The Efficiency of the Use of Information Communication Technology in Public-private Partnerships within the Department of Employment and Labour

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ABSTRACT

Public-private partnerships (PPPs) play a significant role of enabling governmental institutions to plan, finance and implement infrastructure programmes in an efficient and effective manner. PPPs that are successfully implemented present opportunities to countries so that they can boost their economies throughout the stimulation of socio-economic development. Although PPP projects have been successful in some countries, their implementation in some other countries is confronted by numerous challenges ranging from cost overruns, corruption, poor management, political influence, lack of institutional support and project delays. This article aims to determine the extent to which the partnership between the Department of Employment and Labour and a private entity has been efficient for the implementation of the information communication technology (ICT) project called Information Communication Technology- Public-Private Partnership (ICT-PPP). Based on the analysis of the available information, the findings reveal that the implementation of the ICT-PPP was partially efficient in the Department due to a number of factors. There was a noticeable poor abidance to the legislations guiding public procurement and above all, the implementation of this project did not result in the transfer of ICT skills from

Siemens/EOH to the Department as expected. The article concludes by suggesting for such a project to succeed, both partners need to comply with the legislative frameworks and governance pillars which are the backbone of effective and efficient implementation of PPPs in South Africa.

INTRODUCTION

Public-Private Partnerships (PPPs) can be described as the agreements that take place between public and private parties to achieve a strategic objective (Nel 2020:17). PPPs are arrangements between public and private partners in pursuit of a shared goal with a degree of shared decision-making and capital investments (United Nations 2016:148). PPPs are aimed at expediting the provision of infrastructure through the sharing of risks and responsibilities between public and private partners. PPPs became more common in the 1980s with the United States and Britain being the pioneers (Heald & Georgiou 2011:217). According to the OECD (2010), PPPs have become a preferred way of executing certain public projects as they have the potential of enhancing value for stakeholders. However, due to budgetary constraints, fiscal and financial challenges in the public sector, public institutions enter partnerships with their private counterparts for the latter to assist with funding and expertise (Budäus 2006:3). As a result, PPPs enable governments to finance, plan and implement infrastructure programmes efficiently and expeditiously. Successful PPPs can boost countries' economies as they have the ability to promote socio-economic development in those countries (Strasser, Stauber, Shrivastava, Riley & O'Quin 2021). The review of literature reveals that PPPs are confronted by numerous challenges that range from cost overruns, corruption, poor management, political influence, lack of institutional support and project delays (World Bank 2020; Batjargal & Zhang 2021:1). Albertus (2016:151) argues that although most PPP initiatives are delivered, they do face challenges such as deadlines not being met, there are cost overruns, lack of skills transfer, lack of retention of expertise, and there is inefficient monitoring of projects. These challenges induce the public sector to incur irregular and fruitless expenses as projected budgets are exceeded due to cost overruns and delayed completion of projects. Therefore, it is essential that we cite another challenge of PPPs which relate to the transfer of risks. PPPs are considered to be one of the ways of avoiding wasteful, fruitless and irregular expenditures since the risks are shared with the private partners or risks are transferred to private entities. In most cases, private entities have better mechanisms in place for risk management and that can be beneficial for the public sector institution that enters into this kind of partnership.

Since the early 1990s PPPs have been considerably embraced globally. South Africa is not an exception. The country adopted the PPP model in its major infrastructure projects in the sectors such as construction, railways, ICT, transportation, and correctional facilities, to name but a few. Bwanali and Rwelamila (2016) note that ICT-PPPs have been largely implemented in the ICT sector on the African continent and they predicted that PPPs may experience high uptake due to the persistence of sluggish economic growth, high inflations and ICT infrastructure deficits on the continent. This article focuses on one of the specific examples of the use of the PPP model in South Africa consisting of the Department of Employment and Labour collaborating with Siemens in the process of modernising the Department's ICT capabilities for its Enterprise Resource Planning (ERP). The main aim of the article is to examine the efficiency of the partnership between the Department and Siemens.

A qualitative approach was used based on an exploratory design. Semi-structured interview guides were used to collect data from participants. A non-probability purposive sampling was considered to sample 16 participants in the Department of Employment and Labour's human resource development, project management office, and the office of the chief information officer directorates and units. According to Vasileiou *et al.* (2018), the sample size of qualitative studies tends to be small to accommodate the in-depth nature of this mode of inquiry. This justifies the sample size chosen for this study. Collected data was analysed thematically based on the following themes: the efficiency of the ICT-PPP, the role of legislations, the transfer of skills, and recommendations for future PPPs. A literature survey was utilised to supplement the primary data.

To attain its objectives, the article is composed of nine sections. Section one provides a background to the study. Section two conceptualises the use of technology in PPPs in the public sector. Section three outlines the theoretical foundation. Section four highlights the models of PPPs. Section five explores the legislation and mechanisms guiding PPPs in South Africa. Section six discusses the use of technology in South African PPPs. Section seven identifies factors that affect the efficiency of PPPs. Section eight discusses risk mitigations. Section nine clarifies the findings of the study before the article concludes.

THE USE OF TECHNOLOGY IN PUBLIC-PRIVATE PARTNERSHIPS IN THE PUBLIC SECTOR

The emergence of the fourth industrial revolution (4IR) has compelled many sectors to rely on the use of ICT to improve the quality of goods and services. This section examines the emergence of PPPs, the various production models, factors impeding the success of PPPs, and the set of legislations that guide the implementation of PPPs in South Africa.

Emergence of public-private partnerships

The history of PPPs dates back to 381 BCE (Giti *et al*. 2019:14), but the nature of partnerships has evolved with time due to various needs and changing circumstances. For instance, the challenges such as infrastructure deficits and financial constraints that occurred in the 1970s and 1980s led modern states to seek assistance from the private sector throughout the promotion of the implementation of PPPs. The prevalence of PPPs inspired a governance approach called The New Public Management (NPM), which aimed at enhancing the performance and efficiency of the public sector by introducing private investments for service delivery in the public sector (Casady *et al*. 2019), with the aim of improving public services delivery and making them more efficient. During the period when the NPM was gaining traction, European countries like Spain, Germany and France embraced PPPs as an innovative way of implementing major projects (Kappler & Nemoz 2010:5). Heald and Georgiou (2011:217) state that the United Kingdom (UK) played an integral role in transforming PPPs through the introduction of the Public Finance Initiative (PFI), which aimed to promote PPPs in order to reduce public borrowings and stabilise national debts. The PFI sought to promote the successful implementation of PPPs in the UK, and as a result of the successes attained other countries adopted and used the PPPs model. According to World Bank data (Batırel 2017:1) the greatest amount of PPP investment has been made in the field of communication. Electricity takes second place and highways come third.

In the context of South Africa, after the democratic breakthrough in 1994 the country identified infrastructure as an economic enabler, thus, PPPs were pursued to overcome financial constraints and sceptics of the democratic administration (Deloitte 2010:1). The democratic administration set up a designated unit in the National Treasury to administer and manage PPPs in the late 1990s. Kolver (2014) states that the PPP unit was transferred to the Government Technical Advisory Centre in 2014. South Africa introduced PPPs in the roll out of projects such as Inkosi Albert Luthuli Hospital, the Mangaung and Kutama Sinthumule Correctional Facilities, Free State Social Grants information, Gautrain Rapid Rail Link, Department of Trade, and Industry campus concessions (Baillie & Faber 2022). These partnerships were meant to advance socio-economic development in the country at the dawn of democracy.

Trends and developments

Globally, as already stressed above, PPPs became prominent in the 1970s and 1980s due to macroeconomic challenges facing governments which required them to seek collaboration from private sector counterparts particularly with the

implementation of major projects, specifically those relating to infrastructures development. In recent years, Renner *et al*. (2018:1) contend that governments are still faced with budget deficits, while there is an increased need for creating new cities and government entities. For example, there are novel PPP projects such as the water pipeline in the City of San Antonio in Texas, and City of Long Beach's Civic Center. Further, the authors observe that PPPs are starting to gain traction at a local government level (i.e. city or municipal level) just as they were adopted by national governments in the past. This move will be beneficial for the enhancement of service delivery at a municipal level where critical services such as water, electricity, sanitation, and transportation are needed.

In South Africa, the government has shown an appetite to reduce the sole ownership of state-owned entities (SOEs) such as the South African Airways (SAA) in order to pursue and promote PPPs (Prinsloo & Vecchiato 2021). This has become an unprecedented move as SAA was 100% owned by the government. In addition, the power crisis facing the country has also contributed to discussions about privatising a portion of Eskom to enhance its efficiency and efficacy in the production of electricity. Prinsloo and Vecchiato (2021) are of the view that the Independent Power Producers who generate electricity independently and sell it to the crisis-engulfed power entity can be seen as a novel form of PPPs in the power and energy industry. Therefore, it can be deduced that the trajectory of the use of PPPs in the South African context is changing due to various crises that the country is faced with.

THEORETICAL FOUNDATION

The prevalence of PPPs is motivated by a number of theories and a few of them are discussed below:

Enterprise risk management theory

Traditionally, organisations manage risks by placing responsibilities on unit managers, for example, the Chief Information Technology Officer is responsible for ICT risks. However, Enterprise Risk Management (ERM) was introduced to holistically manage risks that might inhibit an organisation from fulfilling its objectives (Jankensgård 2016:1). Sprčića *et al*. (2015) indicate that ERM takes a broad perspective to risks that negatively affect an organisation's performance and render it incapable of achieving its strategic objectives. Due to the widespread economic changes of the 21st century, organisations are required to embrace new business models like contracts and partnerships to cope with various risks they are exposed to. Therefore, the adoption of ERM was necessitated by recent

business developments. Beasley (2020) argues that traditional risk management approaches were insufficient to address risks faced by organisations, hence, ERM became a preferred option.

ERM provides management teams with an opportunity to use organisational resources and capital efficiently in pursuit of optimal performance while minimising risks (Bromiley *et al.* 2015:265). However, PPPs are risky contracts because they entail huge capital investments which make the management of risk of paramount importance (McKevitt 2015:99). As a result, ERM creates an enabling environment for the management of an organisation to be accountable. Aggregation is an integral part of ERM aimed at enabling managers to understand risk and adopt appropriate strategies to manage risks that represent significant threats to the organisation. Thus, aggregation can be considered to be a mechanism through which information regarding risks is combined and analysed to enable proper management of an organisation's total risk.

ERM theory is relevant to this study as it sheds light on the importance of risk management in organisations, especially when there is a contractual agreement between two or more organisations. Consideration of the ERM theory assisted to gain insights into the understanding of whether adequate risk management existed in the Department of Employment and Labour before it engaged with Siemens in the ICT-PPP project. Albertus's (2016:143) study on: "*Public Private Partnership contract management failure in information technology service delivery*" revealed that there was a lack of risk mitigation in the implementation of the ICT-PPP project by the Department of Employment and Labour in collaboration with Siemens. It is important to note that the basic principles of the ERM stipulate, among other things, that risk assessment must be conducted holistically to appraise the totality of the risks facing respective organisations. To this end, the study suggests that every organisation must always be cognisant of the need to do risk assessment before entering into partnership with a private sector organisation. Unfortunately, the Department of Employment and Labour did not engage in proper risk assessment before entering into the abovementioned ICT-PPP.

MODELS OF PUBLIC-PRIVATE PARTNERSHIPS

There are various types of PPP models that can be considered depending on the needs that organisations want to address or respond to. Both public and private sector organisations are required to select a model that is appropriate to the kind of partnership they want to enter into. The following production models play a significant role in the choice of an approach that can be used to achieve the public sector's projects but relying on partnerships with the private sector entities:

In-house production model

According to Ahamed *et al.* (2013:301), in-house production involves services provided within an organisation by the internal staff members. The in-house model is the most conventional production model as it enables organisations to achieve high productivity levels through the enhancement of internal capabilities. In the context of this study, it is important to note that the internal functions of the Department of Employment and Labour are executed by all its employees in their respective fields of practice. A special mention can be made of the internal Information Technology (IT) staff members who provide day-to-day support services for the ICT infrastructure.

Contracting or outsourcing model

Contracting is a business practice through which an organisation outsources services or capabilities that cannot be performed internally to another company for the duration of the agreement (Ferruzzi *et al.* 2011:45). These services or capabilities include, for example, logistics, IT, cleaning, and maintenance, to name but a few. Contracting is preferred for a number of reasons such as efficiency, optimal production, risk management as well as for management flexibility. For instance, the Department of Employment and Labour contracted the services of Tech-Mahindra to develop a single system that integrates all the systems within the department and its entities to ensure that there is uniformity and a synchronised approach to service delivery (Department of Employment and Labour 2020:42).

Under the contracting or outsourcing model, the private partner is partially involved and the contribution is limited based on what the government or the public sector organisation requires. This can range from provision of tangible goods and services or advisory and consultancy services to the government (Albertus 2016:23). However, in this model the private partner is not responsible for any risks that might occur during the partnership. The rationale for the use of this model is it provides leverage on the skills of the private partner in the pursuit of improved public service delivery. Lease contracts and concession agreements are some of the examples of this model. Contracting or outsourcing is realised based on a set of options, namely: design build (DB), design-build-operate (DBO), design-build-operate-maintain (DBOM) and build-lease-transfer (BLT). These options are discussed below.

Design build

Design build (DB) is an approach in which private partners accept the responsibility to fund, through loan arrangements, and build a project according to the

specifications of the government (Hodge & Greve 2005:65). The agreement stipulates that after the completion of the project, the private partner transfers the project to the government. Consequently, the government assumes the responsibility of managing and operating the project. In most cases, this refers to projects relating to infrastructures such as roads, buildings, airports, railways or transport systems.

Design-build-operate

Design-build-operate (DBO) is the type of PPP in which the government procures the services of a private partner to develop and build the project in line with the specifications of the government (Ruiters & Matji 2016:295). While the government retains the ownership of the facility or infrastructure produced through DBO, the private partner has the responsibility to operate and maintain the facility as per the agreement.

Design-build-operate-maintain

Design-build-operate-maintain (DBOM) is a model that involves a PPP in which the responsibilities to design and build are merged with the processes and maintenance of a capacity or infrastructure over a period. At the end of the agreed period, the facility or infrastructure is transferred to the government. The ICT-PPP between the Department of Employment and Labour and Siemens is a DBOM because the private partner was responsible for building and maintaining the ERP system for the duration of the contract. Furthermore, the private partner transferred the ERP system to the Department of Employment and Labour.

Build-lease-transfer

Under the build-lease-transfer (BLT) model, the private sector finances and builds a facility and then leases it to the relevant public authority, with the state providing the public service. The infrastructure facility is leased for a maximum of 30 years and the public authority pays a lease fee to the private investor and operates the facility during the lease period (Pekdemir 2017). In South Africa, there are numerous partnerships of this kind and one good example is that of the Department of International Relations and Cooperation's (DIRCO) building.

LEGISLATION GUIDING PUBLIC-PRIVATE PARTNERSHIPS IN SOUTH AFRICA

There are numerous laws that guide the implementation of PPPs in South Africa in terms of the legislative framework.

The *Constitution of the Republic of South Africa* of 1996

The *Constitution of the Republic of South Africa* (1996) is the supreme law of the country, it stipulates the principles that guide public procurement in the country. According to its section 217, organs of the state must comply with the five principles of good governance when procuring goods and services. For instance, the procurement process must be reasonable, equitable, transparent, modest, and cost-effective. The Constitution aims to achieve value-for-money and promote fair competition among prospective suppliers. Furthermore, this constitutional imperative concerning public procurement also aims to correct the imbalances of the past by offering previously excluded groups equitable access to opportunities to do business with government via public procurement.

The Constitution also provides for the promulgation of other legislations governing public procurement such as the Public Finance Management Act and Preferential Procurement Policy Framework Act to give expression to the constitutional imperative. Furthermore, these legislations are also meant to provide operational guidance to accounting officers of the organs of the state and enables them to execute their duties and responsibilities. This implies that the Constitution provides a significant legislative framework to analyse the ICT-PPP between the Department of Employment and Labour and Siemens.

The Public Finance Management Act of 1999

The Public Finance Management Act (PFMA), 1999 (as amended) is the custodian of public funds and it sets out guidelines relating to the promulgation of regulations, specifically the National Treasury Regulation 16 of 2004. The PFMA prescribes that public funds must be spent economically, effectively and efficiently. Meaning that there has to be value-for-money in all the projects realised by the public sector and even when this latter is involved in partnerships with other role-players.

In addition, the PFMA provides guidelines on the correct procedures that must be followed by accounting officers as far as transactions are concerned. In accordance with the PFMA, accounting officers are heads of provincial and national departments (South Africa 1999). For state-owned companies (SOC), Chief Executive Officers are considered to be the accounting officers. The Heads of Chapter 9 institutions like the Public Protector and Human Rights Commission are accounting officers as far as the PFMA is concerned. The Act gives accounting officers the duty to prevent fruitless, wasteful, and irregular expenditure. To this end, achieving value-for-money and return on investment on public projects are the objectives of this Act.

The Preferential Procurement Policy Framework Act 5 of 2000

The Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA), was promulgated to give effect to Section 217(3) of the Constitution which stipulates that public procurement in national, provincial, and local government and other organs of the state should be equitable, fair, transparent, modest, and cost effective (South Africa 1996). The PPPFA is also meant to advance and promote the interests of people and/or suppliers who were previously disadvantaged in South Africa (South Africa 2020). South Africa's divisive history has benefitted some groups of people at the expense of others, therefore, legislations like the PPPFA are aimed at redressing such imbalances. The PPPFA was necessitated because the state is the largest procurer of services and goods in South Africa. The South African government's procurement is estimated to be worth R926 billion, which translates to one-fifth of the Gross Domestic Product (GDP) (Brunette & Klaaren 2020). The PPPFA also empowers the Minister of Finance to approve procedures that will enable this Act to achieve its objectives.

Treasury regulations

National Treasury Regulation 16 of 2004 (South Africa 2004) provides a detailed framework for PPPs in South Africa. The regulation provides the basis for the formation of the PPP unit, which was housed in the National Treasury but now resides in the Government Technical Advisory Centre (GTAC). This unit has the responsibility to coordinate and monitor all PPPs in the country. In addition, this regulation empowers an accounting officer to enter a PPP on behalf of their department or institution and to register such projects with the National Treasury. The Treasury Regulation 16 of 2004 is aimed at ascertaining the feasibility, affordability, and value extraction of PPPs before such partnerships are initiated.

THE USE OF TECHNOLOGY IN SOUTH AFRICAN PUBLIC-PRIVATE PARTNERSHIPS

The ICT-PPP within the Department of Employment and Labour was aimed at improving and modernising ICT (ERP) systems of the Department and its entities like the Unemployment Insurance Fund and Compensation Fund in order to enhance operational efficiency by embracing and promoting the use of digital technologies. In addition, this partnership aimed to equip the Department's ICT personnel with relevant skills to assist them to continue operating the ERP.

FACTORS AFFECTING THE EFFICIENCY OF PPPs

There are various challenges impeding the successful implementation of PPPs. This section will provide an overview of challenges such as lack of monitoring performance, corruption, risk management, and skills transfer. PPPs are complex and sophisticated, and they involve rigorous planning, coordination, and implementation, therefore, the lack of governance has had adverse effects.

Lack of clear framework for monitoring performance

Performance management, monitoring and evaluation of PPPs plays an integral role, hence, Hashim *et al.* (2017:3) and Takim *et al.* (2009:105) attribute the inability to successfully implement PPPs to the lack of a performance and monitoring mechanism. This can create delays, and cost overruns which most likely would affect the public partner. PPPs generally fail because of the lack of clear governance frameworks or guidelines on performance assessment and monitoring (Hashim *et al.* 2017:3). Takim *et al.* (2009:105) regret that the lack of clear mechanisms to appraise performance create challenges that negatively affect PPPs and hinder them to deliver on their mandates. The lack of assessment and monitoring frameworks adds challenges to the management of key performance indicators (KPIs) in the implementation of PPPs. Similarly, literature shows that not managing performance tends to pose a risk for the successful implementation of PPPs (Nuhu *et al.* 2019:14; Fombad 2013:18).

Fombad (2013:18) observes that, in South Africa, although Treasury Regulation 16 of 2004 empowers accounting officers to monitor performance, in reality, there is an absence of adequate monitoring and evaluation of performance in the rolling out of PPPs. This is mostly because private partners are not bound by government legislations like Treasury Regulations and this raises governance concerns that need to be addressed if PPPs are to be successful. Members of Parliament's Portfolio Committee regrets the fact that there were discrepancies in terms of monitoring and evaluation of the implementation of the ICT-PPP (PMG 2012). This has had an impact on the progress and successful implementation of the project.

Corruption

The World Bank (2020) has flagged corruption as one of the factors impeding the successful implementation of PPPs globally. Corruption seems to have also infested African countries, particularly South Africa as it is witnessed by the proliferation of businesspeople unduly benefitting from state contracts due to their political connectedness. Fombad (2013:16) says that although South

Africa has progressive legislation governing PPPs, corruption still permeates such systems. Thus, it appears that corruption poses threats to the successful implementation of PPPs in the country. Corruption has been described as the abuse of public authority and resources for private gain. It has been identified as one of the factors inhibiting the successful implementation of PPPs globally (World Bank 2020). In South Africa, Fombad (2013:16) contends that although PPPs are governed by legislations, they are susceptible to corruption which cannot be detected by anti-corruption systems. This is alarming because, in recent years, the South African public service has been marred by acts of malfeasance and this is evidenced by the report of the State Capture Commission. Another example is that of the former Minister of Transport, Mac Maharaj, who was forced to resign in 2003 as a director of First Rand Bank due to allegations that he received gifts and payments amounting to half a million Rand from an individual whose company was part of the N3 toll road consortium. This confirms that corruption adversely affects the efficacy and successful implementation of PPPs. As a result, taxpayers bear the brunt of the corruption that occurs in the roll out of PPP projects.

Contract management

Contract management is an essential aspect of PPPs as they emanate from a contractual relationship between the government and a private company aimed at jointly delivering services or infrastructures. According to Sciulli (2010:368) there are concerns regarding the contracting strategy of PPPs. It is indisputable that contracts provide guidance and assurance, but they do not provide exhaustive recommendations for best practice. PPP contracts are specifically prone to legal contests which might culminate in nullification or setting aside of PPPs. This may have a negative influence on the progress and completion time of the PPP contracts. Nel (2013:313) argues that due to uncertainties in government administration, officials who participate in the negotiations of PPPs are not necessarily the implementers of the same contracts. This creates an administrative headache during the implementation of the project as negotiators might have entered into irregular contracts.

Failure to ensure public value

Public institutions are expected to achieve value-for-money and return on investments for the benefit of the society. Fombad (2013:17) reiterates that PPPs aim at enabling public institutions to create public value and maximise return on investments in collaboration with private companies. For example, the implementation of road, rail and telecommunications PPPs can benefit members

of society as it facilitates mobility and the smooth running of economic activities. It has also been argued that PPPs are the most effective approach to attain public capital projects instead of the traditional public works systems (Raisbeck *et al*. 2009). Therefore, the proliferation of PPPs is inevitable due to their benefits.

Changing economic conditions have amplified the need for public value and return on investments as the government's fiscal budget is constrained. While the national fiscal budget has been depreciating, the need for the development of infrastructure is escalating. Therefore, the importance of PPPs cannot be overemphasised. Literature illustrates that, for many reasons, most PPPs have not been able to attain positive returns nor public value compared to traditional public works systems (Flyvbjerg 2013:761). Estache (2010:5) asserts that PPPs do not offer better returns than traditional public works systems; that is because of their failure to ensure public value and positive returns on investments.

Risk management

Inadequate risk management is another challenge that undermines the successful implementation of PPPs since in some cases one party, mostly the private partner, assumes disproportional risk while their public counterpart assumes less risks. This is affirmed by the UK's treasury document which has indicated that there is disproportional allocation of risk between the public and private partners (Whitfield 2007:3). Thus, the disproportional allocation of risks burdens one party that is ill-equipped, therefore, propelling them to fail to manage aspects of PPPs, which ends up adversely affecting the successful realisation of projects.

In traditional public works systems where public institutions decide to produce goods and services or even their projects in-house, the government would accept all the risks for public projects. This has adverse effects on the fiscal budget. PPPs have been heralded for spreading the risk between the government and private companies. Mouraviev and Kakabadse (2012:264) note that the risk should be allocated to a party that has skills and the resources to manage it. The allocation of the risk associated with PPPs is aimed at reducing costs for both parties and mitigating against the risk of failure. However, literature illustrates that PPPs do not always result in proper risk allocation (McKevitt 2015:99). This is substantiated by a 2007 European Services Survey which found that there were 102 ICT-PPPs whose cost overruns, delays and terminations were borne by governments and passed on to the members of the public (Whitfield 2007:3). In this context, there is a need for equitable distribution of risk to all parties especially in the process of implementing PPPs. This requires private partners to accept the value of risk proportional to the benefits they derive from PPPs.

Lack of governance and accountability

Governance and accountability is an overarching aspect of management that is critical to PPPs. Proper governance is seen as a critical aspect for the success of PPPs. According to the World Bank (2017:3), a regulatory framework is an important governance tool for PPPs as it clarifies details relating to procurement, directing and controlling the roll out of projects. The roles and scope of government and private partners should be clearly stipulated to prevent and above all, settle political issues when they arise. Once there is a regulatory framework for expectations, roles, and responsibilities, the government and private partners can hold each other accountable. As a result, taxpayers whose hard-earned contributions play an integral role in PPPs can also hold any party involved in PPP projects accountable indirectly through their elected representatives.

Nel (2013:332) argues that the institutional framework concerning PPPs is impaired by contentions as private partners prefer as little government regulation as possible. This enables private partners to avoid accountability and act as they see fit. Johnstone and Kouzmin (2010:513) confirm that the lack of accountability also results in the government bearing additional risks to the detriment of taxpayers. Project delays and cost overruns in PPPs do not bear punishment and this is an indictment of governance. It, therefore, appears that the lack of governance and accountability mechanisms in running PPPs is overshadowing the importance of these partnerships as far as development is concerned. There is a dire need for the improvement of the mechanisms that promote governance and accountability. Abiding by the principles of good governance is essential as far as PPPs are concerned. That is because in this kind of partnerships, public institutions and private partners utilise public funds raised through taxes and they have to give account as prescribed by the Constitution and the PFMA.

Skills transfer

Beyond the sharing of risks between partners, maximising returns on investments and ensuring value-for-money, PPPs intend to also facilitate the transfer of skills from a private entity to the public sector organisation. However, the lack of skills transfer is one of the major factors inhibiting PPPs from achieving efficiency and sustainability. The National Business Initiative (2019:8) highlights that PPPs aim to facilitate skills transfer. Based on the models that were presented previously, it is only to be expected that, for example, if DBOM or BLT models were to be used in the rolling out of projects, public sector organisations should benefit from skills transfer so that they are empowered to operate and maintain the projects when they are handed over to them. However, it has emerged that in the case of the ICT-PPP project, the Department of Employment and Labour failed to ensure the

transfer of ICT skills from the private to public partner (Albertus 2016:144; PMG 2011). This caused the Department of Employment and Labour to extend the PPPs since the Department relied on skills from the private partner (PMG 2013). Thus, the lack of skills transfer may disadvantage the Department since it may be required to rely on contracting the private partner to continue implementing and maintaining ICT programmes due to lack of internal capabilities.

One of the objectives of entering into PPP arrangements is the transfer of technical skills from private partners to the government in order to build internal capacity. Therefore, private partners are incentivised to transfer skills with the aim of building government capacity. Vorster (2012) reports that the former Director-General (DG) of the Department of Employment and Labour asserted that the purpose of the ICT-PPP with Siemens/EOH was to design and build the ERP. The former DG further stated that the ICT-PPP was supposed to transfer ERP competencies to departmental personnel to enable them to operate the ERP system upon the completion of the ICT-PPP. However, evidence relating to the ICT-PPP highlights that there was an attrition of departmental staff who were supposed to be equipped with skills by Siemens/EOH (Albertus 2016:144; PMG 2011). Equally, the Parliamentary Monitoring Group (PMG) discovered that there was insufficient termination support offered to the Department of Employment and Labour in the ICT-PPP project because of the persistence of heavy reliance on external service providers (PMG 2013). To this end, the transfer of skills remains one of the major challenges facing PPPs and it has been a major issue in the roll out of the ICT-PPP project within the Department of Employment and Labour.

RISK MITIGATION STRATEGIES

According to Lutkevich (2023:1), risk mitigation is one of the approaches used to prepare for and reduce the effects of threats faced by a business. Some of the risk mitigation strategies are discussed below:

Valuing liabilities

Governments need to assess the form of support provided to a project. Direct liabilities can be easily assessed and budgeted for as to when the relevant accountabilities fall due. For example, the government may undertake to make consistent payments to providers of road, hospital, school, and prison facilities (Budina, Brixi & Irwin 2007). In addition, if the facilities are properly constructed and made available to the grantor, the actual use of the facilities has only limited relevance for the availability payment. Further, Budina *et al.* (2007) insist that the government might also provide guarantees, such as the revenue and exchange

rate guarantees offered for toll road projects which reward facility operators when revenues fall below a given point or when the exchange rate between local exchange and the currency of debt exceeds a given ceiling.

Managing liabilities

According to the International Monetary Fund (IMF) (2005), government needs to protect itself from the applied and financial consequences of calls on its guarantees. This involves first identifying the institution that will manage calls on guarantees with adequate resources to ensure that calls are correctly made and processed. The government also needs to assign in covering the costs of providing guarantees, in particular, the transaction costs related to allocating government support, the cost of reserves set-aside for the guarantee, and any profit or additional funding to be used to increase available support. These are budgets that can be borne by the government or by the project through the charging of guaranteed fees, including upfront custodies and periodic fees. Consequently, charging fees can also help ensure that guarantees are only sought when needed. Assurance fees set too low inspire unselective applications and set too high discourage project execution.

Guarantee fund

A mechanism currently being considered by several governments involves the creation of a fund of molten assets that can be rapidly mobilised if a contingent liability is realised. The fund would have its own balance sheet, be removed from the annual budget cycle, and benefit from independent governance (World Bank 2020). The guarantee fund might be used to: i. ring fence budget distributions envisioned for government support of PPP projects, ii. reduce the likelihood of alteration of such funds for inefficient use, and iii. edge liabilities for government support offered to PPP projects to the value of its capitalisation of the fund.

FINDINGS

The findings are analysed and interpreted based on the following aspects: the efficacy of the ICT-PPP, the role of legislations, the ICT skills transferred from the private to the public partner, and recommendations for future PPPs.

The efficiency of the ICT-PPPs

The study found that the ICT-PPP in the Department of Employment and Labour was partially efficient because some ICT programmes were delivered. In addition,

participants indicated that some of the programmes that were implemented as part of the PPP are the inspection and enforcement of the services system, while Human Resource Development (HRD) systems were not implemented. This finding can be attributed to the lack of monitoring and evaluation as Batjargal and Zhang (2021:1) argue that the lack of monitoring can impede the successful implementation of PPPs. This implies that the ICT-PPP project only achieved a moderate value-for-money as it was partially efficient.

Role of legislation

The majority of participants in this study indicated that they were not aware of legislations governing PPPs in South Africa. This implies that the implementation of legislations governing PPPs was poor in the ICT-PPP project. The lack of abidance to governance principles as well as legislative frameworks can adversely affect the successful implementation of PPPs (Sadeghi *et al*. 2020:163; Delić *et al*. 2021: 57). Therefore, it can be stressed that the lack of knowledge of the existing legislative frameworks that govern PPPs in South Africa may have contributed to the partial efficiency of ICT-PPP.

Skills transfer

The study revealed that there was no transfer of ICT skills from Siemens/EOH to the Department of Employment and Labour, instead employees were transferred from the private partner to the department. Literature affirms the finding by highlighting that departmental staff was not empowered with ICT skills by Siemens/EOH (Albertus 2016:144; PMG 2011). The study further found that the failure of skills transfer compelled the department to appoint personnel from the private partner for business continuity. This implies that ICT-PPP failed to serve its mandate as departmental staff was not equipped with ICT skills.

RECOMMENDATIONS FOR FUTURE PPPS

The study's participants recommended that there is a need to not only have a proper legal framework governing PPPs in South Africa, but roadshows and campaigns should be conducted to raise awareness. According to Delić *et al*. (2021:58), a strong legal framework for PPPs can contribute to successful implementations of such partnerships. Another recommendation pertains to the need to put in place adequate governance mechanisms that would clarify the duties and responsibilities of public and private partners involved in the delivery of PPPs. Important to note is that the Treasury Regulation 16 of 2004 makes provisions

regarding the manner in which respective departments or entities intending to pursue PPPs have to ascertain whether they have internal or would require external expertise to oversee the partnership (South Africa 2004). Thus, reinforcing the implementation of existing governance frameworks may assist in this regard. Finally, it is suggested that public partners should improve the remuneration of their staff members in order to retain scarce skills and/or lure expertise from the private sector to boost the skills base in the public sector.

CONCLUSION

This study sought to ascertain the efficiency of ICT-PPPs in the Department of Employment and Labour. A qualitative method was followed to assess the efficiency of ICT-PPP within the Department and 16 employees from HRD, OCIO and PMO were interviewed. A review of literature was conducted to analyse the emergence of PPPs, production models in South Africa, factors impeding the success of, and legislations governing PPPs in South Africa. The findings of the study revealed that the implementation of the ICT-PPP project was partially efficient, due to a number of factors such as poor implementation of legislations and the absence of ICT skills transfer from Siemens/EOH to the Department of Employment and Labour's staff members involved in the project. The study concludes by recommending that appropriate legal frameworks and governance mechanisms should be established and promoted for the successful implementation of PPPs in South Africa. Lastly, it is recommended that staff remuneration may be improved to retain scarce skills and possibly attract expertise from the private sector to boost the skills base within the Department of Employment and Labour.

NOTE

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