PUBLIC PRIVATE PARTNERSHIPS FOR ROADS MAINTENANANCE AS A VEHICLE FOR SKILLS TRANSFER AND ENTREPRISE DEVELOPMENT IN SOUTH AFRICAN RURAL COMMUNITIES

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Abstract
This paper outlines the justification for a doctoral study on PPPs for road maintenance as a vehicle for skills transfer and enterprise development. South Africa's rural communities' struggles with three main problems, lack of skills, low private sector investment and poor infrastructure, which undermines investments in rural communities. Even those with basic skills, the lack of opportunities undermine their ability to deepen their skills and improve their earning potential. The aim of the study is to develop small scale PPP framework that is appropriate for rural road maintenance in rural communities that have as part of their core purpose, a specific emphasis in fostering enterprise development and skills transfers to develop sustainable businesses within those communities. The paper looks at the current level of infrastructure and skill deficits in SA rural communities and the role that well maintained roads can have on improving the delivery of public goods and service, as well as improving access to economic activities. The review concludes with an evaluation of the extent to which road maintenance can contribute to skills transfer and enterprise development and whether the current PPPs models and policy can be modified to foster economic development and skills transfers in SA rural communities.

Keywords: Enterprise development, PPPs, Roads, Rural skills transfer

1 Introduction

This study is on PPPs for road maintenance as a vehicle for skills transfer and enterprise development. South African faces a high unemployment rate of 25% (Stats SA, 2014). One of the causes cited for this high unemployment rate has been the lack of skills and less formal entrepreneurships (Ibid), as the high levels of unemployment co-exist with reports of skilled vacancies by employers (Ibid) and low levels of entrepreneurship compared to other middle-income countries (Styles et al, 2006). This picture however is particularly concentrated in rural communities, in part a historical legacy of apartheid policies of using rural communities as reservoirs of cheap labour (Gibbs, 2014). The apartheid government's explicit policy was to undermine the rural economies to force men from those communities to migrate and work in the mines and cities (Binns and Nel, 1999). Woman and children were mostly left in the villages surviving on remittances from male migrant labour, preventing the establishment of any sustainable economic activity in the rural areas (Ibid).

The incidence of unemployment is across education, age and race. About 58% of those formally employed have at least matriculation level education (12 years of schooling), compared with only 38% of the total working-age population (McGrath and Okooje, 2007). Since 1994, the African National Congress (ANC) government has launched a number of interventions to address the skills gap, develop rural communities and foster SMMEs (Small Micro and Medium Enterprises). More recent initiatives targeted at the rural areas to offer skills and employment include the National Rural Youth Service Corps (NARYSEC) through the Department of Rural Development and Land Reform (DRDLR), National Youth Service (NYS) and the Extended Public Works Programme (EPWP) operated through the National Department of Public Works (NDPW).

2 Literature Review

2.1 State of infrastructure

Infrastructure is defined as the services drawn from the set of public works that traditionally have been supported by the public sector, although in many cases the infrastructure services may be produced in the private sector (Fox and Porca, 2001). Water, sewerage, solid waste management, transportation, electricity, and telecommunications are examples (Ibid).

South Africa boasts a much-advanced infrastructure in it urban centres, however the picture is a different one in the rural areas (Bogetik and Fedderke, 2005). South Africa's critical infrastructure needs are in part the outcome of two decades of underinvestment (Ibid). South Africa experienced under investment public infrastructure spending between the early 1980s and until mid-1990s (Ibid). After this point, government began to increase capital spending, with a sharp rise after 2003 as prudent management of the economy created the fiscal space for long-term investment (National Treasury, 2012). Private-sector capital formation has also increased strongly, rising by 84 per cent between 2002 and 2008 (Ibid).

According to the SA Treasury, South Africa needs to invest at least 25 percent of its Gross Domestic Product (GDP), to address its infrastructure deficit (Treasury, 2012). The experience of other developing countries shows that capital investment equivalent to about 25 per cent of GDP is generally needed for a substantial rise in per capita income (DoT, 2012). In recent years, government has sought to accelerate public infrastructure spending, while also encouraging greater private-sector investment (Ibid). South Africa's public- sector capital investment stood at 7.4 per cent of GDP in 2010, while investment by private enterprises amounted to 12.2 per cent of GDP (Treasury, 2012).

South Africa experienced a massive rise in infrastructure spending in the run up to the hosting of the 2010 FIFA World Cup (DoT, 2012), however since the soccer tournament the expenditure has fallen off (Ibid). The decrease in public investment in public infrastructure is because of the country trying to address other social needs such as welfare, healthcare and education (National Treasury, 2012). Because of South Africa's rising debts, other funding models such as PPPs are required to finance the country's infrastructure deficit.

The experience of other developing countries shows that capital investment equivalent to about 25 per cent of GDP is generally needed for a substantial rise in per capita income. In recent years, government has sought to accelerate public infrastructure spending, while also encouraging greater private-sector investment (National Treasury, 2012). South Africa's public- sector capital investment stood at 7.4 per cent of GDP in 2010, while investment by private enterprises amounted to 12.2 per cent of GDP (Ibid). Government and state enterprises are expected to allocate funding of R262billion over the next three years to transport and logistics infrastructure (Ibid). These investments will improve public transport and the mobility of people and services, overcome spatial inequalities, boost the economic potential of certain regions, and increase domestic and international trade capacity (DoT, 2012).

2.2 State of road infrastructure

The challenge with regards to transport infrastructure is not only limited to the physical deficit but also lack of linkages between roads and rail lines, and poor connectivity to ports (ADP, 2010). This has resulted in Africa being the world's worst rated region in the Logistics Performance Index (LPI) in 2009, even though the picture varies considerably across countries (Ibid). While African governments and development partners are investing more in roads and rails infrastructure much more needs to be done for any meaningful socioeconomic impact to be made (Ibid).

According to South African National Roads Agency (Sanral), South Africa's total road network is about 747,000km the most extensive is Africa (Sanral, 2014). Roads in SA are controlled by the Department of Transport, however the department is primarily responsible for policy development. The actual building and maintenance of roads is split amongst the 3 spheres of government (national, provincial and municipal) and the responsibility of national (undertaken by Sanral) and the provincial and municipal road agencies.

According to the South African Institute of Civil Engineering (SAICE), Sanral is responsible of 16,200km, provincial agencies for 185,000km and the local municipalities responsible for 66 000km (SAICE, 2014). Around 19% of the national road networks are toll roads, most of which are maintained by Sanral, while the rest have been concessioned to private companies to develop, operate and maintain.

2.3 Skills and Enterprise development

One of South Africa greatest causes of its high levels of poverty is unemployment and low paid work (Ray et al., 2014). Government's position is clear: the new development and growth path for South Africa requires the participation of all economically active South Africans in productive activity. Our policy levers to achieve faster growth, higher employment and reduced levels of poverty include skills development which must assist support the formal private sector growth but also labour-intensive industries, infrastructure investment, public service delivery and rural development. Quality education and training is needed at all levels.

2.3.1 Skills Development

Skills Development means developing yourself and your skill sets to add value for the organization and for your own career development. Fostering an attitude of appreciation for lifelong learning is the key to workplace success. Continuously learning and developing one's skills requires identifying the skills needed for mobility at Cal, and then successfully seeking out trainings or on-the-job opportunities for developing those skills (Berkeley. Edu. n.d.).

The role of skills development is central – but anticipating what skills will be needed, and when, is no easy matter (Lassnig, 2006). Careful planning is needed to support the human development needs necessary to fuel our aspirational growth path (Ibid). Sector Skills Plans (SSPs) are expected to anticipate and promote sectoral economic growth trajectories and constitute our best guess at the skills needs of an essentially unknowable future.

Analysis of economic development and employment trends includes a consideration of national and sector growth and development strategies, particularly those related to the National Economic and Development Strategy, the National Human Resources Development Strategy and those related to the Industrial Policy Framework, innovation and technology and Rural Development. In accordance with the requirements of the Skills Development Act (1997) as amended (December 2008).

2.3.2 Enterprise Development

Enterprise development is defined as the act of investing time and capital in helping people establish, expand or improve businesses. Enterprise development helps people to earn a living; it helps them out of poverty; and it leads to long-term economic growth for themselves, their families and their communities (USB-ED, n.d.).

Since the advent of democracy in 1994, the national government of South Africa has implemented a range of new national support programs designed to assist entrepreneurship development and the upgrading of the Small, Medium and Micro-enterprises (SMMEs) (Mathibe, 2010). SMMEs are recognized as an important vehicle to address the challenges of job creation, economic growth and equity in South Africa (Ibid). Governments throughout the world are focusing on the development of the SMME sector to promote economic growth (Mago and Toro, 2013).

The definition of SMME used by the DTI in South Africa is any business with fewer than 200 employees and an annual turnover of less than 5 million rands, capital assets of less than 2 million rands and where the owner is directly involved in the management of the business (Cronje *et al.,* 2000). SMMEs in the South African context are classified into five categories:

a. Survivalist enterprises;
b. Micro enterprises;
c. Very small enterprises;
d. Small enterprises; and
e. Medium enterprises.

The survivalist enterprise is generally seen as providing an income below the poverty line (Chalera, 2007). Micro-enterprises are considered as businesses with a turnover of below the VAT registration limit of R300, 000 (Ibid).

In post-apartheid South Africa, major policy significance is attached to the promotion and support of the small, medium and micro-enterprise (SMME) sector (Mathibe, 2010). A radical policy shift has occurred from the apartheid period when the SMME economy was either largely neglected by policy makers or, in the case of black-owned enterprises, actively discouraged by an arsenal of repressive measures (Rogerson, 1999). In the changed policy environment of the 1990s, promotion of the SMME economy is linked to a range of new policy objectives, including poverty alleviation and enhancement of national economic growth (Agupusi, 2007). The National Project on Poverty and Inequality highlights the importance of assisting the SMME economy as part of a package of integrated strategies for poverty alleviation in urban and, more especially, in rural areas (Ibid). Programs for nurturing the SMME economy are seen as offering a basis for addressing poverty and inherited apartheid inequalities through strengthening existing coping strategies of poor households or by offering alternative livelihoods to those individuals engaged in the survival informal economy (May 1998). By contrast, in South Africa's new macroeconomic strategy, the Growth Employment and Redistribution (GEAR) programme, the strengthening of the SMME economy is identified as one of the core elements for achieving a medium-term improved growth and employment performance as well as for enhancing the long-term competitive capacity of the economy (Republic of South Africa, 1996).

2.4 Impacts of roads in delivering public good and services in rural communities

The World Bank defines the rural population as referring to people living in rural areas as defined by national statistical offices. It is calculated as the difference between total population and urban population (World Bank, n.d.).

Rural African communities are largely characterised by high levels of unemployment and poverty, low skills levels and a heavy reliance on natural resources (Milborne, 2004) Increasing populations, together with the impacts of climate change, are putting pressure on natural resources and the issue of sustainable land use is becoming critically important (Thomas and Twyman, 2005).

Besides road maintenance being crucial in creating work, road also contribute in enhancing and facilitating market interdependencies and promoting economic development (Hill et al., 2012). Foreign Direct Investment (FDI) flows to developing economies reached a new high of US$759 billion, accounting for 52% of global FDI inflows in 2013. At the regional level, flows to Latin America and the Caribbean, and Africa were up; developing Asia, with its flows at a level similar to 2012, remained the largest host region in the world (UNCAT, 2014).

It is argued that improving road and rail systems in Africa will boost the transportation of goods and raw materials; facilitate transactions and negotiations, boost tourism and positively impact ordinary lives in diverse ways such as ensuring that people get to the hospital quickly during emergencies. Countless other activities depend on reliable transportation (Teravaninthorn and Raballand, 2008). As a result, transport costs alone are higher in Africa than in developed countries, hampering Africa's competitiveness in both international and local markets (Ibid). Before addressing the focal challenges of documenting the economic, social development, and poverty reduction impacts of road projects specifically, it is useful to briefly outline the impacts of major infrastructure investments in general. Recent reviews have shown that the impacts of one type of infrastructure (e.g., roads) on economic development, poverty reduction (Fan and Chang-Kang, 2005). The changing structure and increasing sophistication of the economy have altered the pattern of transport demand, with rapid growth in the demand for road transport compared with other modes (Ibid). The link between road development and poverty reduction is supported by studies and the evaluation of several completed road projects financed by ADB4 and the World Bank (Ibid).

From consultation with the poor, several studies have found that adequate transport infrastructure is a prerequisite for reducing poverty, and involving the participation of local communities increase the likelihood of success of road projects (Setboonsarng, 2005). Benefits for poor rural areas include lower transport costs; lower cost of inputs, expanded agricultural support services; improved farming practices; greater access to employment opportunities in urban areas; and better access to health, education, and social services (Ibid).

Rural poverty is linked to the exposure of the households to economic vulnerability, through their chronic dependence on small-scale agriculture for income generation. A starting point in mitigating this vulnerability would be a comprehensive improvement in accessibility. This would substantially reduce transportation cost and thereby lessen the isolation of rural communities from basic welfare services. Economic growth is endogenous. This means that growth levels are driven by the public expenditures including infrastructure investments but at the same time, public expenditures are driven by economic growth. Studies showed that countries with more developed infrastructure see a disproportionately greater impact of infrastructure on foreign direct investment, domestic investment, and growth (Globerman and Shapiro, 2002).

Reduced sensitivity to transport costs and time when marketing their own produce (Thomas, et al., 2005). Poor people near the poverty line are mobile and express demand for transport services (Velaga et al., 2012). They share equally in the qualitative benefits of improved access to health, education, social and community services, increased safety and security, and access to information (Ibid).

Government policy, initially through the Rural Development Strategy (1995) and the Rural Development Framework (1997), initiated the process of prioritising the transformation of rural areas from 'surplus labour reserves' into dynamic local economies that are able to provide sustainable self-employment opportunities and remunerative jobs (RDF, 1997).

The purpose of this branch is to create an enabling institutional environment for sustainable rural development and to provide for social and economic development in rural communities and sustainable livelihoods. Its functions are based on the social mobilisation of communities to ensure that rural communities take ownership of rural development projects and programmes (DLRD, 2012).

2.5 Current SA PPP policies and their focus skills transfer and enterprise development

Public-Private Partnership can be described as legal binding agreements, which the public sector enters with the private companies as a tool in providing the statutory public infrastructure and/or management of public infrastructure. The characteristics of the partnership is that is it a legal transaction, longer duration, infrastructure provided can be lease property; sale, renovated or new and the service provided is normally a function of the public sector (Grimsey and Lewis, 2004).

South African Treasury defines PPPs or public private partnerships as long-term contracts between the public and private sector. The main objective of PPPs internationally is to ensure the delivery of well-maintained, cost-effective public infrastructure or services, by leveraging private sector expertise and transferring risk to the private sector (National Treasury, 2007). In 1999, South Africa launched is PFMA regulation and public private partnerships (PPPs) are regulated under this regulation. This regulation based on transparent public procurement of goods and services with its private sector partners (Ibid). This framework encourages mutually beneficial relationships between private and public sectors when government enters commercial transactions for the public good (SA Treasury, 2007).

Public Private Partnership (PPP) principles in South Africa have grown over recent years as the merits of blending private sector resources and skills, with the public ones has become evident (Wattenhall, 2003). It has also become clear that the PPP architecture is complex and such projects require a detailed understanding of their design and implementation (Ibid). A number of PPP projects have been facilitated and these projects have been followed by many public debates over the efficiency and efficacy of such a finding and delivery mechanism (Findlers, 2005). Debates have focused on issues including the death of the public sector ethos (Ibid); PPP is driven by political motive to control public spending rather than delivering better public services (Ibid); PPP projects actually cost more than conventionally procured assets (Hogde, 2004); and many others. South Africa is the leading sub-Saharan African country with respect to PPPs and, like most developing countries yet despite this relatively few PPP projects have achieved financial close and was classified by Deloitte and Touché (2006) as being only at the first stage of the PPP maturity scale (Bond et al, 2012).

Countries worldwide daily confront the Africa's high infrastructure deficit (Yepes et al., 2009). Evidence of the sizeable and burgeoning disparity between actual infrastructure needs and the resources that governments have historically invested in attempting to meet those needs is universal: congested roads; antiquated bridges in need of repair; poorly maintained transit systems and recreational facilities; and hospitals, schools, and waste treatment facilities all in varying stages of deterioration and urgently in need of restoration (Eggers and Startup, 2007). The SA Government acknowledges that public-sector capacity to implement projects is presently inadequate, and is taking steps to strengthen planning and implementation capacity at all levels (National Treasury, 2012).

South Africa is among the leading nations in policy, systems and law on the PPPs (Farlam, 2005). Through previous PPPs experiences the public service delivery has benefited through this model and it enhances the efficient delivery of services at minimal costs. To show the private sectors confidence on the PPPs, they have been an increase of pipeline for projects and increased appetite from the private sector (National Treasury, 2012). South Africa boasts a well-developed policy and regulatory framework, which act as a guide on how all sphere (national, provincial and municipal) government can enter in to a PPP.

3 Expected Contribution of the Study

The aim of the study is to develop a PPPs framework that will be used for roads maintenance in rural communities that have as part of their core purpose, a specific emphasis in fostering enterprise development and skills transfers. Rural communities in South Africa have been marginalised from skilled work opportunities and formal business activities. Because of lack construction activities in rural areas even those who acquires skills through extended public works initiatives, they lack opportunities to deepen their skills. Roads in rural areas happen to be managed by local authorities, and rural local authorities experience a challenge in recruiting and retaining skilled workers.

4 Conclusion and Way Forward

For this study, an analysis of current policies on PPPs, skills transfer and enterprise development will be evaluated. This will helps in understanding current PPPs framework, strength and challenges. And current policies on skills transfer and enterprise, his will help us in finding current trends, success and challenges. Evaluating current policies will provide crucial data and statics on government targets and actual in areas of skills transfer and enterprise development. Interviews will be done with senior public officials in the economic, transport and PPP unit within the South African government. This will help in finding the reaction on developing new PPPs framework and in locating the most suitable stakeholder's with SA government. And lastly case studies on skills transfers and enterprise development will be used, to evaluate the current road maintenance regime against skills and enterprise developments.

- Reducing the transaction costs, and the skills and knowledge required – transaction costs have been an issue increasing the scope of PPPs to include municipal infrastructure.
- Expanding scope of projects – PPPs in South Africa has mainly be on office accommodation national government departments and national highways which falls under SANRAL
- Potentially applicable to a wide range of infrastructure – possibilities for a potential to foster PPPs model that can be in wide ranging infrastructure maintenance projects.
- Applicable to other rural environments in Africa and the developing countries – develop a best practice for rural roads PPPs that will be applicable to other developing nations.

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