

**Exploring the relationship between Accountability and Performance  
in the UK's Private Finance Initiative (PFI)**

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## **Abstract**

There is growing evidence to suggest that accountability is implicated in New Public Management (NPM) reforms and performance measures. This paper explores and theorizes the nature of this ‘problematic’ relationship using four assumptions: warrantability, tractability, measurability and feasibility in the Private Finance Initiative (PFI) literature. We argue, using value for money (VFM) in PFI as a mechanism to connect accountability to performance, that the concept of accountability has lost its meaning through increased societal expectations, loss of trust to public authorities and their promises of accountability, and increasing conflict of objectives between public and private interest groups. We conclude that existing literature on accountability fails to consider the linkages between accountability and performance and that further theorizing and hypothesis testing is needed using the four assumptions made in this paper in the context of the new emerging empirical evidence.

## **1. Introduction**

New public management (NPM) is a global phenomenon (Kettl 1997; Guthrie, Olson, and Humphrey 1999; Kettl 2000), characterized by Hood as an “administrative mega-trend” deeply rooted in doctrines drawn from new institutional economics and public sector “managerialism” (Hood 1991, 1995). A “key element” in the emergence of NPM has been a shift in the form and function of accountability (Hood 1995). Where once accountability was used to maintain the distinctiveness and integrity of the public sector, it is now perceived as a tool for enhancing government’s ability to deliver public goods and services – that is, its ability to “perform” more effectively and efficiently (Hood 1995; cf. Barberis 1998).

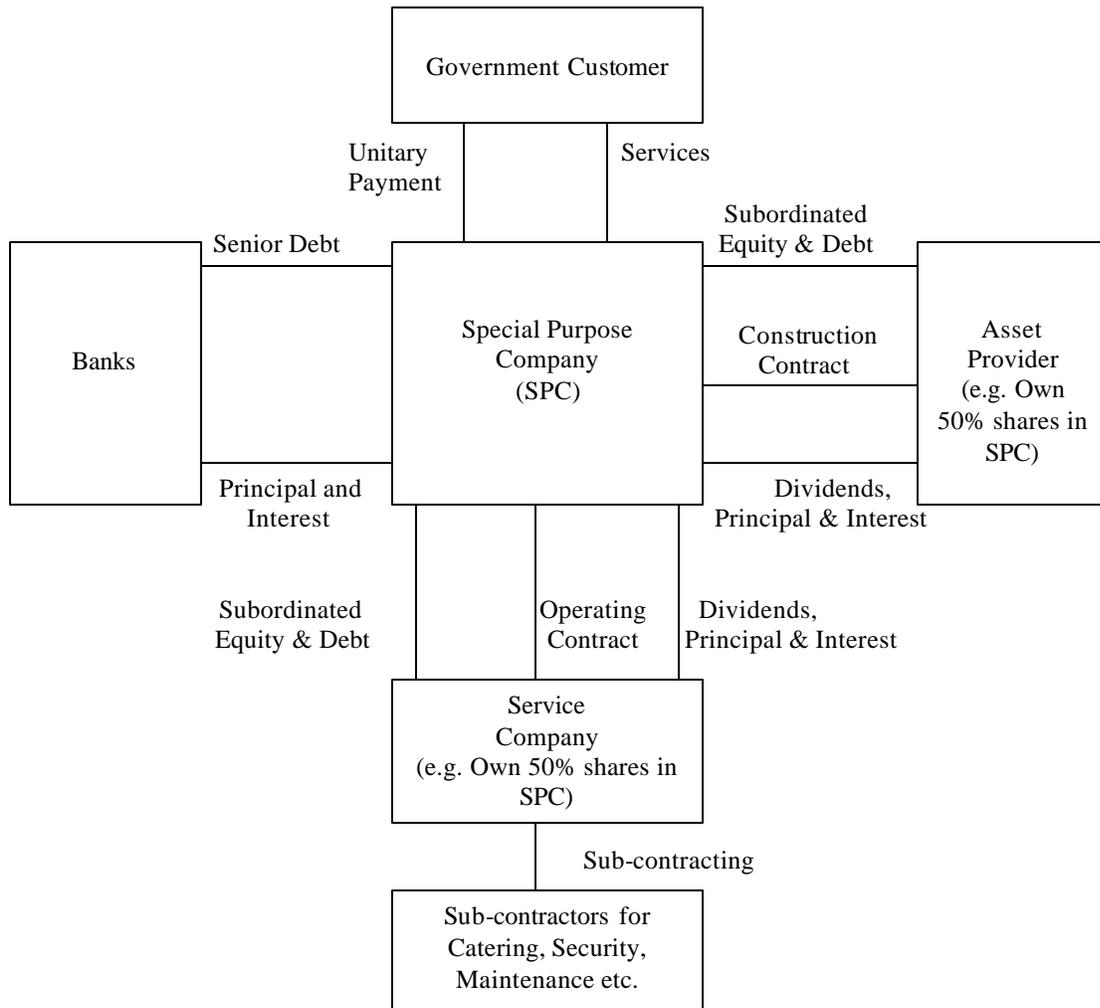
The United Kingdom’s Private Financial Initiative (PFI) is an exemplary case for examining this critical change in the role of accountability. In this paper, we use PFI to demonstrate both the new accountability logic found in many NPM programmes and to critically assess some potential flaws in the assumed link between accountability and performance. In the next section, we provide an overview of PFI and the role of “value for money” (VFM) in connecting accountability to performance. This will be followed by a review of the literature on PFI with the intent of drawing out some of the issues that have emerged during the programme’s first decade. We then offer a framework to explain the problematic relationship between accountability and performance.

## **2. Overview of the UK’s Private Finance Initiative**

The UK’s PFI was officially brought into existence in 1992 by the then Conservative government Chancellor Norman Lamont (House of Commons 1992). It refers to the provision of public goods such as roads, hospitals, schools and prisons through a private sector contractor, which builds and operates the required asset and the public sector purchasing its output in

exchange for a stream of revenue payments over the contract period (HM Treasury 1997). PFI involves a contractual agreement between the public sector and a special purpose company, consisting of private sector contractors and their financial backers. Figure 1 shows a typical PFI arrangement.

**Figure 1 A TYPICAL PFI CONTRACT STRUCTURE**



Source: Serco Plc (2002: 2) 'Our Approach to PFI', *Annual report*.

The theoretical justification for PFI is that, because it enables the public sector to leverage private sector management techniques in the public services procurement process, it provides

better VFM than traditional procurement options. Thus, VFM is the performance standard by which the various procurement options are to be assessed, and PFI is offered as a more accountable means for enhancing that performance because (unlike its alternatives) it relies on “healthy competition” in the form of private sector bidding for the right to offer the service in question (HM Treasury 1997: Para 3.10).

This particular use of VFM as a means for driving performance is relatively new. Value-for-money measures related to the more traditional forms of accountability were being used for public sector audits for some time prior to PFI. In fact, the first explicit policy requiring the VFM standard was passed a decade earlier as part of the Local Government Finance Act of 1982. While the 1982 Act pointed the way toward using VFM as a stimulant for improved performance, its initial applications by local authorities was based on the assumption that it was merely another way to assure that they were not abusing or exceeding their spending authority (Neilson 1986). The transformation of VFM auditing into a mechanism for performance improvement would eventually become clear as the global NPM movement took hold in the late 1980s and early 1990s and public sector auditors began to understand their new role in public sector management (Johnsen, Meklin, Oulasvirta and Vakkuri 2001; Morin 2001).

In addition to the changing nature of VFM auditing, the centrality of VFM in PFI also reflects the extent to which the contemporary business enterprise risk management model informed the design of this and other NPM efforts. Risk assessment and value management play a major role in the strategies of the modern corporation, and this approach entails selecting that option for investing and expending resources that best serves the interests of the firm’s shareholders. No option is risk free, so the choices made by management involve risk management as well. The management team therefore strives to meet its obligations on behalf of

shareholders by selecting that option which offers the greatest possible value in return for the least possible risk. In this idealized scenario, the shareholders are able to hold the management team accountable for the results with the question: did they deliver the greatest value (and least risk) for the resources expended?

PFI can be regarded as an effort to transfer the logic of business enterprise accountability to the public sector procurement and facilities management functions. The use of VFM is the embodiment of the view that the greatest risks facing the public sector's "shareholders" is that their scarce resources will not be used in the most efficient, effective, economical and equitable ways. The application of this variation of classic enterprise logic to the public sector owes much to the Progressive traditions in American public administration, but its emergence and application in the UK is of more recent vintage.

### **3. Assessing PFI**

Does the PFI version of the new accountability actually work? A review of the literature provides a mixed assessment. The public and private sectors are governed by different and often conflicting values and ethos (Gorz 1989; Broadbent and Laughlin 2003a). The private sector is primarily concerned with maximizing shareholders' value and minimizing risks and may not act in the best interest of the public when providing welfare services. In this respect, English and Guthrie (2003) posit that PFI may be attractive to a government facing pressures to increase investment in infrastructure on the one hand and reducing public debt on the other. Moreover, it enables the provision of public services without the need for immediate or direct capital outlay while avoiding the "the political costs of raising taxes" (Grimsey and Lewis 2002; Newberry and Pallot 2003; Baker 2003: 447).

Despite these benefits, Mayston (1999) and Froud and Shaoul (2001) argue that PFI is unlikely to increase efficiency and accountability as public sector managers often do not have a choice between the PFI and traditional procurement. Other problems with PFI include commercial confidentiality and secrecy of the contractual process. High tender costs and the costs of risks transfer incurred by the private sector are likely to result in PFIs having an adverse impact on future taxpayers.

Ball, Heafy and King (2001) view PFI as substitute, rather than additional, to traditional public sector investment. They argue that the scarce little empirical evidence available on PFI contracts seems to indicate that PFI involves high rates of returns due to high risks and high bidding costs and little or no innovative behaviour by the private sector. There is also lack of objectivity, clarity and information on the methodology of preparing the public sector comparator and the basis of risks transfer.

Newberry and Pallot (2003) also argue that PFI contracts provide governments ‘a means of escaping’ from public and Parliamentary scrutiny as the liabilities arising from PFI contracts are excluded from public sector liabilities and estimates. In this respect, the authors advocate public sector accounting reform to enable the achievement of fiscal responsibility and transparency objectives.

Similarly, Edwards and Shaoul (2003a, 2003b) argue that PFI may not deliver VFM where there is changing and conflicting expectations among stakeholders. Using Pimlico School PFI as a case study, Edwards and Shaoul (2003a) argue that communal accountability processes were not effective at meeting stakeholders’ needs and did not transfer risks to the contractors in the way that was expected at the negotiation stage.

The assessment of PFI contracts that has been discussed indicates that accountability and performance are somehow related to each other. In this relationship, VFM plays a pivotal role to determine the outcome of PFI contracts. Yet the concepts of accountability and VFM are used in different context and interpreted differently in the literature. In order to assess this relationship, we will need to define the concepts of accountability and performance assumptions.

#### **4. Accountability and Performance Processes in PFI.**

##### *Defining accountability*

Accountability is a complex, abstract and elusive concept (Ijiri 1983; Robinson 2002; Sinclair 1995). Most analysts associate it with the execution of responsibilities and being answerable for them. The Governmental Accounting Standards Board, which establishes and maintains financial reporting and accounting standards for American state and local governments, defines accountability as “being obliged to explain one’s actions, to justify what has been done” (GASB 1987: 21). Its chameleon-like nature (Sinclair 1995) allows it to emerge in various forms, leading observers to generate typologies that elaborate a range of accountabilities, including political, legal, public, managerial, professional, bureaucratic and personal (Stewart 1984; Glynn 1985, Romzek and Dubnick 1987). The central distinctions among these forms are often the questions of “to whom” the accountable individual is obliged (e.g., Mayston 1993), and “for what” (Palot 1992, 2003; Coy and Pratt 1998; Broadbent and Laughlin, 2003b) [1].

At the level of individual behaviour and social relationships, accountability is treated as a means for dealing with potential and actual problematic situations requiring excuse making, justifications, rationalizations and other forms of account-giving (Scott and Lyman 1968; Benoit 1995), or as strategies for coping with demands for answerability (Tetlock, Skitka and Boettger 1989; Lerner and Tetlock 1999). Put in more functional terms, accountability can be regarded as

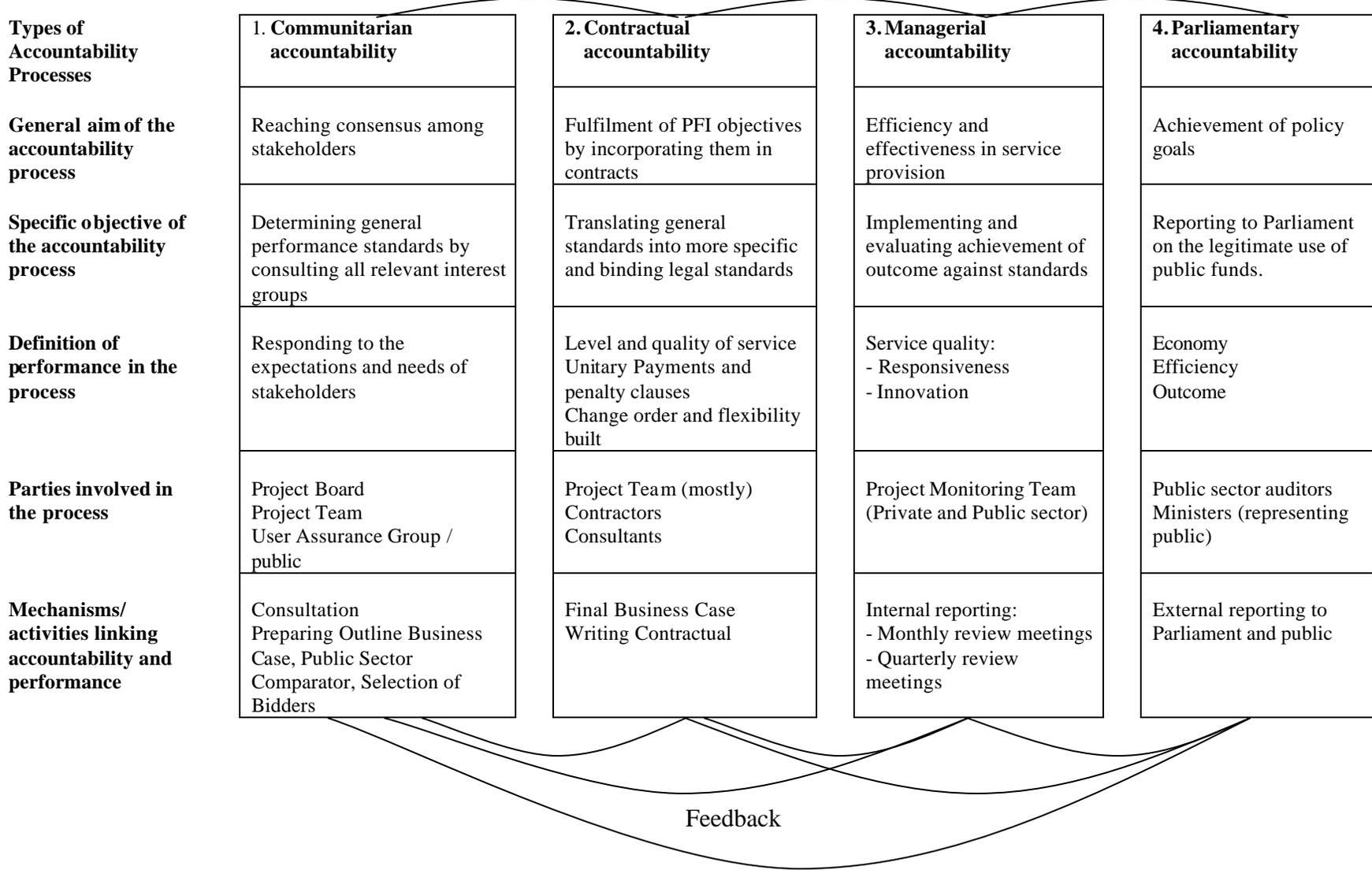
a primary means for managing expectations (Tetlock 1983; Tetlock 1991), and is especially significant in contexts where expectations are multiple, diverse and often conflicting (Dubnick and Romzek 1991; Dubnick and Romzek 1993).

Each of these major perspectives on accountability – the one stressing the institutionalized obligations of accountable actors, the other emphasizing the functional and emergent properties of account giving behaviour – is implied in the assumed relationship between accountability and performance established by policies and programs such as PFI. PFI is designed to establish and facilitate principal-agent relationships based on contractual obligations subject to continuous monitoring and review. At the same time, it is assumed that such arrangements create appropriate expectations and social relationships that will result in the desired forms and levels of performance that motivated the establishment of the PFI option.

### ***Accountability processes and their VFM implications in PFI***

PFI involves many processes designed to enhance public service performance (i.e., VFM) through accountability. This section examines the VFM implications of communitarian, contractual, managerial and Parliamentary accountability processes in the case of PFI. Figure 2 presents a summary of the aims, objectives, performance expectations, stakeholders involved in these processes and the mechanisms linking accountability to performance in the respective processes.

**Figure 2 ACCOUNTABILITY PROCESSES FROM THE PUBLIC SECTOR PERSPECTIVE**



### *Communitarian Accountability Processes*

Communitarian accountability involves seeking the legitimacy and consensus of stakeholder groups affected by a particular policy through their participation in the decision making process. According to Francis (1990) and Lehman (2004), accountability is a moral and discursive practice. It is a moral practice on grounds that it involves human agency and has consequences on people by affecting their lived experiences. It is discursive because it requires an agreement between the accountor and accountee in terms of how the expectations of the accountee are to be met.

Dialogue with interest groups is an important communitarian accountability mechanism for understanding and responding to their needs (Habermas 1984, 1987; Behn 1998; Farrell 2000; Roberts 2002; Shearer 2002). Coy and Pratt (1998) argue that open and transparent public debates leading to better management and service performance and allocation of resources is one way of achieving better VFM from public monies. According to Fowles (1993), citizen participation in public sector governance reduces power differentials between service providers and service users to promote better downward public accountability and safeguard the longer-term interests of taxpayers and service consumers.

Although the UK's current Labour government has sought to promote more participation from community members, Chandler (2001) argues that its social inclusion agenda is less democratic because it does not seek political engagement from community members. In this respect, the PFI policy has been criticised on grounds that the decision making process is not transparent and interest groups do not have the power to question the PFI policy (Mayston 1999; Smith 1999; Edwards and Shaoul 2003a, 2003b).

‘Active’ participation in the PFI decision-making process by stakeholders may be an important source of VFM. Assuming a fair distribution of power in the decision making process, the various interest groups would be challenged to justify their opinions and course of actions such that the chosen alternative is acceptable and appeals to the common interest of all stakeholders. In this respect, stakeholder dialogue is an important accountability mechanism in that open dialogue among the different interested parties would bring about different perspectives and interpretations of a particular issue and would lead to better accountability and policy making.

### ***Contractual Accountability Processes***

Contracts create liabilities and obligations among contracting parties to fulfil the objectives of PFI over its operational phase. The establishment of liabilities through judicial or quasi-judicial actions ‘forces’ one to comply. According to Dubnick (1998, 2003), liabilities create a ‘moral pull’ for the parties to adhere to the terms stipulated in the contract. They are ‘external’ to the individual.

Obligation, the ‘moral push’ of conduct, is the desire to comply with the law to avoid legal sanctions. It is ‘internal’ and represents the processes through which behaviour is internalized. According to Dubnick (1998, 2003), accountability is partial to the extent that only the ‘moral pulls’ take hold. It would become more effective and ethical when both the ‘moral pulls’ and ‘moral pushes’ are operative. Moral pushes make bureaucrats have the feeling that ‘this is the right thing to do’ rather than ‘this is what I am forced to do’ (*ibid.*). As such, unless matched with obligation, liability is ineffective.

PFI contracts are complex documents consisting of terms agreed by the parties including: level and quality of service; payment mechanism; the length of the contract; risk allocation and

changes in service requirements. Because VFM is a long-term concept and contracts cannot cater for every eventuality, these contractual terms would always be incomplete. As such, flexibility and fallback options in PFI contracts are very important considerations. Hall, Holt and Andrew (2000) argue that this is not a very straightforward process because it is difficult to understand and specify service requirements and quality over time.

Mayston (1999, p. 253) argues that because PFI contracts are legally binding agreements “extending over the next 25 or more years, for the delivery of hospital and other asset-based services”, it is doubtful whether they can deliver VFM. Similarly, Ball, Heafey and King (2001) argue that, future generation of taxpayers and public service consumers may not obtain VFM from PFI contracts, if service requirements were to change. Thus, terms initially agreed in PFI contracts seem have important VFM implications. If these are not clearly laid out in the contract, the public sector may find itself in need of legal advice and even end up re-negotiating the contract.

### ***Managerial Accountability Processes***

Managerial accountability processes have important VFM ramifications in PFI contracts (Stewart, 1984; Sinclair, 1995). According to English and Guthrie (2003) and Broadbent and Laughlin (1999), the ultimate VFM outcome of PFI depends on how PFI policies and guidance formulated at the macro level are executed at the micro organization level.

Performance monitoring and evaluation of PFI programs assess the extent to which PFI projects are achieving their efficiency and effectiveness objectives laid out in the contracts. Payments to contractors are structured in such way that contractors are rewarded for providing an acceptable level of service and penalized for poor performance. In this respect, service quality and assessment of users’ satisfaction are important elements in ascertaining VFM. According to

Mwita (2000), service quality is the process of minimizing performance gap between actual delivery of services and users' expectations. Public sector managers and contractors alike need to adopt 'customer-oriented' techniques to assess the extent to which needs of PFI services are satisfied. This can be achieved through users' satisfaction surveys. However, such form of evaluations is rarely carried out. In this respect, Broadbent, Gill and Laughlin (2003) argue that little thought has been given to the design of post project evaluation systems and their operation.

Adequate PFI monitoring mechanisms are required to safeguard the public interest to ensure that PFI delivers the VFM benefits foreseen at the appraisal stage. Financial health of contractors needs close monitoring. Poor cash flows threaten the viability of PFI contracts; adversely affects the quality of public services; affect the amount of compensation that the public sector receives in the event of default; and may tempt the private sector partner to 'cut and run' where PFI contracts fall into difficulty.

### ***Parliamentary Accountability Processes***

Parliamentary institutions act as a check on the Executive government by scrutinizing the policies pursued (Glynn and Murphy 1996; Gendron, Cooper and Townley 2001; Broadbent and Laughlin 2003b). In Westminster democracies, powers are separated among the Executive government (the political party with the majority seats in the House of Commons), the Parliament (representing public interest) and the public. In this respect, the public has little control over government's actions once they are voted into power. In the UK, the National Audit Office (NAO), Audit Commission and Public Accounts Committee watchdogs ensure that NPM reforms are legitimately applied in the public interest.

Parliamentary institutions guard the public purse by investigating and disclosing inefficient utilization of the public funds. Through their VFM recommendations, best practices and lessons

are disseminated to other parts of the public sector (Leeuw 1996). However, the power of public sector auditors in the UK is limited in that they can only assess the way policies are implemented in their VFM audits. They cannot question policies (NAO 2002).

In the period 1992-2003, the National Audit Office has published 64 VFM reports on PFI on its website (E.g. NAO 1999, 2001). The Public Accounts Committee has acted upon many of these reports by calling the responsible Ministers and public sector Executives to account for those PFI contracts, which have fallen into financial difficulty (E.g. PAC 2000, 2001). However, many PFI researchers have criticized the VFM investigations conducted by Parliamentary institutions as 'reactive' on grounds that they are in response to problems (Shaoul 2004). In many of these cases, the cost of PFI failure are externalized to the public and taxpayers through deterioration in public services (For example, in the case of the UK's Passport Agency PFI (NAO 1999)) and bailing out the private sector contractor (For example, in the case of the Royal Armouries PFI (NAO 2001)).

## **5. Dealing with Accountability and Performance Assumptions**

A great deal of the confusion about the value of PFI and the role of VFM are rooted in unchallenged assumptions surrounding the relationship between accountability and performance in NPM programmes. Those assumptions need to be clearly stated and critically examined as they relate to PFI and VFM. Here we offer four such assumptions as a foundation for such an analysis.

1. The warrantability assumption: that the relationship is based on theoretically and empirically credible knowledge. The history of managerial theory is filled with efforts to establish the credibility of this and similar relationships. The most famous is scientific management (Jenks 1960; Taylor 1967) and its various intellectual offspring (Freeman 1996)

(especially a wide range of motivational theories), and the management shelves of libraries and booksellers are overflowing with ideas about how performance can be enhanced through various techniques – many of them linked to accountability. A great many of these (e.g., MBO, TQM) have been articulated in models and theories, and some applied, but few have been subjected to systematic and sustained empirical testing. Too often, these various theories turn out to be little more than passing fads and ideologies (Barley and Kunda 1992, Perrin 1998, cf. Gittel 2000).

2. The tractability assumption: that those factors constituting the relationship are visible, subject to control, and can be acted upon. The relationship is valuable only to the extent that it can be operationalized, and this requires points of access to -- and leverage over -- performance relevant behaviour. We can rely on this assumption to the extent that performance-relevant behaviour is malleable through external ‘levers.’ Much of the rhetoric of NPM reform in the UK has been articulated in mechanistic metaphors that stress the view of government as a machine, and of reforms envisioned as mechanistic adjustments (Hartley, Butler, and Benington 2002). This assumption is challenged both by the existence and value of relatively amorphous factors (i.e., morale, moral commitment; see (Barnard 1968) ) as well as the use of ambiguous concepts (e.g., ‘best’ practices, ‘transformational’ leadership; see (Behn 1992)) .

3. The measurability assumption: the relevant behaviour being subjected to account-giving can be measured. This assumption is central to much of the literature on the relationship between accountability and performance. Measurement plays two distinct but interrelated roles in the relationship. First, it is designed to act as an indicator of performance, providing an assessment of the accountable actions. Second, it is often regarded as a driver of performance by providing the incentive for better performance, especially when attached to some system of reward or punishment (see (Neely, Gregory, and Ken 1995; Neely 1999)). Both of these assumptions are

controversial at best (Ridgway 1956; Halachmi 2002; Bolton 2003). The measurement of performance is notoriously difficult (Stone 2002; Tilbury 2002; Franco and Bourne 2003; Marr and Schium 2003; Cavalluzzo and Ittner forthcoming), especially in multitask environments where the problem of multiple and diverse expectations is magnified (Feltham and Jim 1994; Tilbury 2002). As significant is the distortions generated by measurement effort, particularly in generating goal displacement and engagement in the “performance game” (Perrin 1998; Bohte and Meier 2000; Grizzle 2002; Greener 2003).

4. The feasibility assumption: that the account-demanding actors have the capacity to undertake the actions required of the relationship. For some observers, the problem of making accountability and performance measures work as useful tools lies in overcoming the barriers to their effective implementation (Winston 1999). Bourne and his colleagues have examined the various issues raised by efforts to implement a performance measurement system to a strategy (Bourne et al. 2000), and Behn has highlighted a variety of “psychological barriers” to the assumed consensus on desirable performance standards (Behn 2002). The potential for success seems to rely on a wide range of assumption and situational factors (Halachmi 2002; Franco and Bourne 2003; Noordegraaf and Abma 2003).

Having examined the four accountability processes and the four accountability and performance assumptions, we explore some recent literature on PFI and seek to understand the nature of the accountability and performance relationships and their significance for further theorization and empirical research.

## **6. Towards an Understanding of the Relationship between Accountability and Performance in PFI**

The above relationships have often been ‘assumed’, or considered ‘problematic’. However, there is very little literature which empirically explores or tests these relationships in terms of their nature and characteristics. In this section, we will explore the significance of these four above mentioned assumptions in recent PFI literature.

### ***Warrantability***

The question of whether and if so, how accountability and VFM are related is not grounded in theoretical or empirical knowledge (Hammersley 2000; Talbot 2001; Dubnick 2002, 2003). Although PFI has been recently subject to much theoretical and empirical investigations, no researcher seems to have reached definitive conclusions about the superiority of PFI and whether it leads to better accountability and VFM.

In general, PFI researchers have been critical of accountability and VFM, and in the process, have implicitly assumed that these two concepts are related. Mayston (1999), for example, suggests many reasons why PFI may not provide VFM. Poor communal, contractual and managerial accountability processes are given as the main reasons for this failure. VFM investigations conducted by Parliamentary institutions too have been criticised on grounds that they are too narrow and cannot question PFI policies (Shaoul 2004). In the case of the ‘Pimilico School PFI’, Edwards and Shaoul (2003a) argue that the PFI collapsed due to poor communal accountability processes. The needs of the school stakeholders were not met and their interests, in particular those of schools governors, conflicted with those of the Local Education Authority. Edwards and Shaoul (2003b) further argue that PFIs are likely to fail where contracts are poorly

drawn and hard to implement. The empirical evidence cited here seems to support the problematic nature of a weak relationship between accountability and performance.

### ***Tractability***

Accountability and VFM relationships are problematic because it is often difficult to trace the VFM benefits of PFI projects and as a result it is presumably difficult to hold public sector executives accountable for public services. There is also the problem of the closed nature of PFI decision-making process which makes communal accountability processes lack transparency and visibility (Ball, Heafey and King 2001; Chandler 2001; Edwards and Shaoul 2003a).

Broadbent, Gill and Laughlin (2003) argue that the post implementation tracing of VFM benefits of PFI contracts may be subjective and a difficult process. They argue that this task should be left mainly to the National Audit Office and Audit Commission, which are perceived to be more independent than civil servants and have better access to public sector records. Baker (2003) also contributes to this view of the important role played by Parliamentary institutions in the post PFI implementation process. Broadbent and Laughlin (2003a) and English and Guthrie (2003) further argue that PFI outcome depends on public policy parameters issued by PFI regulators. The implementation of VFM decisions at the micro organisational level through interactions with PFI stakeholders further complicates the traceability of accountability to VFM.

Heald and Dowdall (1999) argue that capital charging, which has the objective of obtaining VFM by making the cost of using capital assets transparent, may be undermined by the extent of off balance sheet PFI assets (Kirk and Wall 2001, 2002; Grimsey and Lewis 2002; Broadbent and Laughlin 2002; Heald 2003).

### ***Measurability***

Accountability and VFM are problematic and, arguably, non-measurable concepts (Stewart 1984; Hopwood 1984; Glynn 1985). In this context, the preparation of the PSC and quantification of risks which are needed to assess VFM at the pre-contract appraisal stage are at best subjective processes (Mayston 1999). It is also equally difficult and subjective to measure the extent to which PFIs are meeting their VFM objectives after their implementation (Shaoul 2004).

Broadbent, Gill and Laughlin (2003) suggest that there is very little post project VFM evaluation currently being carried out to assess the performance of PFI once decisions have been taken and projects implemented. This may be due to the difficulties involved in measuring VFM. Surveys of public and private sector managers carried out by PricewaterhouseCoopers (1999), ACCA (2002) and Ernst and Young (2002) also suggest that VFM and risk transfer processes are subjective and difficult to measure, and that PFI may not be having a beneficial effect on public services.

### ***Feasibility***

The problematic relationship between accountability and VFM in PFI may also be accounted by the fact that many of the PFI accountability processes are not feasible. Contractual accountability processes may not deliver VFM over the life of the PFI on grounds that it is hard to foresee and clearly specify future changes in service requirements in contractual documents (Mayston 1999). Moreover, Froud and Shaoul (2001) and Edwards and Shaoul (2003b) argue that risk transfer in PFI is not a feasible process on grounds that it is hard to ascertain the extent to which risks have been transferred to the private sector contractor.

## **7. Conclusions**

The objective of this paper has been to examine the relationship between accountability and performance and theorize possible assumptions surrounding the nature of its mechanisms, linking accountability to performance in the UK's PFI. In this context, we have explored the definition of accountability, its processes, VFM and the assumptions of its nature in PFI literature.

As a mechanism for linking accountability and performance within PFI, VFM carries the burden of a number of assumptions made by the programme's designers and advocates. Implied in the VFM standard is the objective of having a public service provided in a way that enhances the value of that service to the taxpayers who fund it, the users who benefit from what it produces (e.g., education, health care, public safety), and the other stakeholders who are in a position to gain (or lose) from its availability. More than a simple calculation of benefits-to-cost ratios, VFM is assumed to encompass the logic and incentive mechanisms to generate better public service performance. While audits and critical assessments of PFI might address the question of whether VFM has delivered on those promises, our approach is to ask the more fundamental question of whether VFM can deliver given the problematic nature of the accountability/performance assumptions that underlie the programme.

We have identified four types of accountability processes. Communitarian accountability processes may be related to VFM on grounds that by getting various interest groups actively involved in the PFI procurement process, they would be able to spell out their needs and provide alternative means of meeting those needs. The assumption here is the feasibility of the PFI by the private sector to have the capacity to undertake the contract. Contractual accountability mechanisms, by creating liabilities and obligations, provide the incentives to the contracting

parties for delivering VFM benefits over the term of the contract. To be effective, the contract terms need to be clearly laid out and flexibility needs to be built into PFI. This type of accountability would require tractability assumptions in that the factors constituting the relationship are made visible through detailed written contracts which can be controlled and be acted upon through legal courts. Managerial accountability processes involves evaluating PFI performance to monitor the quality of service provided to public service consumers. In addition, they form the basis for rewarding contractors for good performance and penalizing them for poor performance. This relationship assumes measurability assumption providing an assessment of the accountable and a driver for better performance. Equally important in this relationship is the warrantability in that the measures of performance are derived from theoretical and empirically credible knowledge. Parliamentary scrutinizes of PFI carried out by the NAO, AC and PAC may have important VFM implications. The tractability assumption here plays a major role in that government agencies can introduce reforms or policies which can be made visible and controllable in the public domain.

Although we have proposed the above assumptions between accountability and performance, we consider the relationship between the two concepts to be problematic and in need of further empirical research on how accountability processes in PFI lead to improved VFM? This would address the central question of how one moves from ‘accountability’ to ‘behaviour that improves performance’ and provide explanations about the mechanisms that bind them together.

## Endnotes

1. At a pragmatic level, for instance Mayston (1993) attempts to identify the principals to whom accounts need to be provided. They are the “(1) the electorate, through the democratic processes of election and parliamentary control and representation; (2) the consumers of public services; (3) central government politicians in power” (*ibid.*: 76). Pallot (2003) and Coy and Pratt (1998) attempt to provide two perspectives for understanding *for what* is the public sector accountable for. According to the first, the government purchases outputs in the forms of public services from the government departments or private sector in the case of PFI. Accountability would be in the form of quantity, quality, price, delivery time and place of outputs bought/provided by the departmental Chief Executive Officers (CEO). The second view concerns achieving VFM in the deployment of resources.

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