



Chapter XIII

Digital Government: Balancing Risk and Reward through Public/ Private Partnerships

Carole Richardson
American University, USA

ABSTRACT

The modern focus on the application of business principles to the running of government is unique due to an escalated emphasis on divesting the public sector of as many service provision responsibilities as possible. This divestiture is being accomplished through an array of arrangements alternatively described as privatization, contracting out, outsourcing and public/private partnerships. There are three fundamental challenges to this process: (1) defining those responsibilities which cannot and should not be turned over to the private sector, (2) ensuring that such arrangements balance both the risks and rewards between the parties involved, and (3) getting the best deal for the public. This chapter focuses on the second point: achieving a reasonable balance that should, if implemented successfully, result in that elusive “best deal.”

INTRODUCTION

An intense drive currently exists in the U.S. to make government more like business. This is not an altogether new idea. U.S. history is filled with periods when scholars and

practitioners believed that government could be made more efficient through adopting business “best practices.” In modern times, the “businessification” of government gained popularity during the Clinton Administration’s focus on the reinvention of government. This became formalized with the Government Performance and Results Act (GPRA) of 1993. The GPRA has been vigorously implemented during the Bush era’s commitment to the President’s Management Agenda.

U.S. Government Contracting

The Office of Management and Budget within the Executive Office of the President of the United States issued Circular Number A-76 in 1983, and revised it in 1999. The purpose of A-76 is to define procedures for determining when government can or should contract with commercial entities for products or services. A-76 states that “certain functions are inherently governmental in nature, being so intimately related to the public interest as to mandate performance only by Federal employees.” According to A-76, functions that are inherently governmental in nature fall into one of two categories:

1. *The act of governing* — i.e., the discretionary exercise of Government authority. Examples include criminal investigations, prosecutions and other judicial functions; management of Government programs requiring value judgments, as in direction of the national defense; management and direction of the Armed Services; activities performed exclusively by military personnel who are subject to deployment in a combat, combat support or combat service support role; conduct of foreign relations; selection of program priorities; direction of Federal employees; regulation of the use of space, oceans, navigable rivers and other natural resources; direction of intelligence and counter-intelligence operations; and regulation of industry and commerce, including food and drugs.
2. *Monetary transactions and entitlements* — such as tax collection and revenue disbursements; control of the Treasury accounts and money supply; and the administration of public trusts (Office of Management and Budget).

Specific examples of such functions are absent from this circular. Subsequent attempts by various agencies to define precisely which functions are eligible to be commissioned through “commercially available sources” and which are reserved to government have failed to totally resolve this lack of specificity.

Nevertheless, functions related to computerization, management of information resources, telecommunications and Internet connectivity are rather commonly outsourced. The general consensus of government appears to indicate that these information and communications technology (ICT) support functions are distinct from those “intimately related to the public interest.” Electronic government (e-Government) clearly stands upon an ICT foundation; therefore, activities, resources and staff necessary for any e-Government endeavor are likely candidates for outsourcing. Thus, e-Government, in all its many guises, relies on the involvement of the commercial sector for its development, implementation and maintenance.

Leon deLoof, in his book, *Information Systems Outsourcing Decision Making*, defines information system (IS) outsourcing as “...the commissioning of part or all of the IS activities an organization needs, and/or transferring the associated human and other IS resources, to one or more external IS suppliers” (p. 30). In other words, government

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