPP projects financed by the EIB, synthesis report, operations evaluation*. EIB Publications.
- European Investment Bank. (2005b). *Value-for-money measurement in public-private partnerships*. EIB Publications.
- European Investment Bank. (2006). *EIB financing of the trans-European networks*. EIB Publications.
- European Investment Bank. (2007). *Annual report 2006: Volume I – Activity report*. EIB Publications.
- Farrugia, C., Reynolds, T., & Orr, R. J. (2008). *Public-private partnership agencies: A global perspective*. Collaboratory Research on Global Projects, Stanford University, Working Paper #39.
- Faulkner, D. (1995). *International strategic alliances: Cooperating to compete*. New York, NY: McGraw-Hill.
- Falconer, P. K., & McLaughlin, K. (2000). Public-private partnerships and the New Labour government in Britain. In S. P. Osborne (Ed.), *Public private partnerships: Theory and practice in international perspective*. New York, NY: Routledge.
- Fischer, K., Jungbecker, A., & Alfen, H. W. (2006). The emergence of PPP task forces and their influence on project delivery in Germany. *International Journal of Project Management*, 24(7).
- Fisher, S. R., & White, M. A. (2000). Downsizing in a learning organization: Are there hidden costs? *Academy of Management Review*, 25(1).
- Fitzgerald, P. (2004). *Review of partnerships Victoria provided infrastructure: Final report to the treasurer*. Melbourne, Aus: Growth Solutions Group.
- Flinders, M. (2002). Governance in Whitehall. *Public Administration*, 80(1).
- Flinders, M. (2005). The Politics of Public-Private Partnerships. *British Journal of International Relations*, 7.
- Ford, R., & Zussman, D. (1997a) (Eds.). *Alternative service delivery: Sharing governance in Canada*. Montreal, QC: KPMG/IPAC.

- Ford, R., & Zussman, D. (1997b). Alternative Service Delivery: Transcending Boundaries. In R. Ford & D. Zussman (Eds.), *Alternative service delivery: Sharing governance in Canada*. Montreal: KPMG/IPAC.
- Foss, N. (1993). Theories of the firm: Contractual and competence perspectives. *Journal of Evolutionary Economics*, 3(2).
- Fox, C. J. (1996). Reinventing government as postmodern symbolic politics. *Public Administration Review*, 56(3).
- Fredericksen, P., & London, R. (2000). Disconnect in the hollow state: The pivotal role of organizational capacity in community-based development organizations. *Public Administration Review*, 60(3).
- Frederickson, H. G. (1996). Comparing the reinventing government movement with the new public administration. *Public Administration Review*, 56(3).
- Friedberg, E. F., & Neuville, J-P. (1999). Trust, opportunism and cooperation in the European automobile industry. In A. Grandori (Ed.), *Interfirm networks: Organization and industrial competitiveness*. New York, NY: Routledge.
- Froud, J., & Shaoul, J. (2001). Appraising and evaluating PFI for NHS hospitals. *Financial Accountability & Management*, 17(3).
- Gerring, J. (2004). What is a case study and what is it good for? *American Political Science Review*, 98(2).
- Giddens, A. (1998). *The third way*. Cambridge: Polity Press.
- Goggin, M. L. (1986). The "too few cases/too many variables" problem in implementation research. *The Western Political Quarterly*, 39(2).
- Goggin, M., Bowman, A., Lester, J., & O'Toole, L. (1990). *Implementation theory and practice: Toward a third generation*. Glenview: Scott-Foresman.
- Goodsell, C. (1993). Reinvent government or rediscover it? *Public Administration Review*, 53(1).
- Government of Alberta. (2008). *Capital Plan: 2008-11, Budget 2008: The right plan for today & tomorrow*. Edmonton: Alberta Treasury.
- Government of British Columbia. (1995). *Definitions and guidelines for alternative financing proposals*. Victoria: Ministry of Finance and Corporate Relations.
- Government of British Columbia. (1996a). *Report of the task force on private public partnerships – building partnerships*. Ministry of Finance and Corporate Relations.
- Government of British Columbia. (1996b). *Hospital District Act [RSBC 1996] Chapter 202*.

- Government of British Columbia. (1998). *The Province of British Columbia's best practices guide to public-private partnerships*. Ministry of Employment and Investment.
- Government of British Columbia. (1999a). *Public private partnership: A guide for local government*. Ministry of Municipal Affairs.
- Government of British Columbia. (1999b). *A Review of the fast ferry project: Governance and risk management*. Office of the Auditor General.
- Government of British Columbia. (1999c). *Maintaining human capital in the British Columbia public service: the role of training and development*, Office of the Auditor General.
- Government of British Columbia. (2000a). *Budget transparency and accountability act*. Victoria, BC: Queen's Printer.
- Government of British Columbia. (2000b). *Governance and risk management of the fast ferry project*. Select Standing Committee on Public Accounts, Twelfth Report of the Select Standing Committee on Public Accounts for the Fourth Session of the Thirty-Sixth Parliament.
- Government of British Columbia. (2001). *Guidelines for the core review*. Office of the Premier.
- Government of British Columbia. (2002a). *Capital asset management framework*. Treasury Board Staff, Ministry of Finance.
- Government of British Columbia. (2002b). *Capital asset management framework-guidelines*. Treasury Board Staff, Ministry of Finance.
- Government of British Columbia. (2002c). *Update report on the need for succession planning in the British Columbia government*. Ministry of Management Services.
- Government of British Columbia. (2002d). *Strategic plan 2002/03 - 2004/05, "Restoring hope and prosperity."* Victoria, BC: Queen's Printer.
- Government of British Columbia. (2005a). *Attestation of the project report: Achieving value for money: The Abbotsford Regional Hospital and Cancer Care Centre*. Partnerships BC (2005). Office of the Auditor General.
- Government of British Columbia. (2005b). *Correspondence to Partnerships BC on the review of Abbotsford P3 Abbotsford Regional Hospital and Cancer Care Centre*. Office of the Auditor General.
- Government of British Columbia. (2005c). *Governance best practice guidelines*. Board Resourcing and Development, Office of the Premier.

- Government of British Columbia. (2005d). *Building a strong public service : reassessing the quality of the work environment in British Columbia's public service*. Office of the Auditor General.
- Government of British Columbia. (2005e). *BCBC Shift to Improve Service Delivery*. Information Bulletin, Ministry of Labour and Citizen Services.
- Government of British Columbia. (2006). *Annual review of auditor general reports*. Select Standing Committee on Public Accounts, Legislative Assembly of British Columbia, 38th Parliament, 1st Session, Issue # 1.
- Government of British Columbia. (2007a). *Capital procurement checklist*. Ministry of Finance.
- Government of British Columbia. (2007b). *Being the best – 3.0: Human resource plan, 2008/2009-2010/2011*. BC Public Service Agency.
- Government of British Columbia. (2008a). *Strengthening Accountability in British Columbia: Trends and Opportunities in Performance Reporting*. Office of the Auditor General.
- Government of British Columbia. (2008b). *Public sector governance: A guide to the principles of good practice*. Office of the Auditor General.
- Government of British Columbia. (2008c). *Province raises capital standard threshold for PPPs*. Information Bulletin 2008FIN0019-001677. Ministry of Finance and Ministry responsible for the Olympics.
- Government of British Columbia. (2008d). *Capital asset management framework – Overview*. Ministry of Finance.
- Government of British Columbia. (2008e). *2007/08 Annual Service Plan Report*. Ministry of Labour and Citizens' Services.
- Government of British Columbia. (2008f). *An audit of joint solution procurement and the Revenue Management Project*. Office of the Auditor General.
- Government of British Columbia. (2010a). *Core policy and procedures manual*. Section 6 (Procurement). Ministry of Finance.
- Government of British Columbia. (2010b). *Public accounts of the Government of the Province of British Columbia for the fiscal year ended March 31, 2010*. Office of the Comptroller General, Ministry of Finance.
- Government of British Columbia. (2011a). *Audit of the Academic Ambulatory Care Centre public private partnership: Vancouver Coastal Health Authority*. Office of the Auditor General.

- Government of British Columbia. (2011b). *Reports of proceedings (Minutes and Hansard) of the select standing committee on public accounts*. Legislative Assembly of British Columbia, 39th Parliament, 3rd Session, Issue # 17.
- Government of Canada. (1985). *Third report of the special committee on reform of the House of Commons in Canada*. House of Commons. Queen's Printer, Ottawa.
- Government of Canada. (1998). *Assessing alternative service delivery arrangements*. Discussion Paper, Office of the Auditor General of Canada, Ottawa.
- Government of Canada. (2001). *Regulations amending the Canada business corporations regulations, 2001 - Sections 70 and 71*. Industry Canada. Retrieved from <http://www.ic.gc.ca/epic/site/cd-dgc.nsf/en/cs02689e.html>
- Government of Canada. (2003). *The public sector comparator – A Canadian best practices guide*. Industry Canada, Ottawa.
- Government of Canada. (2004). *Performance audit manual*. Office of the Auditor General of Canada, Ottawa.
- Government of Canada. (2007). *Advantage Canada: Building a strong economy for Canadians*. Department of Finance. Retrieved from <http://www.fin.gc.ca/ec2006/plan/plc4e.html>
- Government of Canada. (2008). *The Budget in brief 2008 - Responsible leadership*. Department of Finance. Retrieved from <http://www.budget.gc.ca/2008/pdf/brief-bref-eng.pdf>
- Government of Canada. (2009, January 21). *Worldwide inventory of infrastructure spending plans*. Foreign Affairs and International Trade Canada, CanadaExport e-magazine.
- Government of Canada. (2010). *Public accounts of Canada: 2010*. Receiver General for Canada, Ministry of Finance, Public Works and Government Services Canada, Ottawa.
- Government of Ontario. (2000). *A guide to public-private partnerships for infrastructure projects*. Ontario SuperBuild.
- Government of Ontario. (2004). *Building a better tomorrow: An infrastructure planning, financing and procurement framework for Ontario's public sector*. Ministry of Public Infrastructure Renewal.
- Government of Ontario. (2006). *Renew Ontario progress report – 2006*. Ministry of Public Infrastructure Renewal.
- Grandori, A., & Neri, M. (1999). The fairness properties of interfirm networks. In A. Grandori, (Ed.), *Interfirm networks: Organization and industrial competitiveness*. New York, NY: Routledge.

- Gray, B. (1985). Conditions facilitating interorganizational collaboration. *Human Relations*, 38(10).
- Gray, B. (1989). *Collaborating: Finding common ground for multiparty problems*. San Francisco, CA: Jossey-Bass.
- Gray, B. (1996). Cross-sectoral Partners: Collaborative Alliances Among Business, Government and Communities. In C. Huxham (Ed.), *Creating collaborative advantage*. London, UK: Sage.
- Gray, B., & Wood, D. J. (1991). Collaborative alliances: Moving from practice to theory. *Journal of Applied Behavioral Science*, 27(1).
- Greene, J. D. (1996, Winter). How much privatization? A research note examining the use of privatization by cities in 1982 and 1992. *Policy Studies Journal*, 24.
- Griffiths, A., & Petrick, J. A. (2001). Corporate architectures for sustainability. *International Journal of Operations & Production Management*, 21(12).
- Grimshaw, D., & Lewis, M. (2004). *Public private partnerships: The worldwide revolution in infrastructure provision and private finance*. Cheltenham, UK: Edward Elgar.
- Grimshaw, D., Vincent, S., & Willmott, H. (2001). New control modes and emergent organizational forms: Public-private contracting in public administration. *Administrative Theory & Praxis*, 23(3).
- Grindle, M. S., & Hilderbrand, M. E. (1995). Building sustainable capacity in the public sector: What can be done? *Public Administration and Development*, 15.
- Grout, P. A. (2005). *Value-for-money measurement in public-private partnerships*. EIB Papers, Volume 10, N°2.
- Grout, P. A., & Sonderegger, S. (2006). Simple money-based tests for choosing between private and public delivery: A discussion of the issues. *Review of Industrial Organization*, 29.
- Gulati, R. (1995). Does familiarity breed trust? The implications of repeated ties for contractual choice in alliances. *Academy of Management Journal*, 38(1).
- Gulati, R. (1998). Alliances and networks. *Strategic Management Journal*, 19(4). Special Issue: Editor's Choice.
- Gulati, R., & Kletter, D. (2005). Shrinking core, expanding periphery: The relational architecture of high-performing organizations. *California Management Review*, 47(3).
- Hall, T. E. & O'Toole, L. J., Jr. (2000). Structures for policy implementation: An analysis of national legislation, 1965-1966 and 1993-1994. *Administration and Society*, 31(6).

- Handfield, R. B., & Bechtel, C. (2004). Trust, power, dependence, and economics: Can SCM research borrow paradigms? *International Journal of Integrated Supply Management*, 1(1).
- Hanf, K., & O'Toole, L. J., Jr. (1992). Revisiting old friends: Networks, implementation structures and the management of interorganizational relations. *European Journal of Political Research*, 21.
- Hanf, K., & Scharpf, F. W. (1978). *Interorganizational policy making: Limits to coordination and central control*. Beverly Hills, CA: Sage.
- Hansen, C. (2009, March 27). Infrastructure investment creates jobs in tough times. *Vancouver Sun*.
- Hargadon, A., & Sutton, R. I. (1997). Technology brokering and innovation in a product development firm. *Administrative Science Quarterly*, 42(4).
- Hart, O. (1988). Incomplete contracts and the theory of the firm. *Journal of Law, Economics & Organization*, 4(1).
- Hart, O. (2003, March). Incomplete Contracts and Public Ownership: Remarks and an Application to Public-Private Partnerships. *The Economic Journal*, 113.
- Hart, O., & Moore, J. (1988). Incomplete contracts and renegotiation. *Econometrica*, 56(4).
- Hart, O., Shleifer, A., & Vishny, R. W. (1997, November). The proper scope of government: Theory and application to prisons. *The Quarterly Journal of Economics*.
- Healey, P. (1997). *Collaborative planning: Shaping places in fragmented societies*. London, UK: MacMillan.
- Henisz, W. (Vit) J. (2006). Governance issues in public private partnerships. *International Journal of Project Management*, 24(7).
- Heraty, N. (2004). Towards an architecture of organization-led learning. *Human Resource Management Review*, 14.
- Her Majesty's Treasury. (1997). *Partnerships for prosperity: The private finance initiative*. London, UK: Private Finance Treasury Task Force.
- Her Majesty's Treasury. (1998). *Step-by-step guide to the pfi procurement process*. London, UK: Her Majesty's Treasury.
- Her Majesty's Treasury. (2000). *Public-private partnerships—The government's approach*. London.
- Her Majesty's Treasury. (2003). *PFI: Meeting the investment challenge*. London.

- Her Majesty's Treasury. (2006a). *Value for money assessment guidance*. London.
- Her Majesty's Treasury. (2006b). *PFI: Strengthening long-term partnerships*. London.
- Her Majesty's Treasury. (2007). *Transforming government procurement*. London.
- Her Majesty's Treasury. (2011). *Reform of the private finance initiative*. London.
- Hilderbrand, M. E., & Grindle, M. S. (1994). *Building sustainable capacity – Challenges for the public sector*. Prepared for the United Nations Development Program Pilot Study of Capacity Building, Harvard University.
- Hill, C. (1990). Cooperation, opportunism and the invisible hand: Implications for transaction cost theory. *Academy of Management Review*, 15(3).
- Hill, H. (2003). Understanding implementation: Street-level bureaucrat's resources for reform. *Journal of Public Administration Research and Theory*, 13(3).
- Hill, M. J., & Hupe, P. (2002). *Implementing public policy: Governance in theory and practice*. Thousand Oaks, CA: Sage.
- Himmelman, A. T. (1996). On the theory and practice of transformational collaboration: From social service to social justice. In C. Huxham (Ed.), *Creating collaborative advantage*. London, UK: Sage.
- Hjern, B., & Porter, D. O. (1981). Implementation Structures: A New Unit of Administrative Analysis. *Organization Studies*, 2(3).
- Hodge, G. (2002). Who steers the state when governments sign public-private partnerships? *Journal of Contemporary Issues in Business and Government*, 8(1).
- Hodge, G. (2004a). *Governing with accountability: Has parliament abdicated in the age of public-private partnerships?* Presentation to Parliamentary Environment and Public Works Committees National Conference, 12 July, Melbourne.
- Hodge, G. (2004b). The risky business of public-private partnerships. *Australian Journal of Public Administration*, 63(4).
- Hodge, G. (2005). Public-private partnerships: the Australian experience with physical infrastructure. In G. Hodge, & Greve, C. (Eds.), *The challenge of public-private partnerships: Learning from international experience*. Cheltenham, UK: Edward Elgar.
- Hodge, G., & Greve, C. (2005, May-June). Public-private partnerships: An international performance review. *Public Administration Review*.
- Hoggett, P. (1996). New modes of control in the public service. *Public Administration*, 74.

- Holmes, J., Capper, G., & Hudson, G. (2006). Public private partnerships in the provision of health care premises in the UK. *International Journal of Project Management*, 24(7).
- Hood, C. (1991). A public management for all seasons? *Public Administration*, 69(1).
- Hood, C. (1995). The “New Public Management” in the 1980s: Variations on a theme. *Accounting, Organizations and Society*, 20(2/3).
- Hopkins, M., Couture, C., & Moore, E. (2001). *Moving from the heroic to the everyday: Lessons learned from leading horizontal projects*. Canadian Centre for Management Development. Retrieved from <http://www.ccmd-ccg.gc.ca>
- Hou, Y., Moynihan, D. P., & Wallace Ingraham, P. (2003). Capacity, management and performance: Exploring the links. *American Review of Public Administration*, 33(3).
- Howlett, M. (2001). Managing the “Hollow State:” Procedural policy instruments and modern governance. *Canadian Public Administration*, 43(4).
- Howlett, M. (2002). Do networks matter? Linking policy network structure to policy outcomes: Evidence from four Canadian policy sectors 1990-2000. *Canadian Journal of Political Science*, 35(2).
- Hubbard, R., & Paquet, G. (2007). Cat’s cradling: Apex forums on wicked problems. *Optimum Online*, 37(2).
- Hudson, B. (2004). Analyzing network partnerships. *Public Management Review*, 6.
- Hudson, B., Hardy, B., Henwood, M., & Wistow, G. (1999). In pursuit of inter-agency collaboration: What is the contribution of theory and research? *Public Management*, 1(2).
- Huxham, C. (Ed.) (1996). *Creating collaborative advantage*. London, UK: Sage.
- Huxham, C. (1996). The search for collaborative advantage. In C. Huxham (Ed.), *Creating collaborative advantage*. London, UK: Sage.
- Huxham, C., & Vangen, S. (2000). Leadership in the shaping and implementation of collaboration agendas: How things happen in a (not quite) joined-up world. *Academy of Management Journal*, 43(6).
- Huxham, C., Vangen, S., & Eden, C. (2000). The challenge of collaborative governance. *Public Management Review*, 2(3).
- Imperial, Mark T. (2001). *Collaboration as an implementation strategy: An assessment of six watershed management programs*. Unpublished doctoral dissertation, Indiana University, Bloomington.

- Institute of Public Administration Australia. (IPAA) (2003). *Working together: Integrated governance*. IPAA National Office.
- International Monetary Fund. (2006). *Public private partnerships, government guarantees, and fiscal risk*. Washington, DC: Fiscal Affairs Department, IMF.
- International Monetary Fund. (2007). *Global financial stability report: Financial market turbulence - Causes, consequences, and policies*. Washington, DC: IMF World Economic and Financial Surveys, IMF.
- James, O. (2004). Executive Agencies and Joined-up Government in the UK. In C. Pollitt & C. Talbot (Eds.), *Unbundled government: A critical analysis of the global trend to agencies, quangos and contractualism*. London, UK: Routledge.
- Jones, M. (2000). Twinning as a tool for sustainable organisational capacity building. *Capacity*, 6.
- Journal of Commerce. (2008, December 3). *Why infrastructure spending may be Canada's best shot at beating the economic crisis*.
- Jupe, R. (2009). New Labour, public-private partnerships and rail transportation policy. *Economic Affairs*, 29(1).
- Kanter, R. M. (1999). The enduring skills of change leaders. *Leader to Leader*, 13.
- Kanter, R. M. (2000). Collaborative advantage: The art of alliances. *Harvard Business Review*. Harvard Business School Publishing.
- Kee, J. E., & Forrer, J. (2008). Private finance initiative: The theory behind practice. *International Journal of Public Administration*, 31.
- Kerali, H. (2006). *Public sector comparator for highway PPP projects*. Online Presentation. World Bank. Retrieved from <http://siteresources.worldbank.org/INTTRANSPORT/Resources/336291-1122908670104/1504838-1151587673078/PSCforHighwayPPPProjects-v2.pdf>
- Kernaghan, K. (1993). Partnerships and public administration: Conceptual and practical considerations. *Canadian Public Administration*, 36(1).
- Kettl, D. F. (1988a). Performance and accountability: The challenge of government by proxy for public administration. *American Review of Public Administration*, 18(1).
- Kettl, D. F. (1988b). Government by proxy and the public service. *International Review of Administrative Sciences*, 54.
- Kettl, D. F. (1995). Building lasting reform: Enduring Questions, Missing Answers. In D. F. Kettl, & J. J. Dilulio Jr.,(Eds.), *Inside the reinvention machine: Appraising government reform*. Washington, DC: Brookings Institution.

- Kettl, D. F. (2005). *The global public management revolution* (2nd ed.). Washington, DC: Bookings Institute.
- Kettl, D. F. (2006, November). Managing boundaries in American administration: The collaboration imperative. *Public Administration Review*, 66.
- Kickert, W. J. M., Klijn, E. H., & Koppenjan, J. F. M. (1999). Introduction: A management perspective on policy networks. In W. J. M. Kickert, E. H. Klijn & J. F. M. Koppenjan (Eds.), *Managing complex networks – Strategies for the public sector*. London, UK: Sage.
- Klijn, E. H. (2002). Governing networks in the hollow state: Contracting out, process management or a combination of the two? *Public Management Review*, 4(2).
- Klijn, E. H., & Koppenjan, J. F. M. (2000). Public management and policy networks: Foundations of a network approach to governance. *Public Management*, 2(2).
- Klijn, E. H., & Koppenjan, J. F. M. (2004). *Institutional design in networks: Elaborating and analyzing strategies for institutional design*. Paper for the Eighth International Research Symposium on Public Management (IRSPM VIII), 31 March-2 April 2004, Budapest University of Economics and Public Administration, Hungary.
- Klijn, E. H., & Koppenjan, J. F. M., & Termeer, K. (1995, Autumn). Managing networks in the public sector: A theoretical study of management strategies in policy networks. *Public Administration*, 73.
- Klijn, E. H., & Teisman, G. (1997). Strategies and Games in Networks. In W. J. M. Kickert, E. H. Klijn, & F. M. K. Joop (Eds.), *Managing complex networks – Strategies for the public sector*. London, UK: Sage.
- Klijn, E. H., & Teisman, G. (2000). Governing public-private partnerships. In S. P. Osborne (Ed.), *public private partnerships: theory and practice in international perspective*. New York, NY: Routledge.
- Koch, C., & Buser, M. (2006). Emerging metagovernance as an institutional framework for public private partnership networks in Denmark. *International Journal of Project Management*, 24(7).
- Koffman, F., & Senge, P. (1993). Communities of commitment: The heart of learning organizations. *Organizational Dynamics*, 22.
- Kooiman, J. (1999). Socio-political governance: Overview, reflections and design. *Public Management*, 1(1).
- Koppenjan, J. F.M., & Klijn, E. H. (2004). *Managing uncertainties in networks*. New York, NY: Routledge.

- KPMG. (2007). *Public private partnerships: The way forward for major projects?* KPMG International.
- KPMG. (2008). *The politics of procurement*. Press Release, KPMG International.
- KPMG. (2009a). *Value from major infrastructure projects and alternative assets*. KPMG International.
- KPMG. (2009b). *Infrastructure, PPP and the credit crisis*. KPMG International.
- Kubr, M. (Ed.) (1996). *Management Consulting: A Guide to the Profession* (3rd Edition). Geneva: International Labour Office.
- Kwak, Y. H., Chih, Y., & Ibbs, C. W. (2009). Towards a comprehensive understanding of public private partnerships for infrastructure development. *California Management Review*, 51(2).
- Langford, J. W. (1997). Power sharing in the ASD world. In R. Ford & D. Zussman (Eds.), *Alternative service delivery: Sharing governance in Canada*. Toronto, ON: KPMG/IPAC.
- Langford, J. W. (1999). The governance challenges of public-private partnerships. In S. Delacourt & D. G. Lenihan (Eds.), *Collaborative government: Is there a Canadian Way?* Toronto, ON: IPAC.
- Langford, J. W. (2002). Managing public-private partnerships in Canada. In M. Edwards & J. Langford (Eds.), *New players, partners and processes: A public sector without boundaries*. Canberra, ACT: National Institute of Governance.
- Langford, J. W. (2004). *Managing service transformation relationships: Developing best practices*. Paper Presented at the Lac Carling Conference “Working Together to Transform Public Services and Their Delivery” held at the Manoir Saint-Sauveur, Saint-Sauveur, Quebec, May 16-18, 2004.
- Langford, J. W., & Roy, J. (2009). Building shared accountability into service transformation partnerships. *International Journal of Public Policy*, 4(3-4).
- Larbi, G. (1998). Institutional constraints and capacity issues in decentralizing management in public services: The case of health in Ghana. *Journal of International Development*, 10.
- Lee, C.-S. (2011, February 14). Vice president finance, Partnerships BC. Interview.
- Li, B., & Akintoye, A. (2003). An Overview of Public-Private Partnerships. In A. Akintoye, M. Beck, & C. Hardcastle (Eds.), *Public-private partnerships: Managing risks and opportunities*. Oxford: Blackwell.

- Linder, S. H. (2000). Coming to terms with public-private partnerships. In Rosenau, Pauline Vaillancourt, (Eds.), *Public-private policy partnerships*. Cambridge: MIT Press.
- Lindquist, E. A. (1996). New Agendas for Research on Policy Communities: Policy Analysis and Governance, in Dobuzinskis, Laurent, Michael Howlett, and David Laycock, eds., *Policy Studies in Canada: The State of the Art*, Toronto: University of Toronto Press.
- Lindquist, E. A. (1997). The bewildering pace of public sector reform in Canada. In J. E. Lane, (Ed.), *Public sector reforms: Rationale, trends and problems*. London, UK: Sage.
- Lindquist, E. A. (2000a). Conclusion: Themes, prospects and future. In E. A. Lindquist (Ed.), *Government restructuring and career public services*. Toronto, ON: IPAC.
- Lindquist, E. A. (2000b). Introduction and Overview. In E. A. Lindquist (Ed.), *Government restructuring and career public services*. Toronto, ON: IPAC.
- Lindquist, E. A. (2002a). Culture, control or capacity: Meeting contemporary horizontal challenges in public sector management. In M. Edwards & J. Langford (Eds.), *New players, partners and processes: A public sector without boundaries*. Canberra, ACT: National Institute of Governance.
- Lindquist, E. A. (2002b). Government restructuring and career public service: Do we need a new cosmology? In Christopher Dunn (Ed.), *The handbook of Canadian public administration*. Don Mills, ON: Oxford University Press.
- Lindquist, E. A. (2004). Strategy, capacity, and horizontal governance, perspectives from Australia and Canada. *Optimum*, 34(4).
- Lindquist, E. A. (2006a). *A critical moment: Capturing and conveying the institutional evolution of the Canadian public service*. Governance Research Program, Canada School of Public Service, Ottawa.
- Lindquist, E. A. (2006b). Organizing for policy implementation: The emergence and role of implementation units in policy design and oversight. *Journal of Comparative Policy Analysis*, 8(4).
- Link, A. N. (2006). *Public/private partnerships: Innovation strategies and policy alternatives*. New York, NY: Springer.
- Lipsky, M. (1980). *Street-level bureaucracy: Dilemmas of the individual in public services*. New York, NY: Russell Sage Foundation.
- Local Government Association. (2010). *Regional improvement and efficiency partnership: The efficiency casebook*. Regional Improvement and Efficiency Partnership.

- Lord, N. (2009, June). Into the void. *Project Finance Magazine*.
- Lorenz, E. H. (1988). Neither friends nor strangers: Informal networks of subcontracting in French industry. In D. Gambetta (Ed.), *Trust: Making and breaking cooperative relations*. Oxford, UK: Basil Blackwell.
- Lortie, P. (2008, June 4). Observations Concerning Public Infrastructure Challenges. Fraser Milner Casgrain LLP, Presentation to the OECD Forum 2008 "Financing Infrastructure," Paris.
- Malone, N. (2005). The evolution of private financing of government infrastructure in Australia: 2005 and beyond. Policy Forum: Financing Public Infrastructure. *The Australian Economic Review*, 38(4).
- Marshall, C., & Rossman, G. B. (1989). *Designing qualitative research*. New York, NY: Sage.
- Marty, F., Trosa, S., & Voisin, A. (2005). The financial determinants of government commitment in public-private partnerships. *International Journal of Public Policy*, 1(1, 2).
- Matland, R. E. (1995). Synthesizing the implementation literature: The ambiguity-conflict model of policy implementation. *Journal of Public Administration Research and Theory*, 5(2).
- Mattessich, P. W., & Monsey, B. R. (1992). *Collaboration: What makes it work?* S. Paul, MI: Amherst H. Wilder Foundation.
- Mayne, J. (2010). Performance auditing: Cozy, comfortable and in need of challenge. *Optimum Online*, 40(3).
- Mayne, J., & Wilkins, P. (2005). Believe it or not? The emergence of performance information auditing. In R. Schwartz & J. Mayne (Eds.), *Quality matters: Seeking confidence in evaluation, auditing and performance reporting*. Piscataway: Transaction.
- McDonald, J. (2009, September 1). *Memo on BC government layoffs*. Office of the Premier.
- McCutcheon, D., & Stuart, F. I. (2000). Issues in the choice of supplier alliance partners. *Journal of Operations Management*, 18.
- McGill, M., Slocum, J. R., & Lei, D. (1992). Management practices in learning organizations. *Organizational Dynamics*, 21.
- McGuire, M. (2006, November). Collaborative public management: Assessing what we know and how we know it. *Public Administration Review*, 66.

- McMullen, K. (2002). Restructuring government: Human resource issues at the workplace level. In C. Dunn (Ed.), *The handbook of Canadian public administration*. Don Mills, ON: Oxford University Press.
- Meek, V. (1988). Organizational culture: Origins and weaknesses. *Organization Studies*, 4.
- Mendoza, E., Gold, M., Cater, P. & Parmar, J. (1999). The sale of highway 407 express toll route: A case study. *Journal of Project Finance*, 5(3), 5-14.
- Metcalf, J., & Richards, S. (1990). *Improving public management*. London, UK: Sage.
- Milward, H. B. (1996). Symposium on the hollow state: Capacity, control, and performance in inter-organizational settings. *Journal of Public Administration Research and Theory*, 6(2).
- Milward, H. B., & Provan, K. G. (1993). The hollow state: Private provision of public services. In H. Ingram & S. Smith (Eds.), *Public policy for democracy*. Washington, DC: Brookings.
- Milward, H. B., & Provan, K. G. (1998). Principals for controlling agents: The political economy of network structure. *Journal of Public Administration Research and Theory*, 8(2).
- Milward, H. B., & Provan, K. G. (2000). Governing the hollow state. *Journal of Public Administration Research and Theory*, 10(2).
- Milward, H. B., & Provan, K. G. (2001, August). *Managing the hollow state: Collaboration and contracting*. Paper presented at the American Political Science Association annual conference in San Francisco, August, 2001.
- Milward, H. B., & Provan, K. G. (2006). *A manager's guide to choosing and using collaborative networks*. Washington, DC: IBM Center for the Business of Government.
- Milward, H. B., Provan, K. G., & Else, B. A. (1993). What Does the Hollow State Look Like? In B. Bozeman (Ed.), *Public management: The state of the art*. San Francisco, CA: Jossey-Bass.
- Mitham, P. (2007, October 22). Infrastructure deficit growing rapidly in North America. *Journal of Commerce*, 84, 3.
- Mintzberg, H. (1979). *The structuring of organizations*. Englewood Cliffs, CA: Prentice-Hall.
- Mintzberg, H., Jorgensen, J., Dougherty, D., & Westle, F. (1996). Some surprising things about collaboration: Knowing how people connect makes it work better. *Organizational Dynamics*, 25, 1.

- Mirza, S. (2007). *Danger ahead: The coming collapse of Canada's municipal infrastructure*. A Report for the Federation of Canadian Municipalities, Ottawa.
- Mirza, S., & Haider, M. (2003). *The state of infrastructure in Canada: Implications for infrastructure planning and policy*. A Report for Research and Analysis, Infrastructure Canada, Ottawa.
- Moody's. (2006). *Construction risk in privately-financed public infrastructure (PFI/PPP/P3) projects*. Global Credit Research.
- Moody's. (2007). *Aftershock: Housing in the wake of them*.
- Monteiro, R. S. (2005). Public-private partnerships: Some lessons from Portugal. *EIB Papers*, 10(2).
- Montjoy, R. S., & O'Toole, L. J., Jr. (1979). Toward a theory of policy implementation: An organizational perspective. *Public Administration Review*, 39(5).
- Morgan, P. (1999). Some observations and lessons on capacity-building. In R. Maconick & P. Morgan (Eds.), *Capacity-building supported by the United Nations: Some evaluations and some lessons*. Department of Economic and Social Affairs, United Nations, Washington D.C.
- Mott MacDonald. (2002). *Review of large public procurement in the UK*. London.
- Murray, V. (1998). Inter-organizational collaboration in the non-profit sector. In J. M. Saffritz (Ed.), *The international encyclopedia of public policy and administration*. Vol. 2.
- Mylvaganam, C., & Sandford, B. (2004). *"If you build it..." business, government and Ontario's electronic toll highway*. Toronto, ON: University of Toronto Press.
- Nalebuff, B. J., & Brandenburger, A. M. (1996). *Co-opetition*. London, UK: Harper-Collins.
- National Audit Office. (2001). *Modern policy-making: Ensuring policies deliver value for money*. Report by the Comptroller and Auditor-General, HC 289 Session 2001–2002. London, UK: The Stationery Office.
- National Education Consulting Inc. (2008, May-June). P3 prison contract not renewed by Ontario. *The Legal Edge*, 79.
- Newberry, S., & Pallot, J. (2003). Fiscal (ir)responsibility: Privileging PPPs in New Zealand. *Accounting, Audit & Accountability Journal*, 16(3).
- Newman, J. (1994, April-June). Beyond the vision: Cultural change in the public sector. *Public Money and Management*.

- NHS Executive. (1999). *Public private partnerships in the National Health Service: The private finance initiative*. London, UK: Treasury Public Enquiry Unit.
- Nisar, T. M. (2007). Risk management in public-private partnership contracts. *Public Organization Review*, 7.
- O'Flynn, J. (2009). The cult of collaboration in public policy. *The Australian Journal of Public Administration*, 68(1).
- Oliver, A. L., & Ebers, M. (1998). Networking network studies: An analysis of conceptual configurations in the study of inter-organizational relationships. *Organization Studies*, 19(4).
- Oliver, C. (1990). Determinants of interorganizational relationships: Integration and future directions. *The Academy of Management Review*, 15(2).
- Ollerenshaw, J.-A., & Creswell, J. A. (2002). Narrative research: A comparison of two restorying data analysis approaches. *Qualitative Inquiry*, 8(3).
- Olowu, D. (2002). Capacity building for policy management through twinning: Lessons from a Dutch-Namibian case. *Public Administration and Development*, 22.
- Ontario Hospital Association. (2001). *Public private partnerships for Ontario hospital capital projects*. A Background Report Prepared by Bennett Jones LLP for the Ontario Hospital Association's Committee on Hospital Capital Development.
- Organisation for Economic Co-operation and Development. (1996). *Performance auditing and modernisation of government*. Paris: OECD.
- Organisation for Economic Co-operation and Development. (2004). *OECD principles of corporate governance*. Paris: OECD.
- Organisation for Economic Co-operation and Development. (2005). *Blondal report - international experience using outsourcing, P3s and vouchers*. Paris: OECD.
- Organisation for Economic Co-operation and Development. (2006). The challenges of managing government employees in the context of an ageing population in OECD member countries. Paris: OECD.
- Organisation for Economic Co-operation and Development. (2007a). *Public sector pensions and the challenge of an ageing public service*. OECD Working Papers on Public Governance, 2007/2. Paris: OECD.
- Organisation for Economic Co-operation and Development. (2007b). *Infrastructure to 2030. Volume 2: Mapping policy for electricity, water and transport*. International Futures Programme. Paris: OECD.

- Organisation for Economic Co-operation and Development. (2008). *Public private partnerships: in pursuit of risk sharing and value for money*. Paris: OECD.
- Osborne, D., & Gaebler, T. (1992). *Re-inventing government: How the entrepreneurial spirit is transforming the public sector*. Reading, UK: Addison-Wesley.
- Osborne, D., & Plastrik, P. (1997). *Banishing Bureaucracy: The Five Strategies for Reinventing Government*. Reading, UK: Addison-Wesley.
- Osborne, S. P. (Ed.) (2000a). *Public private partnerships: Theory and practice in international perspective*. New York, NY: Routledge.
- Osborne, S. P. (2000b). Understanding public-private partnerships in international perspective: globally convergent or nationally divergent phenomenon? In S. P. Osborne (Ed.), *Public private partnerships: Theory and practice in international perspective*. New York, NY: Routledge.
- Osborne, S. P. (Ed.) (2002). *Public management: Critical perspectives. Volume II, the plural state*. New York, NY: Routledge.
- Osborne, S. P., & McLaughlin, K. (2002). The new public management in context. In K. McLaughlin, S. P. Osborne, & Ewan, F. (Eds.), *New public management: Current trends and future prospects*. New York, NY: Routledge.
- Ospina, S., & Dodge, J. (2005a). It's About Time: Catching method up to meaning—the usefulness of narrative inquiry in public administration research. *Public Administration Review*, 65(2).
- Ospina, S., & Dodge, J. (2005b). Narrative inquiry and the search for connectedness: Practitioners and academics developing public administration scholarship. *Public Administration Review*, 65(4).
- O'Toole, L. J. (1986). Policy recommendations for multi-actor implementation: An assessment of the field. *Journal of Public Policy*, 6(2).
- O'Toole, L. J. (1988). Strategies for intergovernmental management: implementing programs in inter-organizational networks. *International Journal of Public Administration*, 11(4).
- O'Toole, L. J. (1989). Goal multiplicity in the implementation setting: Subtle impacts and the case of wastewater treatment privatization. *Policy Studies Journal*, 18(1).
- O'Toole, L. J. (1995). Rational choice and policy implementation: Implications for interorganizational network management. *American Review of Public Administration*, 25(1).

- O'Toole, L. J. (1996). Hollowing the infrastructure: Revolving loan programs and network dynamics in the American States. *Journal of Public Administration Research and Theory*, 6(2).
- O'Toole, L. J. (1997). Treating networks seriously: Practical and research-based agendas in public administration. *Public Administration Review*, 57(1).
- O'Toole, L. J. (2000). Research on policy implementation: Assessment and prospects. *Journal of Public Administration Research and Theory*, 10(2).
- O'Toole, L. J., Hanf, K. I., & Hupe, P. L. (1999). Managing Implementation Processes in Networks. In W J. M. Kickert, E.-H. Klijn, & Joop F.M. Koppenjan (Eds.), *Managing complex networks – Strategies for the public sector*. London, UK: Sage.
- O'Toole, L. J. & Meier, K. J. (2004). Public management in intergovernmental networks: Matching structural networks and managerial networking. *Journal of Public Administration Research and Theory*, 14(4).
- O'Toole, L. J., & Montjoy, R. S. (1984). Interorganizational policy implementation: A theoretical perspective. *Public Administration Review*, 44(6).
- Page, S. (2004). Measuring accountability for results in interagency collaboratives. *Public Administration Review*, 64(5).
- Paquet, G. (2004). Governance and disconcertation. *Optimum Online*, 36(1).
- Parker, D., & Hartley, K. (2003). Transaction costs, relational contracting and public private partnerships: A case study of UK defence. *Journal of Purchasing & Supply Management*, 9(3).
- Partnerships BC. (2005). *Project report: Achieving value for money: The Abbotsford regional hospital and cancer care centre*. Vancouver, BC: Partnerships BC.
- Partnerships BC. (2006). *An introduction to risk management in a public private partnership*. Retrieved from <http://www.partnershipsbc.ca/pdf/risk-management-ppp-28-jul-06.pdf>
- Partnerships BC. (2007). *Understanding public private partnerships*. Retrieved from <http://www.partnershipsbc.ca/pdf/Understanding%20Public%20Private%20Partnerships%2023-mar-06.pdf>
- Partnerships BC. (2011). *Methodology for quantitative procurement options analysis: Discussion paper*. Vancouver, BC: Partnerships BC.
- Partnerships for Schools. (2007). *Lessons learned: Insight from local authorities and private bidders*. Partnerships for Schools, Building Schools for the Future.

- Partnerships Victoria. (2001). *Guidance material: Risk allocation and contractual issues*. Melbourne, Australia: Victorian Department of Treasury and Finance.
- Partnerships Victoria. (2003). *Guidance material: Contract management guide*. Melbourne, Australia: Victorian Department of Treasury and Finance.
- Percival, G. L. (2009, January). Exploring the influence of local policy networks on the implementation of drug policy reform: The case of California's substance abuse and crime prevention act. *Journal of Public Administration Research and Theory*.
- Peters, G. B. (1995). The public service, the changing state, and governance. In G. B. Peters & D. J. Savoie (Eds.) *Governance in a changing environment*. Montreal, QC: McGill-Queen's University Press.
- Peters, G. B. (1996). *The policy capacity of government*. Canadian Centre for Management Development.
- Peters, G. B. (1998). *Managing horizontal governance: The politics of coordination*. Canadian Centre for Management Development.
- Peters, G. B. (2001). *The future of governing* (2nd ed.). Lawrence: University Press of Kansas.
- Peters, G. B. (2003). *The capacity to coordinate*. Presentation to the Workshop on "Challenges to State Policy Capacity: Global Trends and Comparative Perspectives." City University of Hong Kong, October 5-6, 2003, as cited in Bakvis & Juillet (2004).
- Pfeffer, J., & Salancik, G. (1978). *The external control of organizations: A resource dependence perspective*. New York, NY: Harper & Row.
- Pilichowski, E., & Turkisch, E. (2008). *employment in government in the perspective of the production costs of goods and services in the public domain*. OECD Working Papers on Public Governance, No. 8, OECD Publishing.
- Poddar, S. (2009, July 8). \$72bn managed by infrastructure investors in 2008. *InfrastructureInvestor*.
- Polidano, C. (2000). Measuring public sector capacity. *World Development*, 28(5).
- Polkinghorne, D. E. (2007). Validity issues in narrative research. *Qualitative Inquiry*, 13(4).
- Pollitt, C. (1993). *Managerialism and the public services: Cuts or cultural change in the 1990s?* Oxford, UK: Basil Blackwell.
- Pollitt, C. (2003). Joined-up government: A survey. *Political Studies Review*, 1.
- Pollitt, C., & Bouckaert, G. (2000). *Public management reform: A comparative analysis*. New York, NY: Oxford University Press.

- Pollitt, C., Girre, X., Lonsdale, J., Mul, R., Summa, H., & Waerness, M. (1999). *Performance or compliance? Performance audit and public management in five countries*. Oxford, UK: Oxford University Press.
- Pollitt, C., & Talbot, C. (Eds.) (2004). *Unbundled government: A critical analysis of the global trend to agencies, quangos and contractualism*. London, UK: Routledge.
- Pollitt, C., Talbot, C., Caulfield, J., & Smullen, A. (2004). *Agencies: How governments do things through semi-autonomous organizations*. New York, NY: Palgrave MacMillan.
- Pollitt, M. (2002). The declining role of the state in infrastructure investment in the UK. In S. Berg, M. Pollitt, & M Tsuji (Eds.), *Private initiatives in infrastructure: Priorities, incentives and performance*. Aldershot, UK: Edward Elgar.
- Pollitt, M. (2005). Learning from UK private finance initiative experience. In G. Hodge & C. Greve (Eds.), *The challenge of public-private partnerships: Learning from international experience*. Cheltenham, UK: Edward Elgar.
- Pollock, A. M., Price, D., & Player, S. (2005). *The private finance initiative: A policy built on sand - an examination of the treasury's evidence base for cost and time overrun data in value for money policy and appraisal*. London, UK: UNISON.
- Pollock, A. M., Shaoul, J., & Vickers, N. (2002). Private finance and “value for money” in NHS hospitals: A policy in search of a rationale? *British Medical Journal*, 324.
- Powell, W. W. (1990). Neither market nor hierarchy: Network forms of organization. *Research in Organizational Behaviour*, 12.
- Powell, W. W. (1998, Spring). Learning from collaboration: Knowledge and networks in the biotechnology and pharmaceutical industries. *California Management Review*, 40(3).
- Powell, W. W., Koput, K. W., & Smith-Doerr, L. (1996). Interorganizational collaboration and the locus of innovation: Networks of learning in biotechnology. *Administrative Science Quarterly*, 41(1).
- Pressman, J. L., & Wildavsky, A. (1973). *Implementation: How great expectations in Washington are dashed in Oakland*. Berkeley, CA: University of California Press.
- PricewaterhouseCoopers. (2002). *Organization of municipal water and wastewater systems in Ontario*. Report for the Ontario SuperBuild Corporation, Toronto.
- PricewaterhouseCoopers. (2004). *Developing public private partnerships in New Europe*. London.
- PricewaterhouseCoopers. (2005). *Delivering the PPP promise: A review of PPP issues and activity*. London.

- PricewaterhouseCoopers. (2008). *Building new Europe's infrastructure - Public private partnerships in central and eastern Europe*. London.
- Probitas Partners. (2009). *Investing in infrastructure, 2009*. White Papers and Surveys. http://probitaspartners.com/alternative_investments_publications/login.html
- Progressive Conservative Party of Ontario (PC) (1995). *The Common Sense Revolution*.
- Provan, K. G., & Kenis, P. (2007). Modes of network governance: Structure, management, and effectiveness. *Journal of Public Administration Research and Theory, 15*.
- Provan, K. G., & Milward, H. B. (1995). A preliminary theory of network effectiveness: A comparative study of four community mental health systems. *Administrative Science Quarterly, 40*.
- Provan, K. G., & Milward, H. B. (2001). Do networks really work? A framework for evaluating public sector organizational networks. *Public Administration Review, 61*.
- Provan, K. G., Veazie, M. A., Teufel-shone, N. I., Huddleston, C. (2004). Network analysis as a tool for assessing and building community capacity for provision of chronic disease services. *Health Promotion Practice, 5(2)*.
- Public Management Research Centre. (1997). *Results of focus group discussions with senior public servants*. Ottawa, ON: Public Management Research Centre.
- Public Private Finance. (2002a). Fund managers upbeat about PFI. *Public Private Finance, 67*.
- Public Private Finance. (2002b). NHS LIFT-style PPPs for deprived schools. *Public Private Finance, 67*.
- Public Private Finance. (2002c). Milburn calls on industry to defend itself. *Public Private Finance, 67*.
- Quiggin, J. (2004). Risks, PPPs and the public sector comparator. *Australian Accounting Review, 14(2)*.
- Quiggin, J. (2005). Public-private partnerships: Options for improved risk allocation. *The Australian Economic Review, 38(4)*.
- Rachwalski, M. D. (2004). *The challenge of accountability in public/private/ partnerships (P3s)*. Paper presented at the "The Future of Government Series Conference: Accountability in the 21st Century," November 26th, 2004, Victoria BC.
- Rachwalski, M. D., & Ross, T. W. (2010). Running a government's P3 program: Special purpose agency or line departments? *Journal of Comparative Policy Analysis: Research and Practice, 12(3)*.

- Ramu, S. S. (1997). *Strategic alliances: Building network relationships for mutual gain*. London, UK: Response Books.
- Rasmussen, Ken (1999). Policy Capacity in Saskatchewan: Strengthening the Equilibrium. *Canadian Public Administration*, 42(3).
- Republic of Ireland. (2000). *Introduction to public private partnerships*. Public Private Partnership Guidance Note 1, Department of the Environment and Local Government.
- Rhodes, R.A.W. (1988). *Beyond Westminster and Whitehall - The sub-central governments of Britain*. London, UK: Hyman.
- Rhodes, R.A.W. (1994). The Hollowing Out of the State: The Changing Nature of the Public Service in Britain, *Political Quarterly*, 65, No. 2.
- Rhodes, R.A.W. (1996). The new governance: Governing without government. *Political Studies*, 44(3).
- Rhodes, R.A.W. (1997). *Understanding governance - Policy networks, governance, reflexivity and accountability*. Buckingham, UK: Open University Press.
- Rhodes, R.A.W. (1999). Foreword. In W. J. M. Kickert, E.-H. Klijn, & Joop F.M. Koppenjan (Eds.), *Managing complex networks – Strategies for the public sector*. London, UK: Sage.
- Rhodes, R.A.W. (2000). New Labour's civil service: Summing-up joining-up. *Political Quarterly*, 71(1).
- Riggins, L. J. C., Grasso, P. G., & Westcott, M. L. (1992). A framework for evaluating housing and community development partnership projects. *Public Administration Review*, 52(1).
- Ring, P. S. (1999). The Costs of Networked Organization. In A. Grandori (Ed.), *Interfirm networks – Organization and industrial competitiveness*. London, UK: Routledge.
- Rittel, H. W. J., & Webber, M. M. (1973). Dilemmas in a general theory of planning. *Policy Sciences*, 4.
- Roberts, N. (2000). Wicked problems and network approaches to resolution. *International Public Management Review*, 1(1).
- Robinson, P., Hawksworth, J., Broadbent, J., Laughlin, R., & Haslam, C. (2000). *The private finance initiative: Saviour, villain or irrelevance?* The Commission on Public Private Partnerships, IPPR.
- Rodal, A. (1993). Managing partnerships. *Optimum*, 24(3).

- Rodal, A., & Mulder, N. (1993). Partnerships, devolution and power-sharing issues and implications for management. *Optimum*, 24(3).
- Rodríguez, C., Langley, A., Béland, F., & Denis, J.-L. (2007). Governance, power, and mandated collaboration in an interorganizational network. *Administration & Society*, 39(2).
- Rosenau, P. V. (2000). The strengths and weaknesses of public-private partnerships. In P. V. Rosenau, (Ed.), *Public-private policy partnerships*. Cambridge, MA: MIT Press.
- Roy, J., & Langford, J. (2008). *Integrating service delivery across levels of government*. IBM Center for the Business.
- Sabatier, P. A. (1986). Top-down and bottom-up approaches to implementation research: A critical analysis and suggested synthesis. *Journal of Public Policy*, 6(1).
- Sabatier, P. A. (1988). An advocacy coalition framework of policy change and the role of policy-oriented learning therein. *Policy Sciences*, 21(2-3).
- Sabatier, P. A. (1993). Policy change over a decade or more. In P. A. Sabatier & H. C. Jenkins-Smith (Eds.), *Policy change and learning: An advocacy coalition approach, theoretical lenses on public policy series*. Boulder, CO: Westview Press.
- Sabatier, P. A. & Jenkins-Smith, H. C. (1993). The advocacy coalition framework: Assessment, revisions, and implications for scholars and practitioners. In P. A. Sabatier & H. C. Jenkins-Smith (Eds.), *Policy change and learning: An advocacy coalition approach*. Theoretical Lenses on Public Policy Series. Boulder, CO: Westview Press.
- Sabatier, P. A. & Jenkins-Smith, H. C. (1999b). The advocacy framework: An assessment. In P. A. Sabatier (Ed.), *Theories of the policy process*. Boulder, CO: Westview Press.
- Savas, E. S. (1987). *Privatization: The key to better government*. Chatham, NJ: Chatham House.
- Savas, E. S. (2000). *Privatization and public-private partnerships*. London, UK: Chatham House.
- Savoie, D. J. (1994). *Thatcher, Reagan and Mulroney: In search of a new bureaucracy*. Toronto, ON: University of Toronto Press.
- Schmidt, K. (1996). The costs and benefits of privatization: An incomplete contracts approach. *Journal of Law, Economics, and Organization*, 12.
- Schneider, A. L. (2000). Public-private partnerships in the U.S. prison system. In P. V. Rosenau (Ed.), *Public-private policy partnerships*. Cambridge, MA: MIT Press.

- Senge, P. (1990). *The fifth discipline: The art and practice of the learning organization*. New York, NY: Doubleday.
- Senge, P. (1992). Building learning organizations. *Journal for Quality and Participation*, 15(2).
- Shafritz, J. M. (1986). *Dictionary of public administration*. New York, NY: Oxford Press.
- Sharp, L., & Tinsley, F. (2005). *PPP policies throughout Australia: A comparative analysis of public private partnerships*. Melbourne, Aus: Melbourne University Private.
- Shaoul, J. (2005). The private finance initiative or the public funding of private profit? In G. Hodge & C. Greve (Eds.), *The challenge of public-private partnerships: Learning from international experience*. Cheltenham, UK: Edward Elgar.
- Sierra Systems. (2003). Regional Hospital District Cost Sharing Review, Report to Ministry of Health Services.
- Siegel, D. (2003). Recent Changes in Provincial-Municipal Relations in Ontario: A New Era or a Missed Opportunity, Paper prepared for the conference on "Municipal-Federal-Provincial Relations: New Structures/New Connections," Queen's University Institute for Intergovernmental Relations, May 9-10, 2003.
- Smith, D. E. (1987). *The everyday world as problematic*. Boston, MA: Northeastern University Press.
- Smith, D. E. (1990). *Texts, facts and femininity: Exploring the relations of ruling*. London, UK: Routledge.
- Smith, R., & Torjman, S. (2004). *Policy development and implementation in complex files: Lessons from the national homelessness initiative and lessons from "vibrant communities."* Co-published by the Canada School of Public Service and the National Secretariat on Homelessness.
- Sobrero, M., & Roberts, E. B. (2001). The trade-off between efficiency and learning in interorganizational relationships for product development. *Management Science*, 47(4).
- Spackman, M. (2002). Public-private partnerships: Lessons from the British approach. *Economic Systems*, 26(3).
- Sproule-Jones, M. (2000). Horizontal management: Implementing programs across interdependent organizations. *Canadian Public Administration*, 43(1).
- Standard and Poor. (2006). *Evolution not revolution: Rating the PPP sector 10 years on*. RatingsDirect.
- Standard and Poor. (2007a). *Canadian PPP sector continues to pick up steam*. RatingsDirect.

- Standard and Poor. (2007b). *Investor appetite for U.K. PPP and PFI projects unlikely to be met by deal flow, says S&P*. RatingsDirect.
- State of Victoria. (2001). *Partnerships Victoria guidance material: Practitioner's guide*. Melbourne, Australia: Department of Treasury and Finance.
- State of Victoria. (2009). *National PPP guidelines: Partnerships Victoria requirements*. Melbourne, Australia: Department of Finance and Treasury.
- Steele, R. (2008). Assistant vice president, Partnerships BC, interview conducted October 22, 2008.
- Stewart, J. (2002). Horizontal coordination: The Australian experience. In M. Edwards & J. Langford (Eds.), *New players, partners and processes: A public sector without boundaries*. Canberra, ACT: National Institute of Governance.
- Stiglitz, J. E., & Wallstein, S. J. (2000). Public-private technology partnerships. In P. V. Rosenau (Ed.), *Public-private policy partnerships*. Cambridge, MA: MIT Press.
- Sullivan, H., & Skelcher, C. (2002). *Working across boundaries: Collaboration in public services*. Basingstoke, UK: Palgrave Macmillan.
- Talbot, C. (2004). The agency idea: Sometimes old, sometimes new, sometimes borrowed, sometimes untrue. In C. Pollitt & C. Talbot (Eds.), *Unbundled government: A critical analysis of the global trend to agencies, quangos and contractualism*. London, UK: Routledge.
- Teisman, G., & Klijn, E.-H. (2001). Public-private partnerships in the European Union: Official suspect, embraced in daily practice. In S. Osbourne (Ed.), *Public-private partnerships: Theory and practice in international perspective*. New York, NY: Routledge.
- Teisman, G., & Klijn, E.-H. (2002). Partnership arrangements: Governmental rhetoric or governance scheme? *Public Administration Review*, 62.
- Terry, L. D. (1998). Administrative leadership, neo-managerialism and the public management movement. *Public Administration Review*, 58.
- Terry, L. D. (2005). The thinning of administrative institutions in the hollow state. *Administration and Society*, 37(4).
- Thomas, P. G. (1998). The Changing Nature of Accountability. In G. B. Peters & D. J. Savoie (Eds.), *Taking stock: Assessing public sector reforms*. Ottawa, ON: Canadian Centre for Management Development.
- Thomson, A. M., & Perry, J. L. (2006, December). Collaboration processes: Inside the black box. *Public Administration Review*.

- Thompson, C. (2005). Public-private partnerships: Prerequisites for prime performance. *EIB Papers*, 10(2).
- Toronto Dominion Bank. (2004). *Mind the gap: Finding the money to upgrade Canada's aging public infrastructure*. TD Bank Financial Group. Retrieved from http://www.td.com/economics/special/infra04_exec.pdf
- Trist, E. (1983). Referent organizations and the development of inter-organizational domains. *Human Relations*, 36(3).
- Turner, P. (2002, October). Is the PSC an objective assessment? *Public Private Finance*.
- Union of BC Municipalities. (2007). *Regional hospital district cost sharing review: Convention session backgrounder*. 2007 UBCM Convention.
- United Kingdom Cabinet Office. (1999a). *Modernizing government*. London.
- United Kingdom Cabinet Office. (2002). *Lessons from the development of cross cutting units*. London, UK: Centre for Management and Policy Studies.
- United Kingdom Cabinet Office. (2008). *Collaborative working across government: Final report*. London, UK: COI Strategic Consultancy.
- United Nations Economic Commission for Europe. (2000). *Guidelines on public private partnerships for infrastructure development*. Committee on Trade, Industry and Enterprise Development (Draft).
- United Nations Economic Commission for Europe. (2005a). *Good governance in public private partnerships for infrastructure development*. United Nations Economic Commission for Europe (UNECE), Public Private Partnership (PPP) Alliance (Draft).
- United Nations Economic Commission for Europe. (2005b). *Presentations to the fourth PPP alliance meeting, 25 October 2005*, London. Retrieved from <http://www.unece.org/ie/Wp5/ppp/alliance5ppt.html>
- United Nations Economic Commission for Europe. (2007). *A guide to promoting good governance in public private partnerships*. UNECE.
- United States. (2004). *Report to congress on public-private partnerships*. Department of Transportation.
- Urban Land Institute and Ernst & Young. (2007). *Infrastructure 2007: A global perspective*. Washington, DC: ULI - The Urban Land Institute.
- Vakil, T. (2009). *Changing public service values: Limits of fundamental reform and rhetoric*. Unpublished doctoral dissertation, University of Victoria, Victoria.

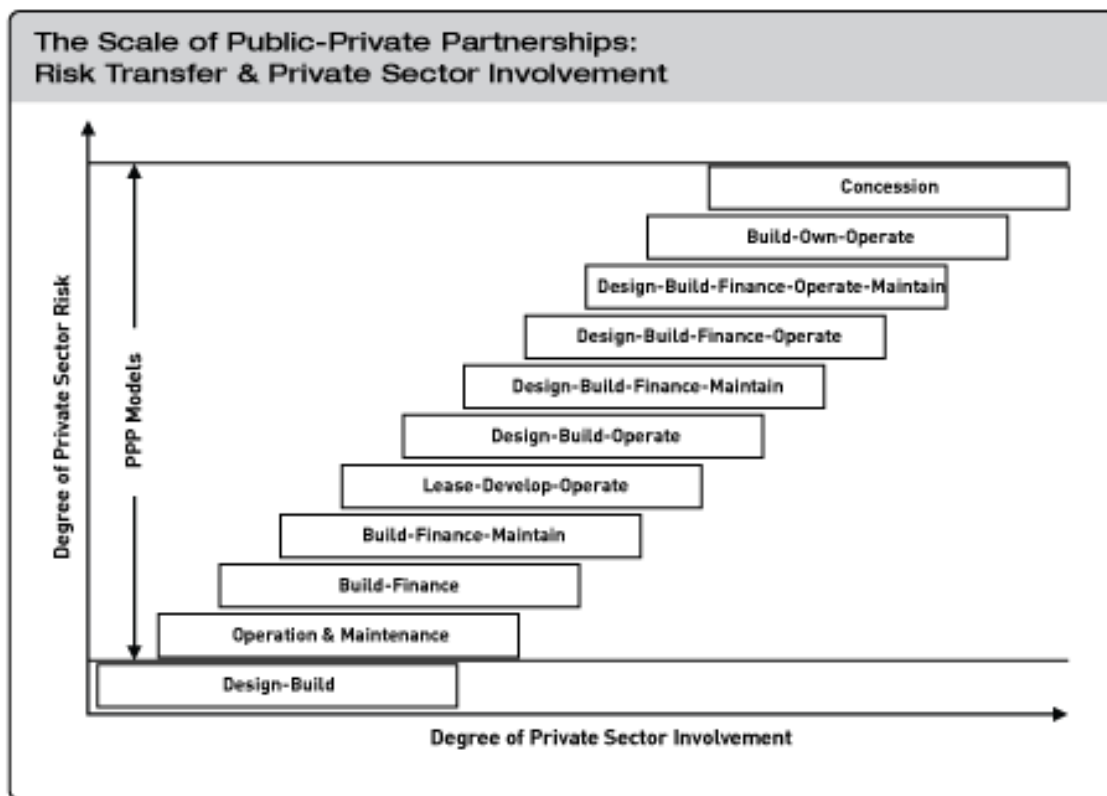
- van Bueren, E. M., Klijn, E.-H., & Joop F. M. Koppenjan. (2003). Dealing with wicked problems in networks: Analysing an environmental debate from a network perspective. *Journal of Public Administration Research and Theory*, 13.
- Van de Ven, A. H. (1976). On the nature, formation, and maintenance of relations among organizations. *Academy of Management Review*, 1(28).
- Vancouver Sun. (2008, November 10). *Taxpayers' bill soars for troubled P3 school*.
- Verma, A., & Lonti, Z. (2001). *Changing government work places*. Human Resources in Government Series, Canadian Policy Research Networks (CPRN) Discussion Paper No. 11.
- Vigoda-Gadot, E. (2003). *Managing collaboration in public administration: The promise of alliance among governance, citizens, and business*. London, UK: Praeger.
- Vining, A. R., & Boardman, A. E. (2006). *Public-private partnerships in Canada: Theory and evidence*. UBC P3 Project Working Paper, 2006 – 04.
- Vining, A. R., Boardman, A. E., & Poschmann, F. (2005). Public-private partnerships in the U.S. and Canada: There are no “free lunches.” *Journal of Comparative Policy Analysis* 7(3).
- Waterman, R. H. (1992). *Adhocracy: The power to change*. New York, NY: W.W. Norton.
- Waterman, R. W., & Meier, K. J. (1998). Principal-agent models: An expansion. *Journal of Public Administration Research and Theory*, 8(2).
- Watson, D. (2003). The rise and rise of public private partnerships: Challenges for public accountability. *Australian Accounting Review*, 13(3).
- Weber, E. P., & Khademian, A. M. (2008). Wicked problems, knowledge challenges, and collaborative capacity builders in network settings. *Public Administration Review*, March-April.
- Weber, E. P., Lovrich, N. P., & Gaffney, M. (2007). Assessing collaborative capacity in a multidimensional world. *Administration and Society*, 39(2).
- Wenger, E. (1998). *Communities of practice: Learning, meaning and identity*. Cambridge University Press.
- Weiss, J. A. (1987). Pathways to cooperation among public agencies. *Journal of Policy Analysis and Management*, 7(1).
- Wettenhall, R. (2001). Public and private in the new public state: Some Australian reflections. *Public Administration and Policy*, 10(2).

- Wettenhall, R. (2003). The rhetoric and reality of public-private partnerships. *Public Organization Review*, 3.
- Wettenhall, R. (2005). The Public-Private Interface: Surveying the History. In G. Hodge & C. Greve (Eds.), *The challenge of public-private partnerships: Learning from international experience*. Cheltenham, UK: Edward Elgar.
- Whorley, D. (2001). The Andersen-Comsoc affair: Partnerships and the public interest. *Canadian Public Administration*, 44(3).
- Wieringa, R. J., Blanken, H. M., Fokkinga, M. M., & Grefen, P. W. P. J. (2003). Aligning Application Architecture to the Business Context. In J. Eder & M. Missikoff (Eds.), *Advanced information systems engineering*. Vienna, Au: Springer.
- Wildavsky, A. (1979). *Speaking truth to power: The art and craft of policy analysis*. Boston, MA: Little Brown.
- Williamson, O. E. (1985). *The economic institutions of capitalism: Firms, markets, relational contracting*. New York, NY: Free Press.
- Williamson, O. E. (1991). Comparative economic organization: The analysis of discrete structural alternatives. *Administrative Science Quarterly*, 36(2).
- Wiseman, N., & Whorley, D. (2002). Lessons on the centrality of politics from Canadian Crown corporations. In C. Dunn (Ed.), *The handbook of Canadian public administration*. Don Mills, ON: Oxford University Press.
- Wood, D. J., & Gray, B. (1991). Toward a comprehensive theory of collaboration. *Journal of Applied Behavioral Science*, 27(2).
- Wood, W. H. (2009). *Infrastructure financing that works and we can afford*. Bond Buyer, January 20. Retrieved from <http://www.billwood.com/blog/infrastructure.shtml>
- World Bank. (2006). *India: Building capacities for public-private partnerships*. Energy and Infrastructure Unit, and Finance and Private Sector Development Unit, South Asia Region, Washington.
- Wright, J. D., & Rodal, A. B. (1997). Partnerships and Alliances. In M. Charih & A. Daniels (Eds.), *New public management and public administration in Canada*. Toronto, ON: IPAC.
- Yescombe, E. R. (2007). *Public-private partnerships: Principles of policy and finance*. London, UK: Butterworth-Heinemann.
- Yin, R. K. (1982). Studying the implementation of public programs. In W. Williams (Ed.), *Studying implementation: Methodological and administrative issues*. Chatham House.

- Yin, R. K. (1997, Winter). Case study evaluations: A decade of progress? *New Directions for Evaluations*, 76.
- Yin, R. K. (2003). *Applications of case study research*. Thousand Oaks, CA: Sage.
- Yin, R. K. (2009). *Case study research* (4th ed.). London, UK: Sage.
- Zachman, J. A. (1987). A framework for information systems architecture. *IBM Systems Journal*, 26(3).
- Zussman, D. (2002). Alternative service delivery. In C. Dunn (Ed.), *The handbook of Canadian public administration*. Don Mills, ON: Oxford University Press.

Appendix A - Scale of Public-Private Infrastructure Partnerships

The options available for delivery of public services range from direct provision by a ministry or government department to outright privatization, where the government transfers all responsibilities, risks and rewards for service delivery to the private sector. Within this spectrum, public-private partnerships can be categorized based on the extent of public and private sector involvement and the degree of risk allocation. A simplified spectrum including the above models for public-private partnerships follows:



The Canadian Council for Public-Private Partnerships

Appendix B - BC Regional Hospital Districts (2010)

Regional District (s)	RHD
Alberni-Clayoquot	Alberni-Clayoquot
Capital	Capital
Cariboo	Cariboo-Chilcotin
Central Coast	Central Coast
Central Okanagan	Central Okanagan
Comox Valley / Strathcona	Comox-Strathcona
Cowichan Valley	Cowichan Valley
Fraser-Fort George	Fraser-Fort George
Fraser Valley	Fraser Valley
East Kootenay /	Kootenay East
Central Kootenay*	
Mount Waddington	Mount Waddington
Nanaimo	Nanaimo
North Okanagan /	North Okanagan-
Columbia Shuswap	Columbia Shuswap
Northern Rockies	Northern Rockies
Skeena-Queen Charlotte, Kitimat-Stikine & Bulkley-Nechako*	North West
Okanagan-Similkameen	Okanagan-Similkameen
Peace River	Peace River
Powell River	Powell River
Squamish-Lillooet*	Sea to Sky
Bulkley-Nechako*	Stuart-Nechako
Sunshine Coast	Sunshine Coast
Thompson-Nicola & Squamish-Lillooet*	Thompson
Kootenay Boundary & Central Kootenay*	West Kootenay-Boundary

* Regional District boundaries spanning multiple RHD jurisdictions

Appendix C - Comparison of Special Purpose P3 Units

Agencies by Jurisdiction	P3 Functions						Project Approvals
	Information and guidance		Advisory support and funding			De jure or facto approval power over P3s	
	Resource center (dissemination)	P3 guidance material	Intensive project specific advice	Funding for P3 preparation ^a	Role as a project developer ^b		Role in contract monitoring
Andhra Pradesh, India: AP Infrastructure Authority	√	√	√				√ ^c
British Columbia, Canada: Partnerships BC	√	√	√		√	√ ^d	√ ^k
Gujarat, India, Gujarat Infrastructure Development Board	√	√	√	√	√	√ ^d	√
Hong Kong: Efficiency Unit	√ ^l	√ ^l	√ ^m				
Ireland: National Development Finance Agency	-- ^e	-- ^e	√		√ ^f		
Italy: Project Finance Unit	√	√	√				
Malaysia: PPP Resource & Advisory Centre	√	√	√		√		
Netherlands: PPP Knowledge Center	√	√	√			√	
Ontario, Canada: Infrastructure Ontario			√	√	√		
Philippines: BOT Center	√	√	√	√		√	√ ^g
Portugal: Parública	√ ^e	√ ^e	√			√	-- ^h
South Africa: PPP Unit, National Treasury	√	√	√	√			√
United Kingdom: Partnerships UK	√	√	√	√	√	√ ^d	√ ⁱ
Victoria, Australia: Partnerships Victoria	√	√	√			√ ^j	

- a. Funding for consultants working with the line department or local government.
- b. Involves greater responsibility than for an adviser and fees based on some measure of performance (such as closing of a deal).
- c. All PPPs must be referred to the state's Infrastructure and Investment Department, which may then refer them to the AP Infrastructure Authority for clearance.
- d. Contract management role can be requested by clients (line departments and local governments).
- e. The central PPP unit provides general guidance and policy material.
- f. Gives project-specific advice and carries out the procurement of PPPs in health, justice, and education. Line agencies are responsible for procurement in other sectors.
- g. Plays a role in approval through membership in the Investment Coordination Committee.
- h. Must review every major project before Government approval, but does not itself grant approvals.
- i. Prepares a report for each local government Private Finance Initiative project that goes to an interdepartmental committee for approval.
- j. Monitors contract management by line agencies and gets involved where major issues arise.
- k. Prepares a report for each P3 project that goes to Treasury Board for approval.
- l. Organises PPP-oriented overseas duty visits, PPP seminars, experience sharing sessions, training courses, etc.; publishes guidebooks and provides helpdesk services to facilitate the sharing of PPP knowledge and experience.
- m. Provides consultancy services to bureaux / departments in the use of PPPs for the delivery of public services.

Source: Based on a table developed for Rachwalski & Ross (2010).

Appendix D - Health Care P3s in British Columbia (2002 to 2012)

	Project Title	Location	Agency ⁵⁰⁹	Status	Value (\$M CAD)
1	Abbotsford Hospital & Cancer Centre	Abbotsford	FHA/PSHA	Completed	\$355
2	Diamond Health Care Centre ⁵¹⁰	Vancouver	VCHA	Completed	\$123
3	VIHA Residential Care/Assisted Living Capacity Initiative	Vancouver Island	VIHA	Completed	\$210
4	Royal Jubilee Hospital - Patient Care Centre	Victoria	VIHA	Completed	\$283
5	Interior Heart and Surgical Centre (IHSC)	Kelowna	IHA	Construction	\$448
6	Surrey Memorial Hospital Expansion	Surrey	FHA	Construction	\$512
7	Fort St. John Hospital	Ft St. John	NHA	Construction	\$300
8	BC Cancer Agency Centre for the North	Prince George	NHA/PHSA	Construction	\$106
9	KGH and VJH Expansions	Kelowna/ Vernon	IHA	Construction	\$432
10	Jim Pattison' Outpatient Care & Surgery Centre	Surrey	FHA	Construction	\$240
11	Comox Valley Hospital	Courtenay/ Comox	VIHA	Planning & Procurement	\$334
12	Campbell River Hospital	Campbell River	VIHA	Planning & Procurement	\$266
13	BC Children and Women's Hospital Redevelopment	Vancouver	PHSA	Planning & Procurement	\$682
Total Capital Value					\$4,291

⁵⁰⁹ Agency acronyms are: FHA, Fraser Health Authority; IHA, Interior Health Authority; NHA, Northern Health Authority; PHSA, Provincial Health Services Authority; VCHA, Vancouver Coastal Health Authority; and, VIHA, Vancouver Island Health Authority.

⁵¹⁰ The original \$95 million project cost was later revised by the Auditor General's Office to the higher figure of \$123 million, reflecting actual changes in scope and a more realistic discount rate. See BC (2011a).

Appendix E - Author's Curriculum Vitae (abbreviated)

EDUCATION

Doctor of Philosophy, Public Administration, University of Victoria, 2011.

Master of Arts, Community and Regional Planning, University of British Columbia (UBC), 1993.

Bachelor of Social Work, Community Development, UBC, 1989.

Bachelor of Arts, Geography, Simon Fraser University, 1985.

RELATED EMPLOYMENT HISTORY

Capital Regional District/Hospital District, *Senior Manager*, Health and Capital Planning Strategies (2011- Current). Primary responsibilities involved strategic planning, policy development, and project delivery oversight of healthcare services planning and capital infrastructure for the Capital Region (Greater Victoria).

City of Victoria, *Senior Planner*, Sustainability Department (2010 - 2011). Responsible for housing policy development, housing project management, and developing and applying 'triple bottom-line' principles of sustainable community development to address social issues such as affordable housing, homelessness, poverty and addictions.

Ministry of Health Services, *A/Director, Capital Policy*, 1999. Primary responsibilities involved policy development related to the strategic planning, delivery and management of health care infrastructure.

Ministry of Advanced Education, *Capital Planning & Project Management - Director* 2005-2009; *Manager* 2000-2005. Primary responsibilities involved strategic planning, policy development, and project delivery oversight of provincial post secondary capital infrastructure programs and initiatives.

Ministries of Social Services/Children and Family Development, *Manager, Housing & Capital Programs*, 1992-2000. Primary responsibilities involved policy development, strategic planning and delivery of provincial programs and initiatives related to social housing, child care grants, addictions treatment/rehabilitation services and facilities, and youth corrections facilities.

City of Surrey, *Planner*, 1989-1992. Developed affordable housing and other planning policies and initiatives. Organized and facilitated community engagement workshops on issues such as affordable housing, and secondary suites.

OTHER EXPERIENCE

University of Victoria, School of Public Administration, *Curriculum Developer/Instructor*. Co-developed material and instructed ‘Public Sector Alternative Dispute Resolution’ (2010), and ‘Managing Public Service Delivery’ (2005).

University of British Columbia, School of Community and Regional Planning, *Lecturer* (2007). Guest lecturer on public/private partnerships and social planning, as part of Community Economic Development Series.

Capital Region Housing Corporation, *Community Board Member/Vice Chair (Volunteer)*, 1993-2000. Strategic and fiduciary governance of the second largest social housing agency in British Columbia.

City of Victoria, Housing Advisory Committee, *Committee Member (Volunteer)*, 1992-1994 & 2003-2004. Advised Mayor and Council on all matters related to affordable housing policy, affordable housing aspects of large-scale development proposals, and development & oversight of Victoria’s *Homelessness Strategy*.

Collingwood Neighborhood House (Vancouver), *Founding Board Member (Volunteer)*, 1985-1991. Strategic and fiduciary governance of community-base human services agency supporting a socio-economically marginalized, ethnically diverse community.

AWARDS, DISTINCTIONS AND PUBLICATIONS

Pacific Leaders Graduate Fellowship - Government of British Columbia, 2004-2005. In support of Doctoral studies, University of Victoria.

Infrastructure Canada ‘Visiting Research Fellowship’ – University of British Columbia/Infrastructure Canada, 2006-2008. Member of collaborative, interdisciplinary initiative, aimed at building expertise, generating and supporting research, and disseminating knowledge of infrastructure P3s. In support of scholarly publication and Doctoral dissertation research.

Peer-reviewed Journal Article - Rachwalski, Maurice D. and Thomas W. Ross (2010), Running a Government’s P3 Program: Centralized Agency or Line Departments?, *Journal of Comparative Policy Analysis*, Vol. 12, No. 3.

Conference Paper Presentation - Running a Government’s P3 Program: Centralized Agency or Line Departments?, paper co-authored with Thomas W. Ross, presented at the “Public Private Partnerships Conference: Promises, Politics and Pitfalls”, City University of Hong Kong, October 2007.

Conference Paper Presentation - The Challenge of Accountability in Public/Private Partnerships (P3’s), presented at the “Future of Government Series Conference: Accountability in the 21st Century”, University of Victoria, November 2004.

Appendix F - Map of the BC Provincial Health Authorities



Appendix G - Capacity Implications of the P3 Model (Healthcare)

Phase or Component	Implications to Public Managers
<i>Needs Assessment</i>	<u>Low impact:</u> As a standard first step in any public sector infrastructure project the impact of P3s at this stage is negligible, largely because this task requires common and readily available in-house expertise in facilities and health care planning.
<i>P3 Viability</i>	<u>Medium impact:</u> Requires sufficient P3 market and project technical knowledge to determine if project has basic elements (size, attractiveness to P3 market) to warrant a full P3 analysis, which will be outside of the traditional training and skill set of implementation agency personnel.
<i>Business Case/ Feasibility</i>	<u>High impact:</u> Requires considerable P3 knowledge in technical areas such as value for money and risk assessment, and project financing, which is outside of the training and skill set required for traditional projects. At this point other central agency units responsible for risk management and debt management may also be involved to act in the government's interest to ensure full accountability and due diligence regarding revenue and debt financing assumptions, value for money analysis, and project risk allocation between the parties.
<i>Procurement</i>	<u>High impact:</u> P3s are outside of traditional procurement model, and standard training and skill set of purchasing staff; very protracted and complex transaction involve considerable time commitment and technical knowledge; bundling of services requires multiple layers of negotiations and contracts, ⁵¹¹ each with their own value for money and risk assessment demands. It is virtually impossible to identify at the outset of a P3 project all of the detailed requirements behind each project component. Traditional projects are typically procured using pre-determined and detailed specifications based on established industry standards, allowing apples-to-apples bid comparisons, with price differential often the deciding factor. Conversely, P3s are purposely intended to allow bidders the opportunity to develop non-traditional solutions. As a result, project tendering places considerable emphasis on ongoing and protracted negotiations to compensate for this lack of specificity. Labeled 'competitive dialogue', ⁵¹² managing complex negotiations with bidders requires considerable P3-specific knowledge and negotiation expertise well beyond the traditional skill-set and training of public managers. ⁵¹³

⁵¹¹ Most private sector proponents bidding on hospital projects are made up of a consortium of several private firms, with individual consortium members bringing specific areas of expertise to the group in areas such as project financing, building design, construction, property management/maintenance, and ancillary services such as housekeeping and food services. Successful bidders typically create a separate legal entity (special purpose vehicle or SPV) specifically for the project, which effectively serves as a Limited company that assumes all rights and obligations (including property rights) during the P3 term. The SPV may morph into another entity once milestones are reached (construction is complete, long term financing is in place), and remaining obligations such as maintaining the facility and other specialized services like housekeeping and food services are assumed by SPV member companies.

⁵¹² When a public entity knows what outcomes it wants to achieve but not how best to achieve them this process is intended to allow public agencies the opportunity to discuss possible solutions confidentially with short-listed bidders before requesting final bid proposals. See Burnett (2005) for a more detailed discussion of this process.

⁵¹³ See for example Edwards et al (2004), English (2007), Fitzgerald (2004), Froud & Shaoul (2001), Henisz (2006), and Hodge (2004).

Phase or Component	Implications to Public Managers
<i>Financing</i>	<p><u>High impact:</u> Requires considerable degree of financial risk knowledge outside of traditional public financing models.</p> <p>During the procurement phase, extremely complicated negotiations occur around financial modeling, building design and specifications, construction methods and operational issues - all within the context of value for money, life-cycle costing and risk transfer assessments.⁵¹⁴</p>
<i>Legal</i>	<p><u>High impact:</u> Complex, iterative negotiations require knowledge of the ever-changing innovative commercial transaction environment that private developers operate within on a daily basis.</p> <p>The formal procurement phase concludes with the successful negotiation of the P3 concession agreement, including the private firm securing financing to pay for the total hospital project costs, subject to concurrence by Treasury Board. The concession typically involves a health authority entering into a long-term (typically 30 year) lease or concession of hospital land and/or existing hospital buildings to the private P3 consortium. In effect, ownership of the property is transferred to the private firm for a fixed term, typically the duration of the private sector's debt financing.⁵¹⁵ At the end of the lease/concession term, all property rights to the original land and new buildings and equipment revert back to the public sector.</p> <p>However, private financing cannot be obtained by the consortium without the lease as security.⁵¹⁶ So, resolving land tenure and property disposition issues must align with agreements with project financing. This provides an example of the inter-connectedness of all of the bundled ingredients of a P3 project, and illustrates why final negotiations are much more protracted and complex than traditional projects.</p>
<i>Risk Transfer</i>	<p><u>High impact:</u> Complex and long term agreements based on multiple layers of assumptions and scenarios, and generational monitoring for compliance.</p> <p>According to Ahadzi and Bowles (2004), chronic pre-contract time and cost overruns in the UK resulted mainly from the differing views of the government and the private sector about the comparative importance that each attaches to communication and to the ability and willingness of private parties to accept risk.</p>

⁵¹⁴ See for example Ahadzi & Bowles (2004), Barlow & Köberle-Gaiser (2009), Coates et al (2008), Duffield (2008), Grimshaw et al (2001), Holmes et al (2006).

⁵¹⁵ Although under the DBFO model rights to the specific property covered by the agreement are in effect transferred to the P3 firm for the duration of that agreement, all such property rights revert back to the HA at the end of the agreement in compliance with the Canada Health Act.

⁵¹⁶ See for example Froud & Shaoul (2001), Holmes et al (2006), IMF (2006), KPMG (2009b), and Yescombe (2007).

Phase or Component	Implications to Public Managers
<i>Construction</i>	<p><u>Medium impact:</u> Based on industry innovation unknowns. Requires trust in management of long term operating agreements to address unknown functionality requirements. A classic example is Ontario’s Highway 407 project, where specifying performance based on ‘outcomes’ rather than inputs or construction specifications significantly increased the complexity of the project, reduced ex ante competitive bidding and post award design changes precipitated by the lack of specifications forced the Province to assume substantial financial risk during construction and for eighteen month of operation following project completion.⁵¹⁷</p>
<i>Operation</i>	<p><u>High impact:</u> Requires sophisticated contract and relationship managers to address uncertainties and potentially renegotiate contracts. The management challenges associated with P3 contracts are well documented.⁵¹⁸ The very nature of P3s requires continual negotiation between public managers and highly knowledgeable and sophisticated private counterparts. The resulting uncertainties and the potential for opportunism can lead to ex post contract management challenges that often include re-negotiating project agreements.⁵¹⁹ As with the design phase, despite the purported risk transfers P3s produce highly complex and detailed construction and operations contracts to compensate for long term uncertainties. In their analysis of P3 projects, Daniels and Trebilcock conclude that despite using the moniker of partnership, “...project contracts relied on elaborate adjustment formulae and governance structures, based on standardized private-sector arbitration models, to deal with incompleteness.”⁵²⁰ The challenge, of course, is to have knowledgeable and experienced public managers to manage those contracts, while at the same time maintaining sufficient arms-length involvement so that the public agency does not inadvertently assume some of the risks previously assigned to the private firm through negotiations.⁵²¹</p>
<i>Post Project Review/Audit</i>	<p><u>High impact:</u> Non-traditional procurement makes post-project audits challenging to compare against known industry standards. Requires highly knowledgeable and experienced auditors. Also requires clearly defined performance measures developed at the procurement/tendering phase (see procurement phase above) and use of a Public Sector Comparator.</p>

⁵¹⁷ See for example Mendosa et al, op cit, and Vining et al, op cit.

⁵¹⁸ See for example, Daniels & Trebilcock (2000), Dixon et al (2005) Edwards et al (2004), English (2007), Grimshaw et al (2001), Hodge (2004 & 2005), Langford (2002), and Parker & Hartley (2003).

⁵¹⁹ A similar conclusion is reached by several authors, including Ahadzi & Bowles (2004), English (2007) Mylvaganam & Borins (2004), NECI (2008), and Nisar (2007).

⁵²⁰ Daniels & Trebilcock op cit, p. 97.

⁵²¹ See for example Coates et al (2008), Hodge (2004), IMF (2006), Moody’s (2006), OECD (2008), Quiggin (2005), and Teisman & Klijn (2001).

Appendix H - Participant Recruitment Document

An Examination of Public-Private Partnership (P3) Policy Implementation in BC **Recruitment of Survey Participants**

The Government of Canada and the Province of British Columbia (BC) recently proclaimed that public-private partnerships (P3s) are the method of choice in the design, construction, financing and ongoing management of major public infrastructure projects such as hospitals, schools and bridges. Considering the scale of Canada's public infrastructure 'deficit' (some estimates are as high as \$250 billion), and the attraction of this model to governments and to private sector P3 investor/developers, we can assume significant growth in the number of P3 projects in the foreseeable future.

Taking into account the potential volume of P3s and the complexity of undertaking these projects, this model may present governance and management challenges to BC's public system in terms of capacity and readiness. Yet, research examining such challenges has received inadequate attention in public administration research and literature, particularly in the Canadian context.

As an important and contemporary issue, addressing this gap in research will provide both scholarly and practical insight and analysis for policy makers and implementers, and for the public administration profession.

Based on your affiliation with a public agency either directly involved in a P3 or with a vested interest in P3s, your participation in a research study entitled *An Examination of Public-Private Partnership (P3) Policy Implementation in BC* would be greatly appreciated. The objective of the research is to better understand the challenges facing BC's public system of government and arms-length agencies to effectively implement this P3 policy agenda.

Using case studies of P3 projects in key sectors in BC, this research will explore a number of key issues, such as:

- How well do public agencies understand:
 - a) the lifecycle of a P3 project;
 - b) what P3-related human and other *resources* are required during the course of this lifecycle;
and,
 - c) the role, responsibility and mandate of central government units, line departments, and arms-length service delivery agencies responsible for the various components of a given P3 project?
- How is P3 knowledge and resources utilized across the public network of departments and agencies?

This study is being undertaken by Maurice Rachwalski, the study's primary researcher. Mr. Rachwalski is a PhD candidate in the School of Public Administration at the University of Victoria, and can be reached at 477-1920.

If you agree to being interviewed for this study, your participation will include being interviewed in-person and/or by telephone, and you may be asked to participate on more than one separate occasion. You may also be asked to review documentation at the request of the principle researcher. Participation in this study may cause some inconvenience to you, primarily a time commitment of approximately 1 to 2 hours over a 4-week period. A consent form is attached for your consideration.

Thank you.

Maurice Rachwalski

Appendix I - Participant Consent Form



Your organization was either directly involved or has a vested interest in a recent public/private partnership (P3) project which is being considered as part of a research study entitled **An Examination of Public-Private Partnership (P3) Policy Implementation in BC**, that is being undertaken by Maurice Rachwalski, the study's primary researcher. Maurice Rachwalski is a PhD candidate in the School of Public Administration at the University of Victoria, and can be reached at 477-1920.

As a graduate student, I am required to conduct research as part of my PhD dissertation. It is being conducted under the supervision of Dr. John Langford, Professor, School of Public Administration at the University of Victoria. Dr. Langford can be reached at 721-8057.

The purpose of this research is to test certain assumptions related to effective implementation of government policies. The results of this study will be used as the foundation for my PhD dissertation.

Research of this type is important to better understand how government can best utilize limited public resources and address organizational adjustment to alternative service delivery mechanisms such as P3s.

You are being asked to participate in this study because you have a working knowledge of a P3 project being studied and/or P3-related issues in general, and may be able to clarify information already available through documents obtained by the researcher. Your position in the organization provides particular knowledge that will be very useful to this study.

If you agree to being interviewed for this study, your participation will include being interviewed in-person or by telephone, and you may be asked to participate on more than one occasion. Interviews will take place at the most convenient time and location for you, such as during your regular work day at your place of work. Interviews may be recorded on audio tape to allow the researcher to ensure accuracy with hand-written notes (recordings will be erased once the information has been transcribed).

You may also be asked to review documentation at the request of the principle researcher. Participation in this study may cause some inconvenience to you, primarily a time commitment of approximately 1 to 2 hours over a 4-week period.

There are no known or anticipated risks to you by participating in this research.

The potential benefit to your organization is an increase in understanding the implications of entering into P3's in the future, and managing existing P3 arrangements.

Your participation in this research must be completely voluntary. If you decide to participate, you may withdraw at any time without consequence. If you do decide to withdraw you may choose whether or not the information you have given will or will not be used in the study.

Because interviews will take place in person or by telephone, the interviewer cannot protect your anonymity. However, your name will only be recorded on the interview record, and all information will be summarized and presented in aggregate, so your identity will not be associate with the information presented.

Your confidentiality and the confidentiality of the data will be protected because all the data will remain in the possession of myself, Maurice Rachwalski, the principle researcher. No other person will have access to the raw data and no personal identifiers will be attributed to the information collected either at the interview or recorded after the interview.

Data from this study will be disposed of in the following manner: Once the final report has been presented and approved, the original interview documentation will be held by the principle researcher in a secure filing cabinet at his personal office for six months, and then destroyed by the principle researcher by shredding the materials and/or deleting computer files and/or audio recordings.

It is anticipated that the results of this study will be available to other students or faculty of the School of Public Administration at the University of Victoria, and may also be included in academic publications, such as journal articles or book chapters.

In addition, you may verify the ethical approval of this study, or raise any concerns you might have, by contacting the Human Research Ethics Office at the University of Victoria (250-472-4545 or ethics@uvic.ca).

Your signature below indicates that you understand and accept the above conditions of participation in this study and that you have had the opportunity to have your questions answered by the researcher. If follow up interviews are required, prior to commencing such additional interviews you will be reminded of your right to not participate in the study any further, as well as withdraw this original consent.

Name of Participant

Signature

Date

A copy of this consent will be left with you, and a copy will be taken by the researcher.

Appendix J - Interview Questions and Participant's Response Sheet

Questions to Examine P3 Governance Capacity

Research Guiding Questions	Response
<ul style="list-style-type: none"> • Do central government P3 policy and regulatory documents clearly articulate roles and responsibilities and levels of authority of agencies in P3 planning and delivery? 	
<ul style="list-style-type: none"> • Are the roles and responsibilities understood by public managers involved in BC's P3 program? 	
<ul style="list-style-type: none"> • Do central government policy and regulatory documents clearly articulate P3 operational procedures? 	
<ul style="list-style-type: none"> • Is there clear separation between policy development and policy implementation? 	
<ul style="list-style-type: none"> • Are formal policies and practices in place to ensure independent ex post assessments of P3s, including the use of a public sector comparator (PSC) as a project performance metric? 	
<ul style="list-style-type: none"> • Are central agencies or units clearly mandated to: <ul style="list-style-type: none"> ○ Ensure the development and maintain the relevance of policies and procedures; ○ Provide project due diligence and oversight; and ○ Undertake ex post project and P3 program audits and reviews? 	
<ul style="list-style-type: none"> • Do agencies actually perform this work? 	

Questions to Examine P3 Human Resource Capacity

Guiding Research Questions	Responses
<ul style="list-style-type: none"> • Are there adequate number of staff in key P3 task areas? 	
<ul style="list-style-type: none"> • Do staff have: <ul style="list-style-type: none"> ○ the requisite P3 knowledge, experience and skill-set? ○ P3 responsibilities written into job descriptions? 	
<ul style="list-style-type: none"> • Are specific staff assigned to key P3 positions? 	
<ul style="list-style-type: none"> • Do senior managers understand the basic distinctions between P3s and traditional infrastructure projects? 	
<ul style="list-style-type: none"> • Are ex post project reviews conducted to review the skills required, compare against the capacity available? 	
<ul style="list-style-type: none"> • Is a corporate P3 personnel recruitment, retention or professional development strategy in place? 	
<ul style="list-style-type: none"> • Is P3 expertise recognized by government as a hard to fill skill area? 	
<ul style="list-style-type: none"> • Are central units or specific staff assigned to develop and support policy implementation? 	
<ul style="list-style-type: none"> • Are P3s identified as part of department/ministries broader corporate business plan? 	
<ul style="list-style-type: none"> • Do staff (middle managers, professionals) share experiences or best practices as a 'community of practice'? 	
<ul style="list-style-type: none"> • Is infrastructure/capital identified as part of an agencies core functions? 	
<ul style="list-style-type: none"> • Do professional and career development opportunities exist, such as formal P3 training sessions, temporary assignments or secondments, and lateral or vertical movement opportunities? 	

Questions to Examine Collaboration Capacity

Guiding Study Questions	Responses
<ul style="list-style-type: none"> • Do executive level P3 specific inter-agency committees exist? 	
<ul style="list-style-type: none"> • Do staff level P3-specific working groups exist? 	
<ul style="list-style-type: none"> • Is there a P3 Champion within the agency's executive (if not a specialized P3 agency)? 	
<ul style="list-style-type: none"> • Are P3s identified as part of department/ministries broader corporate business plan? 	
<ul style="list-style-type: none"> • Do 'objective' elements exist to support collaborative activities, such as: <ul style="list-style-type: none"> ○ tangible and discrete resources (personnel, office space, equipment, databases); ○ formal agreements at senior levels that might revolve around the sharing of resources, and information. 	
<ul style="list-style-type: none"> • Do central agencies provide a coordinating function? 	
<ul style="list-style-type: none"> • In mapping the network structure/architecture: <ul style="list-style-type: none"> ○ What is the power dynamic amongst agencies? ○ Do formal procedures reflect P3 operations in practice? ○ Do agency clusters (central versus implementation agencies) reflect real organizational boundaries? 	
<ul style="list-style-type: none"> • To what degree do agencies collaborate to share P3-specific resources, knowledge and experiences? 	
<ul style="list-style-type: none"> • To what degree do agencies generally collaborate to share resources, knowledge and experiences? 	
<ul style="list-style-type: none"> • Do 'subjective' components' exist, such as: <ul style="list-style-type: none"> ○ Evidence of organizational and staff 'buy-in' to the concept of collaboration; ○ Belief (trust) that other parties will contribute adequate resources in support of the collaborative effort. 	
<ul style="list-style-type: none"> • Do organizations have a culture stressing flexibility, problem-solving, participation, team work, and shared professional norms? 	

Appendix K - Interview Guide

Background Information

If at all possible, obtain and review the following prior to in-person interviews:

- Organizational structure (e.g., organizational chart) of the agency unit responsible for P3s, including senior management and executive positions; also operating budget, work plan, annual report or other documents that describe the organization, its history, and scope of activities and how it relates to other departments.
- List of staff/personnel of the P3 unit.
- Where does their funding come from (e.g., base funding from government, charge-back to project or service agreement with client ministry/agency).
- List of P3 projects undertaken or completed since 2001 with their status.
- Government-wide P3 policies/guidelines, including P3 project performance measures.
- Agency-specific P3 policies/guidelines, including P3 project performance measures.
- Inter-agency formal agreements related to P3 implementation, including MOUs, funding agreements, etc.
- A list of public agencies involved in the project(s), such as central agencies (e.g., Risk Management Branch), line departments (e.g., Ministry of Health), local agencies (e.g., Regional Health Authorities), Partnerships BC.
- Role of each agency, e.g., technical support, 'gateway' or project milestone approvals, service delivery, project sponsor.
- Acts and/or Regulations having a direct or indirect effect on P3 projects.

Additional issues to consider:

- A network-map should be developed showing the various 'actors' involved in a given project in each sector, their relationships, roles, etc.
- Which organizations should be included in the network when collecting data?
- What types of links or relationships should be assessed (such as shared resources, clients, shared information, funding and contracts, or joint programs)?

Before starting the actual interviews, do the following with participants:

- Summarize the research project and its basic areas of inquiry:
 - Review the Recruitment Script sheet;
 - Project being undertaken independent of any direct government funding.
- Review the consent form and ensure the participant has signed.
- Advise participant that the information they provide will be kept confidential and their name will not be used in the report.
- Ask permission to tape the interview as a supplement to hand written notes by the researcher; tell them that the information they provide will be kept confidential and their name will not be used in the report.
- Confirm contact information (business card, email address) and ask if they would like to be notified when the final paper is completed.

During the interview:

- Have participants provide specific examples from P3 projects as much as possible;
- Focus on the 3 independent variables:
 - HR Capacity - what needs to be done during a P3; what should be done ex post, e.g., project reviews/audits; does the agency understand what needs to be done; does the agency have the resources to do the work.
 - Process and collaboration - how does the agency view collaboration; what role does collaboration with other public agencies play in meeting capacity requirements.
 - Governance – clarity of policies, procedures and regulations; what role do central agencies play in terms of P3 policy implementation amongst the various stakeholder public agencies?

At the conclusion of the interview:

- Clarify the process for completion of the study and publishing of the results.
- Thank the participant for their time and confirm if they will be willing to participate in follow discussions to clarify any information, if needed.

Appendix L - Chronological List of Interviews

Interview #	Date	Affiliation
1	12-May-08	Former BC Government (Implementation Agency) Employee
2	16-Jun-08	Former BC Government (Implementation Agency) Employee
3	29-Jul-08	Implementation Agency 'A'
4	05-Aug-08	Implementation Agency 'B'
5	05-Aug-08	Implementation Agency 'B'
6	07-Aug-08	Implementation Agency 'C'
7	13-Aug-08	Implementation Agency 'D'
8	14-Aug-08	Implementation Agency 'D'
9	15-Aug-08	Implementation Agency 'E'
10	29-Aug-08	Implementation Agency 'F'
11	11-Sep-08	Implementation Agency 'G'
12	15-Sep-08	Central Department 'A'
13	25-Sep-08	Implementation Agency 'H'
14	03-Oct-08	Implementation Agency 'I'
15	03-Oct-08	Implementation Agency 'I'
16	16-Oct-08	Implementation Agency 'H'
17	23-Oct-08	Central Department 'B'
18	23-Oct-08	Central Department 'B'
19	28-Oct-08	Implementation Agency 'J'
20	19-Nov-08	Central Department 'A'

Interview #	Date	Affiliation
21	09-Dec-08	Central Department 'B'
22	11-Aug-09	Central Department 'C'
23	17-Aug-09	Central Department 'D'
24	08-Oct-09	Regional Hospital District (RHD)
25	20-Oct-09	Implementation Agency 'K'
26	18-Dec-09	Former BC Government (Central Department) Employee
27	17-Jun-11	Former BC Government (Implementation Agency) Employee
28	13-Oct-11	Implementation Agency 'L'
29	14-Oct-11	Implementation Agency 'M'
30	17-Oct-11	Implementation Agency 'A'
31	22-Nov-11	Central Department 'E'
32	12-Jan-12	Central Department 'F'