

**SOCIO-ECONOMIC IMPACT OF PUBLIC-PRIVATE PARTNERSHIPS ON RURAL  
DEVELOPMENT IN THE EASTERN CAPE PROVINCE: SELECTED CASES**

by

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## ABSTRACT

The study reflects on the socio-economic spin-offs and challenges of the public-private partnership (PPP) implemented in the Eastern Cape's two local government metropolitan municipalities. The two metropolitan governments are characterised by two central urban points, namely East London in Buffalo City and Port Elizabeth in Nelson Mandela Bay. The Buffalo City Metropolitan Municipality acquired its metropolitan status in 2012, whereas the Nelson Mandela Bay Metropolitan acquired its metropolitan status early in 2000 (Freund, 2014:6).

The study concentrates on public-private partnerships after the 1994 South African democratic dispensation in line with the National Treasury Public-Private Partnership Practice Note Number 2 of 2004. The study intends to assess the socio-economic aspects of two public-private partnerships, namely Coega and the East London industrial development zones in the Nelson Mandela Bay and Buffalo City metropolitan municipalities. The assessment is limited to socio-economic and infrastructure spin-offs resulting from the public-private partnership arrangement (the East London Industrial Development Zone (ELIDZ) and the Coega Industrial Development Zone (IDZ) in this case) entered into by the Eastern Cape Provincial Government in the geographical location of two municipal (metros) governments.

Despite the introduction of the two industrial development zones' public-private partnership arrangement in the two metropolitan regions, the metropolitans are still confronted with immense socio-economic development challenges, which have manifested in, for example high poverty levels, increased unemployment, slow local economic growth and mostly stagnant infrastructure development. In her State of the Province Address in 2007, the then Premier of the Eastern Cape Provincial Government committed to the adoption of a public-private partnership approach. For any economy to develop, critical factors such as structured infrastructure development and public-private partnership development-oriented policies could be the primary drivers of viable economies. Consequently, the adoption of the public-private partnership approach was meant to fast track the provision of services, with a particular focus on infrastructure development and rural-economic development as vehicles for socio-economic development in the province.

As a result, the Coega IDZ and the East London IDZ came into existence. There was great uncertainty about the prospective success of these huge public-private partnership projects with a huge capital booster. Despite the level of uncertainty, the public-private partnership

arrangement, in the form of industrial development zones, was the biggest intervention that the Eastern Cape had seen since 1994.

This study follows a quantitative research method. For data collection, a structured questionnaire was disseminated to respondents at each of the metropolitans to tap into their practical experiences of their respective IDZs. Fifty (50) questionnaires were disseminated, of which 38 were returned, which accounted for a 76% response rate, making it acceptable for the analysis and interpretation of data. The data was processed using SPSS and Microsoft Excel.

Consistent with the research project, the key findings reveal that both the metropolitans benefit largely from the industrial development zone—public-private partnership arrangement to the extent that project planning, development and management skills were transferred to the metropolitans' officials for improved delivery of service. What also emerged was that public-private partnership procurement requires the South African government's serious attention to ensure sustainable municipal socio-economic and rural economic reforms.

What emerged from the findings above was that national government, provincial government and the metropolitan government need to champion public-private partnership procurement through the Public-Private Partnership Implementation Framework. This is highlighted by the fact that the PPP regulations in South Africa do not have a structured implementation plan, which, in turn, jeopardises investors' interest in the public-private partnership arrangement.

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## **DEDICATION**

This thesis is dedicated to my parents, Milton Mzamo Mditshwa and Edith Zandile Mditshwa, who believed in me. May the Almighty God bless you. This work is also dedicated to my wife, Cikizwa Sakhele Mditshwa, who has supported me throughout this journey.

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## **ABBREVIATIONS AND ACRONYMS**

AACPS	:	Anne Arude Country Public School
ANC	:	African National Congress
ADM	:	Amathole District Municipality
AREDS	:	Amathole Regional Economic Development Strategy
ASGISA-EC	:	Accelerated and Shared Growth Initiative of South Africa – Eastern Cape
BBBEE	:	Broad-Based Black Economic Empowerment
BPO	:	Business Process Outsourcing
BDS	:	Business Development Services
BIDPA	:	Botswana Institute for Development Policy Analysis
BWIs	:	Bretton Woods Institutions
BCMM	:	Buffalo City Metropolitan Municipality
CASP	:	Comprehensive Agricultural Support Programme
CBED	:	Community Based Economic Development
CBOs	:	Community Based Organisations
CSR	:	Corporate Social Responsibility
CSI	:	Corporate Social Investment
CSO	:	Civil Society Organisation
CSES	:	Cambodia Socio-Economic Survey
DBFO	:	Design Build Finance and Operate
DARD	:	Department of Agriculture and Rural Development
DLGTA	:	Department of Local Government and Traditional Affairs
ECDC	:	Eastern Cape Development Cooperation
ELIDZ	:	East London Industrial Development Zone
FDI	:	Foreign Direct Investment
GEAR	:	Growth, Employment and Redistribution
GDP	:	Gross Domestic Product

GDS	:	Growth and Development Summit
HDI	:	Human Development Index
IDP	:	Integrated Development Plan
IDZ	:	Industrial Development Zone
IMF	:	International Monetary Fund
IUCN	:	International Union for the Conservation of Nature
LED	:	Local Economic Development
LFS	:	Labour Force Survey
LMs	:	Local Municipalities
MDGs	:	Millennium Development Goals
M&E	:	Monitoring and Evaluation
MSPs	:	Municipal Service Partnerships
NDA	:	National Development Agency
NEPAD	:	New Partnership for Africa's Development
NGOs	:	Non-Governmental Organisations
NP	:	National Party
NPM	:	New Public Management
NMBMM	:	Nelson Mandela Bay Metropolitan Municipality
ODA	:	Official Development Assistance
OMM	:	Operate Maintenance and Manage
PFMA	:	Public Finance Management Act
PGDP	:	Provincial Growth and Development Plan
PPPs	:	Public-Private Partnerships
RDP	:	Reconstruction and Development Plan
RTG	:	Ready to Govern
SADC	:	Southern African Democratic Countries
SEDA	:	Small Enterprise Development Agency
SED	:	Socio-Economic Development

SESC	:	Socio-Economic Survey of Cambodia
SPV	:	Special Purpose Vehicle
STATSSA	:	Statistics South Africa
SMMEs	:	Small, Medium and Micro Enterprises
STRP	:	Small Towns Regeneration Programme
UK	:	United Kingdom
UN	:	United Nations
USA	:	United States of America
VFM	:	Value for Money
WB	:	World Bank

# CHAPTER ONE

## INTRODUCTION AND BACKGROUND

### 1.1 INTRODUCTION

This research study investigated the socio-economic spin-offs and challenges of public-private partnerships (PPPs) in the two pronounced Eastern Cape metropolitan governments, namely the Buffalo City Metropolitan Municipality (BCMM) in East London and the Nelson Mandela Bay Metropolitan Municipality (NMBMM) in Port Elizabeth. The NMBMM first acquired its metropolitan status in 2003 and the BCMM acquired its metropolitan status in 2012. This study covered the years 1994 to 2017, the years after the democratic dawn, which emerged because of South Africa's first democratic election in April 1994. It also considered past socio-economic endeavours and looked to the future. It should be noted from the outset that the study's focus was on mechanisms pertaining to PPPs and less focus was on their societal impact.

It was necessary to provide a summary of government's dominant views on local economic development through PPPs, which were consistent with the National Development Plan (NDP), Vision 2030. Before 1994, privatisation emerged as the focus for development. However, today globalisation is the focus of attention. The globalisation aspect has required South African businesses to align themselves with international business settings and operations (Freund, 2014:21).

The support of contemporary public-oriented works and a medium to larger-scale infrastructure development project is government's aspiration, where Broad-Based Black Economic Empowerment (BBBEE) is projected to lead to high partnership gains. These partnerships and expertise acquisition relate to South African or international companies and modern industries that have international effects, such as agro-processing businesses, renewable energy projects, ports construction, toll roads, probably railway materials, health sector and waste management. The BCM Local Development Strategy (2008) noted that the SA's anticipated further growth of 50% largely depends on the posture it takes on global platforms.

With specific reference to the Eastern Cape, the former MEC for Finance, Billy Nel, in his budget speech in 2006/2007, said that the "introduction of the Accelerated Growth Initiative of South Africa (AGISA)" provided the State with much bigger space to respond to the sorely needed State intervention in closing the privatisation chapter. He was referring to the new narrative of the Coega and East London IDZs for sustainable local

economic development and growth of the province (Eastern Cape Province Budget Speech, 2016/2017).

Although PPPs have been in South Africa for less than 15 years (at the time of this study) and have attracted minimal scholarly inquiry, there has been an increase in the public and private sector cooperation toward the socio-economic and rural-economic development, as well as to deal with uneven development in the county. The SA government made good strides in strategy development and policy planning in response to the negatively skewed socio-economic status inherited from the past regime.

The White Paper on Local Government (1995) affords a policy guideline for role-players that seeks to contribute to strengthening growth and sustainability through socio-economic development initiatives or interventions. The Eastern Cape Province, out of the nine provinces in South Africa, is largely rural and characterised by huge infrastructure backlogs. The latter poses a huge responsibility on the Eastern Cape provincial government to direct resources on rural development for improved social and rural economic development. However, limitations in the public treasuries required to champion investments in the country and leverage expertise from the private sector, has led to PPP arrangements for improved quality and efficiency of public service provision (Grimsey & Lewis, 2007:42). Similar effective and efficient techniques are common in Great Britain and are called private finance initiatives (PFI). These approaches are commonly meant for socio-economic development through sharing risks and responsibilities with the State in providing better goods and services to the people.

A PPP concept is defined as “a contract between a public sector institution and a private party institution, in which the private party assumes substantial financial, technical and operational risk in the design, financing, building and operation of a project on behalf of the public sector institution” (National Treasury Public-Private Partnership Practice Note 2 of 2004:14).

In general, PPPs comprise a wide variety of partnerships and arrangements concluded between public and private sector agencies, in respect to the provision of basic services, for instance water, housing, electricity or sanitation. In the same context, the PPP role players often do not enjoy equal opportunities as these largely depend on the level of power and the extent of influence by actors within the arrangement, which is based on the distribution of resources and the per capita outcomes of each role player.

The Republic of South Africa's National Treasury Public-Private Partnership Practice Note Number 2 of 2004 provides a framework for PPPs that enables public sector institutions and private parties to collaborate, enhancing service provision by means of delivering of sustainable infrastructure related and non-essential services. Notably, it is important for the service delivery environment to be easily accessible, to facilitate the existence of a vibrant economy for the improved socio-economic security of society. According to Savas (2000), partnership arrangements present great competitive and transparent platforms to gather common interest ideas and expertise of both sectors, towards the development of innovative solutions that respond to the needs, expectations and aspirations of the community. The PPP arrangement does not imply public services privation even though it provides an alternative option to effective and efficient provision of services.

Robbins, Odendaal and Roodt (2003:57) write that as government continues with its constitutional mandate that of providing basic services through the municipalities, also moves with the outsourcing of the infrastructure development and management and some non-critical services to the private sector. Government institutions in South Africa can fundamentally channel their resources and efforts on the delivery of basic services and on the other hand, improve key services, such as health-care, security and the provision of social infrastructure using the earned consolidated savings. According to the National Treasury Regulations (2004:17), government turns to PPP options to provide services. This is undertaken for several reasons:

Inadequate capacity of government institutions to provide services efficiently or to improve the nature and quality of service:

- Poor financial management by some State agencies or public agencies;
- Inadequate financing capability by the public sector;
- Lack of prompt response to increasing demand for services by public institutions, to a certain extent due to rapid urbanisation; and
- Low throughput levels in some public institutions (National Treasury Regulations, 2004:17).

In the Eastern Cape Province, rural development is widely and easily associated with rural areas whose socio-economic status is not vibrant enough to cater for the community in a meaningful way. The then Honourable Premier of the Eastern Cape, Ms Noxolo Kiviet in her State of the Province Address (SONA) in the Eastern Cape Provincial Legislature shared her vision for the Eastern Cape Province's rural development response as:

“Striving to unleash the socio-economic development potential of the Eastern Cape, by addressing decisively the historical neglect of rural areas; to reverse the legacy of inequitable access to basic services; to reverse spatial imbalances which have continued to dodge our economy; to improve the coordination and integration of service delivery across government; and to foster sustainable partnerships (Eastern Cape State of the Province Address, 2009:37).”

Rural development has only gained momentum in the past four years as one of the national government policy priorities. The question is whether government can address rural development in isolation of the private sector.

The private sector institution participation in service provision partnership with government has been promoted as a one unique opportunity in dealing with infrastructure development backlogs and improve service provision in various sectors. The latter was the result of high unemployment levels, competing important demands for deteriorating national fiscal, rising crime stats and the weakening state of existing infrastructure.

Many governments have been compelled to come up with alternative PPP arrangements, with the intention is to improve local economic development, create a permitting economic development platform in which local institutions and people can make reasonable and practical decisions to support local economic activities, respond to a high demand for jobs, support new development enterprises, taking into account self-employment opportunities, and to advance the citizens' general welfare, service quality and prospects of life for all (RSA, Local Economic Development Manual, 2004:69).

According to the SONA by the Eastern Cape Premier in 2014, the Eastern Cape faces huge infrastructure backlogs, which need urgent attention. Eastern Cape communities face great socio-economic challenges. This is highlighted by the continuous community protests, demanding the delivery of basic services at their rural setup.

Apart from the above, the African National Congress government introduced a Reconstruction and Development Programme (RDP) and Growth, Employment and Redistribution (GEAR) policies in an attempt to deal and enhance socio-economic development transformation (ANC, 1996). These efforts by government did not materialise as anticipated. Apart from the failures of the above policies, government went on to introduce another similar policy framework referred to as Accelerated Shared Growth Initiative of South Africa (ASGISA), which was cascaded to Provincial Growth and Development Programmes (PGDPs) from 2009 to 2014.



Despite attempts aimed at addressing the same challenges as before, there has not been a concrete outcome on the impact of all these development policies. Instead, there has been a constant introduction of new close to similar development programmes, which are all aimed at addressing the socio-economic and socio-rural economic development challenges (ECSECC Socio-Economic Update, 2011).

As a solution to the persistent socio-economic and rural development challenges, the South African government introduced and adopted a new long-term plan as an inclusive and integrated approach for improved socio-economic development of the country at large, which is called the National Development Plan (NDP), Vision 2030. The NDP outlines that:

“[T]he National Development Plan is a plan for the country to eliminate poverty and reduce inequality by 2030 through uniting South Africans, unleashing the energies of its citizens, growing an inclusive economy, building capabilities, enhancing the capability of the [S]tate and leaders working together to solve complex problems (RSA National Development Plan, 2012:247).”

Despite the successes of an ideal democratic South Africa, many people remain poverty-stricken and society remains extremely unequal. Similarly, the Eastern Cape provincial government through extensive consultation and engagements with developmental stakeholders produced an Eastern Cape-focused Provincial Development Plan 2030 consistent with the National Development Plan 2030.

As the result of the socio-economic development transformation processes, municipalities are faced with a rising infrastructure development demands from the populace. Most of the development funding remains untapped due to the existing capacity limitations in project implementation (Eastern CPDP 2030 Diagnostic Report, 2014). PPPs are not only meant to stimulate economic growth in the infrastructure sector, but also to encourage equity enabling enterprises for black businesses, create job opportunities, provide training on mandatory skills, reduce the spread of informal settlements and reduction of poverty and crime rates.

The infrastructure inadequacy or poor maintenance thereof has an undesirable effect on the provinces' economic development drive and discourages investments to the province. Therefore, the PPP arrangement is proposed as one of the approaches in dealing with the challenge of the slow pace execution of infrastructure projects in the Eastern Cape metropolitan, mainly the NMBMM and the BCMM (Currie, 2005:27).

However, a study conducted by Andoh (2012) reveals that the strides at which the infrastructure development is implemented, is gradually showing some improvements even through communities are still struggling with the challenges of service provision. These challenges are compounded by serious infrastructure development bottlenecks, which require an integrated approach in coordinating the realisation of developmental needs.

Currently, the province has several major PPPs, namely: the Coega IDZ, the East London IDZ, Motherwell Urban Renewal Project (MURP), Port of Ngqura, and Madiba Bay Safari World Development in two metropolitan municipalities. This study focuses on the NMBMM and BCMM, because the province has several socio-economic development PPPs. The primary objectives of the aforementioned partnerships are to improve the socio-economic development of the two metropolitans, which ultimately contributes to the development indicators of the province on rural development.

A socio-economic development examination of PPPs on rural development is conducted within the contexts of the existing PPPs as proposed by researchers such as Henderson and McGloin (2004) and the PPP regulations. In terms of the Constitution of the Republic of South Africa, 1996, the above metropolitans are located under the local sphere of government, which is an interdependent and interrelated sphere to national and provincial government spheres.

This study seeks to make a meaningful contribution to the existing body of knowledge by a conceptualisation of PPPs in a precise and rational manner, as an integral aspect of strategic development towards socio-economic development. As a result, a systemic PPP implementation framework emerged as the proposed alternative method to the execution of PPP development projects in the metropolitan governments.

## **1.2 CLARIFICATION OF TERMS AND CONCEPTS**

The following concepts briefly discussed below apply in this study:

**Local government:** The Constitution of the Republic of South Africa, 1996, provides for three important government spheres, namely: national, provincial and local government, which are distinctive, interdependent, and interrelated. Local government sphere is where the actual service delivery occurs and from where the community needs emanate. This sphere is better located to fulfil the needs, requests and ambitions of local communities (RSA, 1996).

**Developmental local government:** According to the White Paper on Local Government (1998), developmental local government is defined as:

“Local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives.”

For it to be significant, special attention should be given to community members or groups that are often the victims of marginalisation, such as women, people with disability and extremely underprivileged people.

**Municipal service partnerships:** According to Van Niekerk (2002:32), “municipal service partnerships are service delivery measures between local government institutions and private sector institutions”, meant to provide and facilitate public infrastructure development, social facilities and related goods and services. Such development arrangements are characterised by sharing investment, responsibility, risk and rewards among the development partners.

**Municipal Infrastructure Grant (MIG):** The MIG is a municipal funding mechanism for infrastructure development projects. It consolidates into a single grant all the municipal capital grants for infrastructure related projects. It is aimed at centralising the coordination and integration of the municipal infrastructure development needs for cost-efficient provision of services by the municipalities (RSA, 2004/2007).

**Integrated Development Planning (IDP):** This refers to a long-term planning approach that includes the entire municipality and the community in finding best solutions that respond to their service delivery requirements and challenges. It is a completely integrated plan for the municipal jurisdiction that provides the overall development framework. Municipalities “are required in terms of the Municipal Systems Act, 2000 (Act No 32 of 2000) to develop an IDP covering a five-year cycle for developmental purposes” (RSA, 2000).

**Local Economic Development (LED):** In practice, LED is phenomenon that refers to intentional intervention aimed at promoting LED of a specific area, which is located in a municipal jurisdiction (Draft Provincial LED Guidelines, 2008). This, therefore, puts across a solid view that each municipality has a critical role to play in LED project planning, implementation, monitoring and evaluation to ensure value for money.

**Accountability:** The Constitution of the Republic of South Africa, 1996, refers to accountability as the public's ability to hold answerable those who tasked with the management of the state resources.

**The public sector:** In general, all organisation and institutions that operative with the legislative framework of three spheres of government, namely: national, provincial and local government spheres are referred to as the public sector. Its mandate is derived from the constitution as that of designing, development and implementation of policies and programmes that are aimed at fulfilling the broad government's socio-economic development pre-determined objectives (Davids, Theron & Maphunye, 2005:32).

**The private sector and development:** Ijeoma (2013:75) writes that "all the institutions whose aim is to make profit in strengthening the economy of the country. However, a strong belief is held that businesses have an equal responsibility to assist the government to improve the living conditions of everybody."

**Non-governmental organisations (NGOs):** Although there is no universal description of NGOs, Martin (2008) refers to NGOs as organisations that come into existence as a result of observed ineffectiveness, exploitation and suppression, which manifests that social development and transformation cannot be attained through public sector policy frameworks only or government isolated operations. In accordance with the latter, NGOs in South Africa play a significant role particularly around socio-economic challenges experienced by government.

**PPPs** are partnerships arrangements between a public sector institution and any private party (Treasury Regulations 16, 2004). Partnerships become very important, because very few countries with all the natural resources have the skills to transform them into finished goods, therefore, one country needs another, and one sector needs another in prosperity and socio-economic development practice.

**Value-for-money** refers to the provision of services and delivery of goods where value is received for the funds injected. In other words, this denotes combined entire life costs cycle, completion schedule, risks management and quality of work, in order to fulfil public requirements (Nyagwachi, 2005:27). According to Binza (2009:23), value-for-money refers to the provision of the public sector entity's functions carried out by a private entity, as stipulated in the PPP arrangement agreement, which should benefit the public sector entity.

**Rural:** The Rural Development Strategy (2009:3) of the Department of Rural Development and Agrarian Reform defines the term 'rural' as:

“A contested term and it is used in a multiplicity of ways, implying that the concept is not easy to define. Surveying international and South African literature and policy documents, it came to light that the key elements in the term 'rural' are social, economic, cultural and spatial.”

In light of the above, the researcher contends that rural development is more about focusing resources to areas where underdevelopment prevails most.

### **1.3 PROBLEM STATEMENT**

Despite the introduction of developmental oriented policy frameworks and strategies, such as the New Growth Path, ASGISA, GEAR, and RDP, since the dawn of democracy by the current government, South Africa still faces socio-economic development challenges. In her State of the Province Address in 2007, Ms Nosimo Balindlela, the then Premier of the Eastern Cape provincial government made a commitment for the adoption of a PPP developmental approach. The aim of the PPP approach was to accelerate the provision of services with a specific attention on infrastructure development and rural-economic development as alternative mechanisms for socio-economic development in the province. Consequently, the Coega IDZ and the East London IDZ came into existence. However, uncertainties abounded around the prospective success of these huge PPP arrangements considering the large capital injections. Coega IDZ has been the largest and most impressive Eastern Capes' intervention since 1994.

Despite the above endeavours, Freund (2014) found that the challenges around these projects have been linked to the deficiency in integration and coordination when it came to the implementation of strategies and programmes pertaining to these projects. The author contends that there has been a constant introduction of new, close to similar development policy frameworks, which are aimed at dealing with the similar socio-economic transformation and socio-rural economic development challenges.

The above challenges are evident in the two IDZs. The predetermined objectives and expectations of the two-mega PPP projects in the Eastern Cape have not made the anticipated socio-economic impact despite these IDZs being largely capacitated with technical expertise in various areas of development. Large sums of money have also been injected into these projects as mentioned earlier. The Eastern Cape continues to face an

escalating demand for accelerated infrastructure development and service provision due to a slow-moving socio-economic transformation process (ECSECC, 2013:21).

In summary, in lieu of the above, the problem statement is despite the introduction of two IDZs PPP in the aforementioned metropolitan municipalities, they are both still faced with serious socio-economic challenges, which have manifested in, inter alia, slow economic growth, high poverty levels, unemployment and stunted infrastructure development.

### **1.3.1 Background to the research problem**

The slow delivery of services by the Eastern Cape government and municipalities has led to community uprisings where the fast tracking of services, is demanded. In fact, communities have become impatient with the pace at which services are rendered. This plays out against a backdrop where government is promoting PPP arrangements to drastically expand infrastructure development networks in the country and accelerate the provision of services to all its citizens. The hope is that this developmental finance approach (PPP) – where the government institution shares risks and responsibility with a private party, but preserves the control of assets –will ultimately enhance services, whilst getting rid of the drawbacks of privatisation, higher prices, unemployment and corruption. The rural community of the Eastern Cape Province continues to be steeped in poverty and poor service delivery prevails. Huge infrastructure backlogs were identified by the Eastern Cape Planning Commission in their diagnostic report of 2013.

South Africa was rated as the country with the best-developed infrastructure setting in Africa (Lemon, O'Meara & Winchester, 2004). However, despite this claim, only those areas that are located in key urban areas with strong direct links in the form of remarkable skylines; highways; beautiful national monuments and recreational facilities that can be regarded as having developed infrastructure. The past regime's history also contributed to the current skewed situation on underdevelopment and infrastructure. Currently, the State is attempting to turn it around in line with the Constitution of the Republic of South Africa, 1996.

Through serious arbitration, the South African government engaged itself in the liberal process of transforming the socio-economic condition of the country through the introduction of development policy frameworks, such as the Reconstruction and Development Programme (RDP), the Growth Employment and Redistribution Programme (GEAR), Accelerated and Shared Growth Initiative of South Africa (ASGISA), the Provincial Growth and Development Programme (PGDP), New Growth Path (NGP), as alluded to before, to name but a few endeavours. The objective was to create a better life for all. In fact, this was

to be achieved by focusing on improving the economic growth level, curbing the high unemployment level, the unequal distribution of income and the high poverty rate.

In 2009, government envisioned growing the country's economy and improving the social well-being of communities through the development of the NDP, Vision 2030 as all-inclusive long-term plan. The NDP provides the PPPs of all various sectors towards building the ideal South Africa, to respond to the basic needs of the voters and economic requirements of the country at large (ANC, 2012).

Rural development and underdevelopment remain a concern in the Eastern Cape despite the introduction of the PPP developmental approach by the provincial government to accelerate rural, social and economic development. The results of the development indicators are forwarded in terms of high levels of unemployment, high levels of poverty and the underdevelopment of major areas of the Eastern Cape (StatsSA, 2011).

**Table 1.1: Economic indicator in terms of basic welfare**

<b>UNEMPLOYMENT</b>	<b>1996</b>	<b>2001</b>	<b>2011</b>
Buffalo City Metropolitan	39.0	53.2	34.8
Nelson Mandela Bay	36.3	46.4	36.6
Eastern Cape	48.2	54.3	37.5

**Source:** Freund (2014:14)

The high level of unemployment is the leading and negative development indicator. Due to economic vitality deficiency and slow local economic growth, unemployment has been increasing, requiring immediate attention towards building an inclusive and sustainable growth. According to Freund (2014:11), the use of municipal figures is one of the most useful methods in making comparative analysis of figures. The motive behind the use of municipal figures is perhaps the fact that municipalities show the real standing as the grass roots sphere of government where policy meets people, in respect of its application and the impact thereof.

Edwards (2011) puts forward that: “no attempt is made here to consider the way unemployment is calculated.” From 2007 to 2011, large increases in unemployment were recorded, which revealed diminishing capability and the availability of sustainable jobs, parallel to the end of Bantustan administration and the loss of jobs created through industrialisation, even agricultural related jobs (ECSECC, 2015:12). However, the two

Eastern Cape metropolitan governments have shown a decrease in unemployment from 54.3% in 2001 to 37.5% in 2011. It was 48.2% in 1996.

The proper implementation of PPPs is not only meant to stimulate economic growth in the construction sector, but also to encourage equity empowerment enterprises for black businesses, create job opportunities, provide training on mandatory skills, reduce the spread of informal settlements and reduction of poverty and crime rates (Spratt & Collins, 2012:91). A large ratio of the jobs in the Eastern Cape are in semi-skilled sectors, employees receive low salaries and many households are reliant on government grants (ECSECC, 2013:12). If job opportunities were to become accessible today, either a massive majority of the workforce of the province would have a deficiency of the basic work related skills or the practical means to access those job opportunities, or even both. According to Mditshwa (2017), the province is losing a great number of skilled works due to limited opportunities for employment. He goes on to assert that non-vibrancy of local economies remains one of the key contributors.

The Eastern Cape metropolitan municipalities have several major PPP projects, which are mentioned in Chapter 1, Section 1.1 of this study. However, the socio-economic impact and rural-economic development are still below average, despite resources injected into these projects, mainly because of the reliance on services offered by consultants (Auditor General Report, 2015/2016).

In recent years, the PPP Model has gained momentum and has become more relevant and significant, particularly in the field of socio-economic development in South Africa. It attempts to redress the inequities of the past and current developmental challenges. The application or applicator and implementation of the PPP Model enables government as a constituted provider of services to meet the legislative requirements in service delivery, thereby improving the welfare of all citizens and their economic status. However, government cannot in isolation, meet the entire socio-economic requirements of the South African society (Nyagwachi, 2008: 23).

Notwithstanding the abovementioned efforts, limited and capacity constrained infrastructural development efforts and service provision in South Africa have created a fiscal capability gap. In the past two decades, various PPP initiatives have emerged for the provision of capital resources and services that have been conventionally provided by public institutions. The participation of the private sector in development partnership arrangements with the state has been supported as a means to improve the improvement of infrastructure, local economic development and service provision. The increasing unemployment levels,



demands for deteriorating national resources, rising crime levels and the worsening state of existing infrastructure have put a lot of pressure in government. This has forced many governments across the globe to introduce PPP procurement arrangements (Mditshwa, 2017: 10).

In general, PPP term is used to cover a series of partnership arrangements entered into between state institutions and private bodies, in relation to the provision of basic services, such as sanitation, water, housing or electricity. Rintala and Root (2005: 71) write, "PPP is an umbrella term for a wide range of procurement methods that are alternatives to traditional procurement. Concession procurement is one of the PPP procurement methods." At the same time, Ramaema (1997:145) concurs to write, "PPP is merely one name for the involvement and participation of the private party in the provision of public services." PPP procurement arrangement on infrastructure development projects provides a basis that empowers the public and the private sectors to collaborate towards the improvement of public service provision through the delivery of sustainable infrastructure and related non-key services. The partnership arrangement affords transparent and reasonable instruments to pursue developmental opportunities that gather the ideas, capabilities and talents of both sectors, to come up with advanced solutions to meet the needs and expectations of community.

The Eastern Cape Province is one of five, in nine provinces where more than 60% of its populace live in rural areas serviced by small and underdeveloped towns. The province is comprised of 72 small towns in total. The Eastern Cape has an inheritance of common rural deficiency and is characterised by the historical disregard of rural areas. As a result, most people from the province, in search for better employment places rather than staying in small town migrate to the to Eastern Cape main cities of Port Elizabeth and East London and to other provinces (ECSECC, 2015:16).

The South African government has recorded meaningful progress since the dawn of democracy in 1994, characterised by electrification of rural areas, provision of clean running water, sanitation, eradication of 'mud' schools, improved food security through agricultural production and ensuring social security measures through the introduction of grants and public relief unemployment schemes. However, there remains a lot to be done, considering that the Eastern Cape's ability to spatial transformation more than 25 years. Rural development planning and transformation require a comprehensive approach, including programming; implementation plan arrangements and monitoring that consider the nature of rural setting. Rural development imperatives and perspectives into local economic

development, education, infrastructure, health, training and arts and culture should be infused into plans from the initial government planning stages. Integrated planning and coordination are crucial, at several levels.

The province is still living through the colonial dispossession of land and unequal development that has advantaged the urban economy development and continues to do so through urban-centric bias interventions, and a refugee labour dependent system that stripped rural areas of human capital, dislocating families and communities at large (Reviewed Rural Development Strategy, 2016:68).

#### **1.4 RESEARCH QUESTION**

The study addressed the following core question:

- What is the socio-economic impact of PPP projects on the Nelson Mandela Bay Metropolitan Municipality and Buffalo City Metropolitan Municipality?

#### **1.5 RESEARCH OBJECTIVES**

The main objective of this study is to investigate the socio-economic impact of PPP projects in relation to the Coega and East London IDZs, with the aim highlighting the shortcomings and best-practice endeavours, which, in turn, will inform an appropriate conceptual framework on which future South African PPPs could be moulded.

The secondary objectives of this study are to:

- evaluate existing PPP frameworks used by the metropolitan municipalities (NMBMM and BCMM) when implementing projects;
- evaluate Public Administration and Management theories with a clear link to PPPs
- discuss the contextual background and legal foundation of PPPs in South Africa;
- analyse the socio-economic impact of PPP projects in the NMBMM and BCMM in relation to development in the Eastern Cape in particular;
- develop an alternative framework for the implementation of the PPPs by the metropolitan municipalities in the Eastern Cape; and
- to draw conclusions and make recommendations on the application of the PPP framework.

#### **1.6 RESEARCH METHODOLOGY**

This section discusses the research methodology the study employed. Novikov and Novikov (2013:1) describe research design as a process of choosing a research technique. On the

other hand, Yin (2009) defines research design as “a logical sequence that links empirical data collection to initial research questions and eventually to its conclusions”.

Research methods take in account all the techniques and methods, which have been used by the researcher in conducting research whereas research methodology is understood as the approach in which research problems are solved thoroughly. A research methodology allows the researcher to envisage and expound exact occurrences by gathering several scientific actualities in an endeavour to: “tacitly agree to the epistemic imperative, meaning a quest for truthful knowledge” (Mouton & Prozesky, 2001:4). In social research, two research methodologies are predominantly used to conduct any scientific research, namely quantitative and qualitative. The researcher adopted a quantitative research approach, discussed in the next section.

### **1.6.1 The quantitative research method**

In quantitative social research, the suffix ‘quantity’ implies measurement, which is impartial and countable in nature and is the core of this research approach (Bryman, 2007:76) cf. Mditshwa (2012:45). Quantitative methods are mostly used when the fundamental aim of the research is to come to a common factual statement and when the research pursues to ascribe some figures to observations (Brynard & Hanekom, 1997:29). This method places emphasise on the data quantification into statistical variables, which are considered as methodical observations that are recorded in a numeric and standardised coding format. Bless and Higson-Smith (2000:127) write, “Quantitative research relies on measurement to compare and analyse different variables, which are conducted in terms of magnitude.” The latter definition concurs with the aims of this particular study, hence a quantitative research approach proved most apt. The researcher was able to quantify data into numerical variables, which enabled meaningful comparisons and analysis.

The researcher administered a structured questionnaire. Coldwell and Herbst (2004:79) define a questionnaire as:

“A list of written questions that can be completed in one of two basic ways. Firstly, respondents could be asked to complete the questionnaire with the researcher not present, this relates to any questionnaire that a respondent completes without the assistance of the researcher. Secondly, respondents could be asked to complete the questionnaire by verbally responding to questions in the presence of the researcher.”

To facilitate prompt data collection, the structure questionnaires were sent through via email and some physical with the assistance of field workers.

The structured questionnaire was administered to intentionally selected individuals, heading and accountable for the portfolios of LED, IDP, senior officials affiliated to the Business Unit of LED, directors of the Municipal Infrastructure Investment Unit (MIY), and senior technical managers employed in both metropolitan municipalities in 2016; the time of the data collection. Two to three hours of training were organised for field workers on how to manage and process data gathered from the respondents. Field workers were trained on how to administer the respondents' discomforts and enquiries about the completion of the structured questionnaire and how to assist with the dissemination thereof.

A total of 50 questionnaires were distributed. Twenty-five questionnaires were distributed in the NMBMM and the other twenty-five in the BCMM. Thirty-eight questionnaires were returned. The participants were selected based on the metropolitans' organisational structure, HR policies and PPP framework. The abovementioned participants were purposefully included in the study, for the reason that they directly played a greater role in the PPP project arrangement and development, implementation, and monitoring and evaluation of the PPP projects in the NMBMM and the BCMM, namely the Coega and East London IDZs. The participants had the necessary knowledge about the developmental agenda of the metropolitans within their area of jurisdiction.

The collected data was analysed with the assistance of the Cape Peninsula University of Technology's in-house statistician.

## **1.7 SIGNIFICANCE OF THE STUDY**

This study's findings propose that the metropolitans implement, maintain and improve the performance of the PPP projects through the proposed conceptual, Systemic PPP Framework for improved socio-economic development in order to contribute to the pillars of the PDP, Vision 2030, which is in line with the NDP, Vision 2030. The study complements the work done by National Treasury on the development of the PPP Framework in 2004 for the South African government.

This study is important to researchers, students, government officials and policymakers who require information on the nature and place of PPP projects in the discipline and practice of public administration. The study provides valuable input regarding professional implications, which could lead to improved PPP practices.

## **1.8 EXPECTED OUTCOME AND RESULTS**

This study contributes to the enhancement of understanding of the associated issues with PPP projects in the Eastern Cape metropolitan municipalities, which, in turn, should bring about the following:

- Improved implementation of PPPs projects
- Increased effectiveness and efficiency in the administration of PPP projects
- A scientific understanding of the socio-economic impact of the PPP projects selected in the metropolitan
- Alternative PPP Implementation Framework for the metropolitan municipalities
- A Conceptualised Systemic PPP Implementation Framework for rural development and socio-economic development.

This study benefits the:

- NMBMM,
- BCMM,
- South African Municipal Workers' Union,
- South African Local Government Association, and
- Researchers of the Cape Peninsula University of Technology and other institutions or organisations and individuals who participated in the research study.

With this study, the researcher contributed by developing and proposing a new framework, called the Systemic PPP Implementation Framework for the metropolitan governments to implement effectively PPP projects towards sustainable socio-economic development growth.

## **1.9 ETHICAL CONSIDERATION**

Before the research was conducted, a consent letter requesting permission to conduct research on the PPP project, namely the Coega and East London IDZs respectively was written to the NMBMM and the BCMM. The request letter openly specified that information that would be attained, and would only be used for the purpose of the study.

The respondents were assured of the following:

### **1.9.1 Ethical issues**

During the data collection, process respondents were assured of voluntary participation in the study. Before the respondents could participate, they had to sign the permission form and return it back to the researcher. Data collection followed once consent was obtained.

### **1.9.2 Voluntary participation**

It to appreciate that the respondents' participation was at their own will. The respondents were informed that they did not have to participate in the study. The researcher further informed the respondents that they were free to withdraw from the study at any stage they felt that they were no longer comfortable to participate (Creswell, 2014:45).

### **1.9.3 No harm to the participants**

Before the interviews were conducted, the information sheet that identified the researcher was read out to the participants who were assured that they would not be harmed, be it physically, psychologically or emotionally. The researcher ensured that the information required from the respondents was neither humiliating, nor had the possibility of compromising their lives.

### **1.9.4 Anonymity and confidentiality**

The researcher made sure that none of the responses received was associated with a respondent. This implies that the respondents were informed that they were free not to disclose their names (Creswell, 2014:175).

The researcher made it clear to the respondents, when they felt uncomfortable about disclosing some of the information, which they regarded as sensitive that those responses were not mandatory. No comparisons or references made by the researcher in respect of what was said by one respondent to the other (Neuman, 2003:89).

### **1.9.5 Deceiving subjects**

The researcher made sure that the field workers have identification, as mentioned above, and respondents were told about the purpose of the research study. The researcher produced all the documents relevant to the purpose of the study. The respondents were able to know what was expected from them participating in the study when the study's data collection process began.

## **1.10 CHAPTER OUTLINE**

### **CHAPTER 1: INTRODUCTION AND BACKGROUND**

This chapter outlines, describes and gives a full overview of the historic origins of the development of PPPs, their status and future prospects. It forwards motives for selecting the research topic, the justification for the study, over and above the research problem statement.

### **CHAPTER 2: THEORY, NATURE AND PLACE OF PUBLIC-PRIVATE PARTNERSHIPS IN PUBLIC ADMINISTRATION & MANAGEMENT**

The purpose of this chapter is to provide a theoretical framework for the implementation of PPP arrangements within the Public Administration and Management Discipline. The chapter further traces PPPs as a model for social and rural economic development in administrative applications or theories from scientific management to modern-day approaches in the new public administration and management philosophies. Various theories, in other words, systems and management processes, are presented.

### **CHAPTER 3: SELECTED INTERNATIONAL CASES OF PUBLIC-PRIVATE PARTNERSHIP ARRANGEMENTS**

This chapter presents selected international cases where public-private partnerships exist.

### **CHAPTER 4: LEGAL FOUNDATIONS OF PUBLIC-PRIVATE PARTNERSHIPS IN SOUTH AFRICA**

This chapter seeks to answer the question regarding the socio-economic impact of the PPP projects, by detailing and aligning the PPP concept to the legislative framework of South Africa. The chapter also reviews existing rural economic development and LED policy frameworks in relation to the PPP arrangements in the country, with specific reference to the Eastern Cape based IDZs.

### **CHAPTER 5: THE CONTEXTUAL FRAMEWORK OF PUBLIC-PRIVATE PARTNERSHIPS**

This chapter forwards a broad literature review from various acceptable sources, comprising textbooks, theses, journals, conference papers, legislative frameworks, reports, plans and current sources information on the socio-economic development of the two selected metropolitan municipalities with special emphasis on PPPs.

### **CHAPTER 6: RESEARCH DESIGN AND METHODOLOGY**

This chapter details the research design, methodology and the rationale for choosing the selected research approach.

#### **CHAPTER 7: PRESENTATION AND ANALYSIS OF THE DATA**

This chapter covers the analysis, presentation and discussion of the data that were collected in the study.

#### **CHAPTER 8: SYSTEMIC FRAMEWORK FOR PUBLIC-PRIVATE PARTNERSHIP PLANNING AND IMPLEMENTATION TO IMPROVE SOCIO-ECONOMIC DEVELOPMENT IN METROPOLITAN GOVERNMENT IN SOUTH AFRICA**

This chapter contains the development of an alternative conceptual PPP framework for the implementation of PPP projects in the two metropolitans for improved socio-economic development. The basis for the introduction of an alternative model emanates from challenges experienced by the metropolitan municipalities, which relate to the primary objectives of the study.

#### **CHAPTER 9: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

This chapter concludes the study and forwards recommendations.



## CHAPTER TWO

### THEORY, NATURE AND PLACE OF PUBLIC-PRIVATE PARTNERSHIPS IN PUBLIC ADMINISTRATION AND MANAGEMENT

#### 2.1 INTRODUCTION

This chapter forwards the theories, nature and place of public-private partnerships (PPPs) in the practice of Public Administration and Management discipline. It, therefore, locates, explains and defines concepts, theories and approaches that shape PPPs. It traces PPP concept as a prospective and alternative model for enhanced socio-economic development. This chapter elucidates administrative applications or theories from scientific management to contemporary approaches in public management philosophies. Various theories, such as systems and management processes, are forwarded in this chapter.

Social sciences research studies are dependent on theory for their organisation and structure. This study considers theories that develop a systemic understanding of PPP with reference to its application in metropolitan governments in South Africa. The systemic understanding of PPP is directly related to the socio-economic impact of PPP projects geographically established in the two metropolitan governments of the Eastern Cape. The PPPs were established with clear socio-economic development objectives, which have been generously funded. According to Seddon (2010), theories provide the basis for any research being conducted in public administration and management.

Kaplan (1957: xi) writes that:

“Theory includes a set of primitive terms, definitions and axioms from which propositions can be inferred and proposed. It is theory that organises these logically and in a consistent framework so that they can be interpreted and have disciplinary relevance. These propositions should be logically consistent and be interpreted.”

The author suggests four specific denotations of theory. Three are elucidated as appropriate for this study:

- Theory is comprised of a tested collection of theorems derived from the process of envisaging events from circumstances. This clarification also fits well in the natural sciences.
- Theory is a task that provides particular understanding, and that implies an instinctive grouping of perceptions.

- Kaplan, (1957:78) writes that “theory is inherent in the attempt to gain intuitive understanding of social behaviour, institutions, political systems, and cultures. In this context one needs to know how best to marshal factual material in such a way that the reader who views the evidence through the metaphor, concepts and definitions of which the theory is constructed will have an experience of understanding.”

Welman and Kruger (2001:11) write that:

“Theory is part of the edifice of science”. Legitimate research follows a group of logical, related statements that represent a phenomenon and include one or more hypotheses. It is clear that for any scientific enquiry in the social sciences, theory serves as the basis for the enquiry as the process of enquiry and discovery is not always a discovery of a new phenomenon, but also needs to demonstrate a logical approach to the enquiry itself.”

The PPP concept has its foundations in the discipline and theories of Public Administration and Management. The formation philosophies of the practice of public administration are: (1) social, (2) economic, (3) effectiveness, (4) efficiency and (5) integration. In this study, the applicable theories are: (1) the Process Theory, (2) the Systemic Theory and (3) the Public Choice Theory, for the reason that these offer the tenets for analysing the socio-economic impact of the PPPs in the two metropolitan structures.

The above theories originate from the conventional and modern management theories (Smit, Cronje, Brevis & Vrba, 2007:31). In the discipline of Public Administration and Management, output, outcome and impact management of performance is a recognised area of study and its application continues to multiply into other functional areas of an institution and, therefore, attract more refined measures and extension in focus.

Subsequently, the above theories are significant to this study, because public and private sectors in a partnership structure share a common goal and objectives, which would ultimately benefit both parties in agreement. Therefore, the proper and effective management of PPPs relate to performance management for both parties and yet for the public sector it must yield socio-economic benefits with an impact on predetermined beneficiaries.

This chapter firstly forwards a brief overview of PPPs, and public administration and management phenomenon. Theoretical approaches appropriate to PPPs and development in public administration are also presented.

## **2.2 PUBLIC-PRIVATE PARTNERSHIPS AND PUBLIC ADMINISTRATION AND MANAGEMENT (DEFINED)**

The concept of PPPs originates in public administration and functions within the parameters of traditional and contemporary public administration and management (Andoh, 2012). The ultimate purpose of the latter is sustainable development in the public sphere of governing the country's resources. With such a high ideal, one cannot assume that government could achieve it alone and, therefore, the importance of PPPs integrating all spheres must be emphasised (Mills, 2002:172). This is even truer in South Africa where organisation PPPs are key to the foundation for current and future nation building along the lines of socio-economic development. The existing body of knowledge coincides on common and precise terms in that the practice of public administration is as old as government itself. The following section explores the concept of PPPs.

### **2.2.1 Public-private partnerships**

Even though the PPP concept and its literature are relatively new in South Africa, the origins can be traced back to the end of the 20th century (Makofane, 2013:28). In the 19th century European, American, Asian and African states used this concept to finance new infrastructure, such as railways and highways during concession time. PPPs have been in existence for more than a century in some countries, in water management sectors. The private sector has provided goods and services to the public sector over the years and centuries (Webb & Pulle, 2002:115). A typical example of well-known infrastructure projects is the Suez Canal, which only became a successful financial exercise when nationalised in the mid-1950s (Nyagwachi, 2008; Hamilton, 1996).

On the other hand, many similarly large projects did not work out elsewhere in the world, resulting in immense huge financial losses (Thomson, 2005:79). In the South African context, PPP literature can be found in scholarly journals and focuses on government policy documents and the socio-economic background of South Africa (Grimsey & Lewis, 2007). Many countries see the PPP Model as a plan for LED and poverty alleviation (Nyagwachi, 2008; Binza, 2009:201). However, there is often an absence of common origins of PPP development in these countries due to socio-political, economic and technological factors, which differ from one country to another (Cullen, 2001:178).

In the South African context, PPPs serve a particular purpose in that they assist with the delivery of social services, which government has a constitutional responsibility to provide (RSA, NDP, 2011:237). The National Treasury Regulations (2004:1) define PPP as "a commercial transaction between an institution, for example a metropolitan government, and

a private party.” In such a transaction, government subcontracts the private party for a specific project and time, in which the private party can use infrastructure, such as State property. Furthermore, the private party is compensated for these services.

In South Africa, two years after the National Treasury introduced the PPP definition within the context of its jurisdictions, PPPs were referred to as a form of municipal service partnerships (MSPs). According to the Department of Provincial and Local Government (DPLG) (2008, 10:3) of South Africa, PPP is referred to as a form of MSP. MSPs have been defined by the DPLG as “an agreement where a private party takes charge for all or part of the delivery of a municipal service.” PPPs are not limited to profit-making private sector organisations; they also may subcontract to non-profit organisations.

Furthermore, government does not only refer to provincial, but also to metropolitan municipalities. Importantly, the partnership must benefit all the partners involved, reflect predetermined, common and shared objectives, and intended share benefits (Grimsey & Lewis, 2007). Stated simply, Bovaird and Loffler (2009) present the complexity of these working relationships, showing how PPPs emerged strongly in the early 1990s and were common between State/public agencies where one was internally focused, yet looking outside for other role players.

There are numerous diverse types of partnerships arrangements in government, such as partnerships arrangement between the government institutions and private parties, the government and third parties, and even more complex partnerships between the State, private and third parties. Public partnership arrangements can be classified as outlined below:

- “Relationships: which can vary between ‘loose’ (e.g. in an informal network), politely coordinated, genuinely collaborative, fully power-sharing, and purely contractual (although there is a question whether the latter is a ‘real’ partnership) Economic basis: supply-side (e.g. to get cost advantage or market power), demand-side (e.g. to improve service commissioning) or mixed demand or supply-side partnerships (e.g. to boost the economy of a city or region)
- Policy objectives (e.g. promoting economic productivity, empowering clients and the disadvantaged, tackling social inclusion)” (Bovaird & Loffler, 2009:46).

To reiterate what was mentioned before, in the South African context, PPPs serve a particular purpose in that they assist with the delivery of social services, which government has a constitutional responsibility to provide.

The following section elucidates the difference between Public Administration and Public Management, where after specific Public Administration and Public Management theories, are forwarded. The aim here is to firstly demonstrate the role of government is in relation to service provision and how PPPs fit into the overall service delivery endeavour.

## **2.2.2 Public administration and management**

De Waldt and Helmbold (1996:1), attempt to clarify the difference between Public Administration and Public Management. They believe that:

“Public administration refers to the technical discipline as a field of study” or “the science “of administrative processes, governmental activities and interdependent variables, while public administration refers to a practical phenomenon” or the actual rendering of public constitutional services to the community by a service provider.”

Ijeoma (2013:1) agrees with the above in that “public administration is about the management of government affairs to realise the common good of society, which, therefore, suggests it to be a systematic implementation of government policies.”

The practice and science of public administration has been written on prolifically. Shafrits and Hyde (2016) note that administration is one of the most evident elements of government, because it is government in operation.

In social sciences, the concept of administration is commonly associated with the public sector or state. According to Baxter (1991:99), public administration “is the term most often used when referring to the ‘machinery’ of executive government ... or as reference to the executive branch of government. However, ‘administration’ refers to the highest levels of management that are responsible for formulating and implementing government policy.” Goodnow (2006:78) is of the view that one cannot entirely begin to separate administration from politics, even though these spheres have different functions, remain closely intertwined. At the same time, administration cuts across to both public and private sectors.

Goodnow (2017:141) contends that:

“In terms of such views, it is recognized that administration comprises specific generic administrative functions or activities, namely policy determination and execution, organizing, financing, personnel provision and utilization, work procedures and methods, and control, and that all members of the institution are responsible for these.”

From the definitions, it is clear that the term ‘administration’ has to do with administering of all functions assigned that align to the organisation’s overall scope of operation, which leads

to the achievement of the predetermined outcomes and objectives of the institution. In addition, administration can be regarded as a corner stone of all combined tasks and activities geared towards an anticipated end.

According to Naidu (2005), public administration is as intimately related to political science. Despite the close relationship, public administration differs from political science in its emphasis on bureaucratic structures and behaviour, and in its methodologies. This speaks of all government spheres and levels. What continues to be a real reflection of a serious problem is the implementation of government policy by government.

Public management on the other hand, according to Therkildsen (2017) is considered the contemporary term for what used to be called Public Administration in sub-Saharan Africa through the paradigm of neopatrimonialism. Like the administration concept, management has been commonly linked with the private sector as one of the key strategic management functions for business profitability, sustainability and continuity. Botes, Brynard, Fourie and Roux (1998:354) believe that: “management is one of the six aspects that the traditional administrative model lacks.” Management can be clearly differentiated and studied as a component of administration. What needs to be determined is the extent to which various management techniques can be applied in administration.

The authors above share the same sentiments that management is a leadership phenomenon, applicable to all institutions. As a result, management has become one of the prerequisite that in any organisational step, there has to be a leader entrusted with decision making, coordination of actions, evaluation of results, and taking of corrective actions, in the of the organisation (Botes et al., 1998:354). The contentions raised in the earlier parts of this section, trigger the question as to whether a clear differentiation exists between private and public management. Botes et al. (1998:354) suggest the following:

**Table 2.1: Difference between private and public management**

Private Business Management	Public Management
<ul style="list-style-type: none"> <li>• Decisions on behalf of shareholders are aimed at maximising profit</li> <li>• Uses own capital or the capital of shareholders</li> <li>• Budgets must indicate ever-growing profits</li> <li>• Must comply with the stipulations of law</li> <li>• Decisions are dictated by the market.</li> </ul>	<ul style="list-style-type: none"> <li>• Decisions are aimed at improving the public welfare of the politically aware community</li> <li>• Must use tax funds to the advantage of the public</li> <li>• Budgets must show balanced spending</li> <li>• Must apply the stipulations of the law</li> <li>• Decisions are directed by the chief political authority.</li> </ul>

**Source:** Botes et al. (1998:355)

The above table shows that there is a clear differentiation of functions in the management of resources, and with the private sector, the exercise is largely dependent on the shareholders' aspirations and needs. Whereas the management of resource and its practice is largely based on the legal framework of government, established in line with the needs of the communities.

Therefore, it can be surmised that management plays a critical part in the utilisation of an organisation's resources (including human asset) towards the achievement of the pre-determined objectives in a medium to long term (Taylor, 1947: 61).

In the public sector institutions, the administrative function is linked with a perception that being part of the bigger picture and can serve as an integral part to the environment of the public sector, as against the real management of government. Haider-Markel (2014) asserts that the location and role of the metro in the local government sphere in serving the public makes it understandable as to why it is part of the social science.

Despite a generic view that regards public management as a new concept, its level of importance and practiced cannot be overemphasised. Management remains the central function for the leadership in finding better methods for resource planning, management and utilisation in order to the realisation of the predetermined objectives.

Having perused broad definitions of PPPs, Public Administration and Public Management, the focus of the study will now shift to theories of Public Administration and Management.

### **2.3 THEORIES OF PUBLIC ADMINISTRATION AND MANAGEMENT**

The ultimate reason for addressing the relevance of Public Administration and Management theories in this section is to provide the basis for the scientific research enquiry. It is important to understand the nature and setting of PPP in Public Administration and management to avoid academic gaps.

The Public Administration theory is associated with Organisational Theory. There are ten different administrative theories, logically divided amongst contemporary and classical theories Smith and Cronje (2007:30-51), and they are discussed below.

Even though the two categorised theories are not necessarily connected to the study, they are mainly used to provide major descriptive principles of efficiency and effectiveness in contemporary Public Administration and Management within which PPP management is examined and evaluated.

Bailey (1968:128-139) writes that the objective of Public Administration Theory is:

“To draw together the insights of the humanities and validated propositions of social and behavioural sciences and to apply these insights and propositions to the task of improving the processes of government aimed at achieving politically legitimized goals by constitutionally mandated means.”

With the above in mind, the administrative theories are discussed to locate the place of PPP in the practice of public administration.

### 2.3.1 Classical Organisation Theory

The focus of this theory is based on the supposition that administration is universal constructs, denoting universal use irrespective of the conditions and setting, and exposed to similar challenges. To provide setting to this, Classical Organisation Theory originates in the West during the end of the eighteenth and commencement of the nineteenth centuries, as this was time when the Industrial Revolution had stretched to its highest levels of efficiency and economy became the slogans of the then industrial productivity.

According to Chakrabarty and Chand (2012:49), the characteristic operational bias of Classical Organisation Theory rose to rationalize productivity and capitalise on inadequate power associations amongst people. The four basic pillars, namely functional and scalar processes, structure and span of control, and division of labour provide strength to the Classical Organisation Theory (Chakrabarty & Chand, 2012:51). Table 2.2 illustrates the basic principles and proposition of the Classical Organisation Theory:

**Table 2.2: Basic premises and major principles of the Classical Organisation Theory**

Basic Premises	Principles of the Classical Organisation Theory
<ul style="list-style-type: none"> <li>• Efficiency and economy are the universal goals for all organisations</li> <li>• To achieve efficiency and economy, there is a need to design and redesign organisational structures in such a manner that the various structural parts of an organisation function with coordination and harmony</li> <li>• With a view to developing greater rational structures, an organisation should follow certain 'principles' of formal designing and redesigning of various organisational parts, so that the goal of maximising efficiency and economy are achieved with the least effort and resources.</li> </ul>	<ul style="list-style-type: none"> <li>• The scholars assume administration as a universal structured construct, which is amenable to certain common principles of organisation</li> <li>• The discovery of the true basis on which division of work in an organisation should be carried out</li> <li>• Proper coordination in an organisation</li> <li>• Restraining the use of authority in administrative matters</li> <li>• Advocating for unity of command and direction Centralisation of authority and managerial perspective.</li> </ul>

**Source:** Chakrabarty and Chand (2012:51)



The above table sets a basis for engaging on the application and understanding of the Classical Organisation Theory in the most modern and realistic manner. The scholars and champions of this theory, such as Henry Fayol, Luther Gullick, Lyndall Urwick, and Mooney, among others, made a significant contribution during the early 1920s where they interpreted administration from a management point of view, focusing on five crucial fundamentals of administration: design and planning, organising, coordination, command and control. These administrative fundamentals are similarly relevant to PPP arrangements, because what emerges in the procurement of a partnership comes from a vital component, namely planning, which occurs throughout the organisational ranks with the senior management taking full responsibility of this function. All other management functions are based on the planning component, which serves a guide in term of the allocation of resources towards the achievement of the outputs activities of the organisation (Smit et al., 2007:91).

Over the years, the Classical Organisation Theory has come been severely criticized for overemphasising the setting up of institutional structures and ignoring other fundamental human elements of an organisation to the extent that other scholars regarded the classicists as being preoccupied with the formal structural part of the organisation at the extreme cost of human factors (Chakrabarty & Chand, 2012:53). Despite this oversight, the Classical Organisation Theory remains relevant in its application to business outcomes and, therefore, forms the bedrock for modern organisation theories, thus remaining a strong pillar for effective performance management (Denhardt & Denhardt, 2007:77).

### **2.3.2 The Scientific Management Theory**

According to Chakrabarty and Chand (2012:53), industrial management breakthrough came through as the result of the Scientific Management Theory origin. With the growth and merging of large-scale production industries throughout the Industrial Revolution, there was a consequential problem of management, which was worsened by the First World War. What necessitated the need for an efficient of management science was complexity of business management, scarcity of resources and competition. This result of such great paved a way for the Scientific Management Theory to close the gap in this instance.

Taylor (Nigro & Nigro, 1990) believes that “in every job, there is one best way to execute any given task and the outcome for efficiency is vested in systematic and orderly management; this being the key responsibility of the manager.” The scientific management scholars such as Taylor and his followers provide a summarised version of the key objectives of Scientific Management Theory as follows:

- “to gauge industrial tendencies and the market, in order to regularise tasks under operations in order to protect the investment, sustain the business as an employing agency and assure continuous operations and employment;
- to keep the employees assured, not only of continuity of operations and employment by precise gauging of the market, but also assure, by planned and balanced operations, a continuous earning opportunity whilst on the payroll;
- to instil self-confidence, self-value and self-respect among employees by affording everybody the opportunity to learn and understand their own work especially, and plans and approaches of work generally; and
- to disregard environmental factors which are irritating and causing friction in order to promote and develop common language, understanding, tolerance and the spirit of teamwork” (Sapru, 1996; Chakrabarty & Chand, 2012:56).

Taylor’s theory emerged as the solution to the disorder that many organisation suffered and committed himself to the improvement of way in which things were done at the time. As the result, Taylor introduced the following simple management philosophies:

- **Time study:** To measure productivity interval and average time should be placed for each duty.
- **Performance:** Payment should be linked to output results and output should be aligned to the work’s ability.
- **Planning methods of work:** Training of managers in the scientific principles of management should be a priority, and the application of these principles equally become a vital exercise.
- **Functional management:** The organisational setting should be intended in such a way as to synchronize the numerous duties of the industry in a most effective manner (Frederickson, George & Smith, 2003; Villiers in Andoh, 2012:33).

The focus of Taylor’s basic management philosophies was on productivity and effective value chain. This mainly because in the assembly line processing of raw material or input is measured as a finished product or throughput in the industrial sector. Smit et al. (2007) state that “focusing on individual worker performance management through performance appraisal, but paying lesser attention to the environmental factors of the institutions, hinders the proper application of the industrial performance model in public administration and management.”

Furthermore, the Scientific Management Theory's advantage is in its ability to focus on efficiency and economy, as well as the skilling of personnel to match up within the production systems approach and value chain. It would be illogical to expect larger outputs with less-skilled employees (Shafritz & Hyde, 2016:36).

It is a principle of scientific management for work to be divided up to enable a better understanding of the scope of work required from each employee and to help the managers to deliver on their performance management requirements. Within the parameters of the Scientific Management Theory, a process-oriented approach is dominant in order to ensure that work is completed immediately. Frederickson, Smith, Larimer and Licari (2018) write that administration occurs where people gather with a specific intention in a systematic manner. This implies a scientific process, which is the organised method towards a predetermined objective.

The above management theories provide a very significant position in that PPP projects can be implemented effectively and efficiently according to these theories. This is because these theories share commonalities that align to management of performance for quality results through suitable institutional provisions, putting the appropriate resources for the realisation of the predetermined goal, which in this case is socio-economic development.

Secondly, these theories link PPPs directly with project management principles where time management and planning are fundamentals for a better conclusion. Productivity and functionality remain on the list of basic management principles by Taylor in that PPP is an agreement between two sectors whose basic business principles are different in nature. The private sector brings in structured value chain strategies in the partnership, while the public sector forwards its ideal constitutional mandate of providing goods and services, to the populace of the country.

The government's fiscus is under severe pressure due to various socio-economic factors, which alone puts the public sector under tremendous pressure to get into partnership arrangements with the private sector in the main and the third sector. For example, the State is faced with a high demand of providing a free basic service to university students. Minister Dr Blade Nzimande during Parliament's briefing session in October 2015 stated that partnership with the private sector was crucial for this to be realized. Overall, the application of the Scientific Management Theory in the modern or new public administration and management has the potential of building a state that can deliver its constitutional mandate.

### 2.3.3 The Bureaucratic Theory

In history, an organisation has never existed outside bureaucracy, because every collective effort demands some form of bureaucratic formation or structure. Bureaucratic governance emanates from an inescapable and omnipresent phenomenon of modern organisation and is drawn based on its perceived qualities of precision, speed, unambiguity, continuity, efficiency, regularity, consistency, economy, reduction of friction and material and personal costs, unity, strict subordination, and so forth (Chakrabarty & Chand, 2012:60).

However, the opposite is often true. Bureaucracy is often criticised for hobbling efficiency of the organisation (Albrow, 1970, in Chakrabarty & Chand, 2012:60). Despite serious critics of the centrality of bureaucracy in the development of society, Merz (2011) advances Max Weber's theory of bureaucracy by focusing the following characteristics:

- “Existence of clear hierarchy of officials;
- The functions of the officials are clearly specified;
- Officials are appointed based on a contract;
- The staff members are personally free, observing only the impersonal duties of their offices;
- They are selected based on a professional qualification, ideally substantiated by a diploma gained through examination;
- They receive a salary, and usually pension rights;
- The official's post is his sole or major occupation; and
- They are subject to a unified control and disciplinary system” (Merz, 2011:67).

Bureaucracy in the modern public administration and management is still manifested in various ways, which suggests that it exists as part of most organisations, with specific reference to government and other State organs. The current environment has consequently grown to require structured methods, systems and controls, which guide the organisation towards the realisation of its goals and objectives. Weber's characteristics are echoed throughout this theory regarding its application, how it relates to performance improvements and management as a model.

Bureaucracy involves a process approach to performance management and compliance with all relevant and specific statutory policy requirements. This can be helpful in measuring and determining the impact of a service provision programme to the intended community beneficiaries (Henry, 2010:153). This theory considers the Public Choice Theory (discussed

in a later section), which is generally defined as the application of economics to the study of political processes and institutions.

The Public Choice Theory is based on key elements: methodological individualism and rational choice, which are drawn from the ideological support of the New Right philosophy (Niskanen, 1971:73). These contentions imply that the Bureaucracy Theory is a phenomenon, which will still be in existence in many years to come, especially in the public administration and management arena.

### **2.3.4 The Decision-Making Theory**

The Decision-Making Theory equates to administration, simply because every stage of the organisation requires a decision to be made and, as such, can be considered as fundamental steps in the process of policy formulation. The decision-making approach has three approaches to decision-making: the bargaining approach, the participative approach and the public choice approach. Although decision-making may be neither a single-shot job nor a single person's task, it is a series of steps which include providing feedback, follow-up actions and enlisting other role-players. The authors suggest the following steps for decision-making:

- i. Identifying or locating the problem.
- ii. Obtaining related information and data and figuring out tentative options.
- iii. Weighing the tentative steps by seeking the opinion of the subordinates.
- iv. Zeroing in on an option.
- v. Evaluating the efficacy of the decision reached.
- vi. Getting the feedback and making necessary modifications if the situation so demands (Chakrabarty & Chand, 2012:82).

From the above it is clear that decision-making is not a single easy task. This is mainly because all decisions in an organisation affect the resources of the organisation, such as human, financial and so forth. That is why this process requires that leadership be informed of internal and external environmental factors, as discussed previously. Any decisions either have the potential to directly or indirectly affect the organisation's operations, which could jeopardise performance.

### **2.3.5 Contemporary management theories**

In spite of common classification of the modern management theories within the Public Choice Theory (PCT) and New Public Management (NPM), various thoughts and criticism

are in existence. First, the NPM is characterised by its unique application in responding to each country's environmental setting and, places focus on efficient and effective management of performance.

In the same perspective, contemporary management approaches have been widely labelled alongside with the PCT, the NPM and Governance Theory by various Public Administration and Management and Economics scholars (Cox, Buck & Morgan, 2011:19-20). The characteristics of this management approach are linked with the private sector management principles, which is market-driven and whose aim is to improve the better management of service provision intervention programmes through evidence based policy development and implementation.

### **2.3.5.1 New Public Management theory**

New Public Management refers to the application of new private sector related approaches by government in the delivery and provision of services to the communities in the most cost-effective manner. Hope and Choked (2000) write "the NPM conceptualisation and its development was based on the growing demand for services. Government was failing to meet the demand for public services. Improvement of the service delivery environment was crucial for sustainable development. Such failures by government could lead to stagnation, poor quality of public service and fiscal crises."

In fact, a majority of writers are of the view that countries that use the NPM approach as those that have under-gone economic and financial crises (Sedisa, 2008:68). On the other hand, Raadschelders and Vigoda-Gadot (2015) argue, "the main objective of NPM reform globally has been to overcome crises in funding and public service delivery."

Essentially, NPM is uneasy about the productivity increment and cost-cutting strategies intended at improving economic vitality for the public sector. Christensen and Laegried (2001) write that this reform theory largely depends on microeconomic theory and managerial combination. The objective is for the public sector to learn from the efficient and effective means and classifications of the private sector economy, by starting from private market philosophies and run through introduction.

Ventriss (2000:514) simplifies this by saying:

"The NPM entails redefinition of the role and purpose of government and, concomitantly, the emerging importance of market and instrumental value in ordering our political and social affairs. The inevitable results of this trend... are that politics, at least ostensibly, is being mortgaged to economics."

According to the above, NPM is a combination of relevant strategies because it is not one single option but rather, a broad list of choices. This means that the public sector reform strategies are a combined list of options to choose from and specifically focus on one that will work for the public sector (Dempster, Freakly & Parry, 2001:2; Turner, 2002:1494).

Supporters of the NPM have consistently made a firm argument and requested that the application of a private sector management style and performance management system be adopted by the public sector in order to improve its management practices and methods. The management perspectives of the NPM focus on the measurement of performance systems whilst public institutions focus on outcomes during strategic planning rather than looking at inputs as a measures of efficiency and effectiveness (Williams, 2004; Cox, Buck & Morgan, 2011:7). Accordingly, classical and contemporary theories of NPM do not assume that efficiency and effectiveness are more critical than improving performance (Schachter, 2007:734).

The NPM can be regarded as one universal phenomenon, which echoes a unique feature for each country, mainly because of its different application in various countries. The NPM environment within which it is used varies due to the nature of the economic climate and needs of each country. Some countries are categorised as 'developed' whilst some 'developing' countries mainly informed by how government resources are managed, and economic vibrancy that contributes to economic growth and social development. For instance, countries such as the United States of America, linked the NPM development to an evidence based call for an entrepreneurial - focused on government (Stoker, 1999:85; Ott, 2002:105).

In an effort to provide meaningful definitions of the NPM, Binza (2009:82) cites different authors from different schools of thought who assign various labels to it: "managerialism" (Pollitt, 1993:1); "new public management" (Hood & Mc Garvey, 2002:2); "market-based public administration" (Lan & Rosenbloom, 1992:1); "post bureaucratic paradigm" (Barzley, 1992:1); "new right" (Lawton & Mckevitt, 1994:19); whilst Osborne and Gaebler (1992:1) refer to it as an "entrepreneurial government" (in Considine & Painter, 1997:4). Jones, Guthrie and Steane (2001:314) contend that: "the shift to the NPM in China also required a significant transformation in the culture of the civil service, from one focused on input-oriented public administration to a managerial culture focused on effective outcomes." This contributed to the need for the employment of business management managers to supplement the implementation of tasks by old-style service administrators to bring them to speed with new ethos and changes.

In 1994, South Africa became a member of the OECD. The NPM theory and its application gained momentum and expression in South African policy frameworks right after the dawn of the new democracy in 1994 and 1995. The “young” independent South African government had a responsibility of finding democratic and sustainable means that of rebuilding socio-economy.

The introduction of privatisation of state owned enterprises (SOEs) is one example that that reflected the adoption and application of NPM in South Africa. That saw the municipalities engaging in the outsourcing of certain functions to the private sector, for example: human settlement and refuse removals, for the purposes of better service provision and development. This indicated an important shift from the old type management and governance of public resources towards results and impact based methods.

Schwella (2015) writes that NPM Theory is output-driven and not input-driven. Therefore, the accountability of public managers is of paramount importance, in the efficient achievement of organisational performance targets. Pollitt (1993: 8) provide four fundamentals of the NPM Theory:

- “A much better and larger use of alternative market-line service delivery mechanisms, such as outsourcing, privatisation, partnerships and joint ventures
- Intensified organisational and spatial decentralisation of the government and production of services
- A constant theoretical emphasis on the need to improve service quality
- An equally relentless insistence on attention to the wishes of individual service.”

It has been mentioned that the soul of the NPM Theory’s introduction is advocacy for a flexible, efficient and effective government to advance the quality of life of all people. The opinion is that government should accomplish value for money (VFM) in all service delivery, as this tally to an economical state, which regards financial management as the fundamental principle.

In respect to financial management perspective, the NPM prompts metropolitan governments to pay attention on the effective and efficient ways of managing financial resources. According to Farnham and Horton (1996:86), money stems meaning from being the intermediate through which the worth of all other resources is articulated and is the means by which all other useful resources are maintained.



Furthermore, authors capture different principles and ideological aspects of the NPM. For example, Balfour and Grubbs (2000:577) identify five main notions that underpin NPM, namely:

- “Social progress through economically defined productivity;
- Application of sophisticated technologies to improve productivity;
- A labour force disciplined in accordance with the productivity ideal;
- Management as the key player in achieving greater productivity; and
- Managerial flexibility or the right to manage.”

The above classification places significant focus on productivity and considers the management role in public organisations. The application of this NPM in the public sector would yield far-reaching expectations and management practice improvement. Hughes (1998) and Alistair (1999) have captured the following complementary features of the NPM:

- “Hands-on professional management in the public sector, which advocates devolution of powers to heads of departments so that public managers can manage their departments. They become personally responsible for the results for their departments to the extent of losing their jobs if things go wrong.
- Explicit standards and measures of performance. This emphasises outcomes instead of outputs. In this case, departments are expected to develop performance indicators in order to measure progress being made in pursuit of objectives. Performance measurement can also be used as a basis for rewarding employees or for improving against them.
- Greater emphasis on output controls are facilitated via performance and programme budgeting. Funds are allocated based on specific programmes of departments in this system. In this case, costs are listed at programme level. This approach invariably calls for better long-term planning and strategic management so that resources are directed towards expected outcomes.
- A shift to desegregation of units in the public sector in which large developments are split into smaller policy departments in order to enhance efficiency through ‘one-stop shops’
- A shift to greater competition in the provision of public service with a view to cutting costs by putting services to tender

- A stress on private sector styles of management practice particularly regarding flexibility in hiring, firing and rewards.
- Discipline and parsimony in resource use. The emphasis is on cost cutting with attention on the best use of available resources so that objectives can be achieved at the least possible cost.”

The above classifications of philosophies of NPM seem more complex. In this context, the NPM advocates for the transfer of private sector ways of governance and management to the public sector. However, this may not be an easy task for the public sector considering its current system, which lacks adequate governance for its implementation. The absence of leadership suspends all possibilities in any organisation. For example, the Honourable Ms Lindiwe Sisulu (2016) made a pronouncement that called for the ‘professionalization’ of the public sector, which received mixed views from the intelligentsia, academics and the community at large.

It is therefore critical for public sector to relook urgently at the organisational identity changes into a business oriented, which places emphasis on delivery of goods and services effectiveness and efficiency. According to Horton (2003): “NPM reflects a transformation from a traditional bureaucratic system of public administration to a market-oriented results-driven system of public management. This implies a total departure from a rigid bureaucratic system into a more flexible and responsive service and performance-oriented organisation.” Hughes (1998) writes that the intention behind the introduction of the NPM was that “governments were faced with declining real revenue but with political demands to maintain services at the same levels.”

In respect to SA public administration, the NPM encourages actual support free development enterprise strategies on which government bases its reform and reorganization development programme and LED guidelines. In addition, terms such as ‘competitors, suppliers, regulators and consumers’ became significant in the public administration model (Schwella in Parker & Saal, 2003:292). These terms now appear in conventional public administration lexes, which are progressively found in South African legislative frameworks (this puts forward that the NPM offers the theoretic base on which South African government, is based).

The ideas of NPM are based on five fundamentals, namely:

**Managerialism** refers to practical, proficient management based on the private sector management style. The emphasis is on setting performance measurements, work standards and output results. Pollitt (1993:166) writes that managerialism is a set of beliefs and practices that consider better management as a means to improving economic and social conditions.

**Rational choice** contends for linear or disaggregated bureaucracy; contracting out of services; development of quasi-markets, such as municipal bonds to improve service delivery and local economic growth and development; strengthening discipline through valorising the rule of law; and parsimony in public spending (Cornish & Clarke, 2014:71).

**Hierarchy prescriptions** places special focus on the value of typical and visionary leadership in the transformation of local economies through PPP arrangements. The view is that the PPP approach should be cascaded into organisational strategies and plans, aligned to that of provider(s) of goods and services (Craig, 2005:12).

**The market prescription** emphasises the introduction of direct market competition to provide public services or market-like mechanisms to regulate relationships between purchasers and providers. The relationship between the government and the market force or private party is managed and controlled through contractual means (Spier, 1986:8).

**The network prescription** places emphasis on the need for sustainable long-term development and process flow relationship built on faith, common understanding and a mutual moral or honest pledge among the services and goods providers and the customers (Polidano, 2004:86; Farnham & Horton, 1996:72; Stoker, 1999:3).

Remarkably, the use of the private sector business principles put forward above has limitations in public institutions. Writers, such as Denhardt (1993), believe that managerialism can exacerbate the problem of excessive control and regulation, and that it is most vulnerable in its ethical content.... In its extreme technical application, managerialism embraces a variety of practices that are antithetical to those democratic principles that should guide the work of the public sector.

Over and above, Felts and Jos (2000:520) criticise certain unfortunate characteristics of NPM as they argue that:

“the speed and scale of both academic and institutional advance of the new public management is even more disconcerting since it represents a series of challenges to

many of public administration's commitments to values other than efficiency, including equity, constitutional stewardship, public spiritedness, and citizenship.”

Finally, various different models exist that can be utilised to implement the NPM, such as contracting out, outsourcing, joint ventures and leasing (Savas, 1982). The privatisation as an alternative methodology to NPM where PPP properly fits will be deliberated on in a later section.

### **2.3.5.2 The Public Choice Theory**

Shaw (1996) states that the Public Choice Theory surfaced back in the early 1960s as a unique subfield of Public Administration and Economics, and it focused on responding to issues and problems that were considered limitations on service delivery and improved development. This theory further forwards some reworked government operations in the delivery of services, and places more emphasis on economic utilisation of resources. It affords the public sector to adopt the use of private sector management models.

The Public Choice Theory forwards a legitimate approach and understanding into how the public sector decision process takes place. It encourages a collective approach in the process of decision-making. It is vital for government to direct its resources on key high priority projects that able to reflect some level of outcome and impact in different community settings, as part of government's mandates (Tullock, 1962:11; South Africa, 1997). The PCT (Buchanan & Tullock, 1962:11) substitutes the idealistic and imagined ideas about the mechanisms of governments with ideas that symbolize more scepticism.

There has been a constant challenge raised by Niskanen (1971), which is non-competitiveness and the monopoly enjoyed by public organisations on markets and development environment. The introduction of the Public Choice Theory would allow public sector formations to be more competitive and productive in providing goods and services to its citizens. The argument behind this is based on a view that the provision of services by agencies are likely to be funded through government, but the actual delivery of these services would be at the hands of the private sector in the form of a contract. Then administration as such would vanish, leaving the reviewing and contracting agencies to follow up on all the contractual obligations and approaches to service delivery.

Similarly, Shaw (1996) writes that some scholars of Economics and Public Administration believe that this theory is mainly used to gauge people's reactions to policy decisions and as a tool to examine and analyse their actions in collective processes of decision-making. This theory is an appropriate tool for development policy and execution for evidence-based

monitoring and evaluation. Briefly, this theory seeks to provide an explanation or description of the “means through which conflicting interests are reconciled.

It promotes the speeding up of the sustainable livelihood enhancement processes of the rural and local residents through commercial developments, vibrancy and the provision of quality and relevant public services in the most resourceful and effective manner. The content of the policy and the available effective policy options should reflect how policymakers and decision-makers make choices.

James Buchanan, one of the originators of the Public Choice Theory, sets this simply: “In one sense, all public choice or the economic theory of politics may be summarised as the discovering or re-discovering that people should be treated as rational utility maximizers, in all of their behavioural capacities (Howlet & Ramesh, 2003:22; Habermas, 1999).” Choices about government involvements through the phase of market failures due to decreased local economic vibrancy or in mainstreaming the private sector into the whole scenario do not make a substantial contribution to local economic growth and industrial development.

Although the PCT was a capitalist philosophical replication of the USA government, the industrial free-market theories saw public choice as the theoretical justification for its practice.

Howlet and Ramesh (2003) endorse the argument that “Public Choice Theory applies the principles of neo-classical economics to political behaviour” They further argue that: “policy and decision-makers in public administration, like economic ones, act ‘rationally’ ...in calculating fashion, to maximize their ‘utility’ or ‘satisfaction’. For political actors to count they must ascribe to this characteristic psychological behaviour of self-interest” (Binza, 2009:77; Ismail, Bayat & Meyer, 2005:24).

Public choice theory states that individual consumers should be able to choose from public or private sector suppliers what services they want and from whom they want to receive them. They should have a choice at individual level and not be compelled to consume services provided by the State if they do not want those services (Howlet & Ramesh, 2003:22).

Regarding the application of Public Choice theory, Self (2011:51) forwards that:

“Voters can be likened to consumers; pressure groups can be seen as political consumer associations or cooperatives; political parties become entrepreneurs who offer competing packages of services and taxes in exchange for votes; political

propaganda equates with commercial advertising; and government agencies are public firms dependent upon receiving or drumming up adequate political support to cover their costs.”

This theory advocates that the private sector be better placed to distribute and provide goods and services. The environment, method and commercial philosophy contained in this theory gives the private sector a benefit over the public sector, because it advocates the employment of technical quality expertise that have an effect on industry processes in order to maximise profit. The roots of this theory can be traced back to Von Gierke who had the encouragements of grass root government, but instead forwarded his devotion to the business sector philosophy, which he believed should be permissible to develop, free of all subjective restraints within the confines of generally accepted and broadly defined standards in addition to voluntary associations and organised local communities (Batly & Larbi, 2004:145).

One can surmise from the above arguments that the PCT advocates that the government's service provision interventions to the public should be narrowed to supplementing the market. This can be attained by applying and making balanced development policy so that the markets can function in a way that is favourable to the entire populace. This contention is encouraged by an industrial philosophy, which boosts transactional rate examination and hinders government from interfering in private goods, activities and service transactions.

The responsibility of government must only be limited in property rights administration and in averting any possible criminal behaviour that has the potential to undermine the motives and reasoning after the Public Choice Theory (Howlett & Ramesh, 2003:24). According to Downs (1957), the Public Choice Theory regarding the Public Administration and Management Discipline has some deficiencies in that it lacks incentives for voters to monitor and hold government accountable for effective resource utilisation. Binza (2009:76) adds that:

“Voters cast their votes, some without knowing the names of their leaders, let alone what policy shifts the new government will introduce when in power. In this regard, the voters cast uninformed votes, and have virtually no chance to determine the outcome of the election, because the voter has limited knowledge of political matters but his/her choice is rational. Even though the result of an election may be very important, an individual's vote rarely decides an election.”

The above contentions around PPP Theory can be expressed as follows. Firstly, the theory looks at how the policymakers, for instance legislators, traditional leaders and councillors take decisions that relate to social development and local development towards sustainable development. It is generally anticipated that policymakers, traditional leaders and councillors

have at heart the interest of the public, in the course of policy enhancement and resource provision. This implies that the State resources need to be channelled according to community requirements in order to efficiently and effectively deliver and satisfy the 'exact' requirements (Shaw, 1996:4; Meltzer & Richard, 1981:41).

Secondly, Shaw (1996) writes that PP Theory:

“Enables an accurate analysis of the role of bureaucrats in government. The government bureaucrats are advised not to be captured by special interests from the incentives of the regulatory agencies.” This simply means that the actions of government officials should not be motivated by profit, because the public office is there to serve the public. Similarly, if the administrators get into a relationship with the interest regulatory agencies, budget approval and allocation to run their departments by politicians might be possible. However, the bureaucrats rely on legislators for their budgets. Often the people who benefit from their mission can influence legislators or councillors to provide them with more funds.”

Therefore, interest groups—who may be as diverse lobbyists for regulated industries or leaders of environmental groups—become important to them. Such interrelationships can lead to bureaucrats being captured by interest groups (Binza, 2009:80).

Lastly, due to its flexibility, the Public Choice Theory enables the use of other relevant theories, such as the Game Theory, which public choice theorists use to understand how political conflicts are resolved and how to apply relevant mathematical models of voting strategies called social choice (Mbanga, 2012:80). Arrow (1951:153) contends that: “social choice attempts to figure out through logic whether people or citizens who have different goals can use voting to make collective decisions that please everyone.” He concludes that they cannot and, therefore, his argument is called the ‘impossibility theorem’.

Howlett and Ramesh (2003:201) provide societal critic of the PCT. They note that the Public Choice Theory is:

- i. “Based on an oversimplification of human psychology and behaviour that does not accord with reality.
- ii. As a result, the theory has poor predictive capacity.
- iii. It has a faulty empirical foundation or dimension, which is caused by the fact that the theory originated in the USA. It is based on that country’s pattern of electoral competition between two parties, which forces voters to choose between two clear alternatives. The application of this theory would produce mixed results or total failure in a multi-democratic country where there are varied alternatives.

- iv. The analysis of the theory is explicitly normative, not positive and value-free, as pronounced by public choice theoreticians.”

The Marxist (2009:81) elucidation of the Public Choice Theory in a capitalist society is that the theory serves the interest of the individual and not of the collective and is not pro-poor. In this regard, Marx argues that:

“The [S]tate is the instrument in the hands of the capitalists, who use it for the purpose of maintaining the capitalist economic and public administration systems that would serve their interests – that is, the private sector do business with the [S]tate to make profits.”

This can be related to the bureaucratic elements which are so prevalent in the current public sector, to the extent that the means to gain income in a market cannot serve as an objective guide to the expenditure and, at the same time, prolongs the internal processes that are performance- and service- delivery related (Nigro & Nigro, 1990; Shaw, 1996; Gwartney & Stroup, 1992). Generally, public organisations have enjoyed the constant, non-competitive and monopolistic ride on economic markets and even in the service delivery space.

The possibility of improving the social and rural economic conditions through partnerships requires a collaborative effort from the public and private sectors (Niskanen, 1971). The White Paper on Improving the Public Sector (RSA, 1997) is clear in its position regarding repositioning, refocusing and transforming the public sector into a capable state that is capable to deliver on its constitutional mandate with clear measurable performance indicators and targets on all major developmental projects.

According to a view maintained by Public Administration and Economics scholars, the Public Choice Theory is most suited to policymakers and decision-makers who have the immense responsibility of taking informed decisions on behalf of their constituencies and making firm reflections on the contents of the policy documents. Although this theory, which emanated from capital ideologists, was adopted by the US government, its application is still relevant in guiding government’s service delivery planning and implementation while creating an environment conducive for partnerships (Howlet & Ramesh, 2003; Williams, 2004).

In the perspective of this study, the Public Choice Theory draws from these contentions and, therefore, remains relevant for the development of a PPP implementation framework (Starr, 1988). For various reasons (but limited to two for the benefit of this study), the Public Choice Theory provides for a thorough determination and examination of policymakers’ actions (Shaw, 1996; Meltzer & Richard, 1981). This simply implies that policymakers, such as



legislators and councillors are expected to reflect the needs, aspirations and interests of the public in their policy development and link these explicitly with realistic available resources to allow the prioritisation of necessary areas.

In terms of the Republic of South Africa Constitutions (1996) accountability for utilisation of State resources is a mandatory requirement. All legislators and appointed office bearers must at all-time adhere to the requirements set out in the Constitution as they endeavour to meet the public's interests and needs. Those in office, however, do not always adhere to these statutory requirements.

With a high level of corruption in South Africa, socio-economic and rural development reforms are jeopardised, particularly at the local level where the poorest of the populace are. Myerson (2013:101) records that the PCT is simply combined with other theories, such as the Game Theory, which public choice theoreticians use to understand how political conflicts are resolved and the application of relevant mathematical models of voting strategies also called social choice. It can be contended that corporate governance and suitable executable development PPP policy framework can produce positive outcomes for the metropolitan municipalities and their voters.

Despite shared values, contemporary management theories do not share an identical perspective (Cox, Buck & Morgan 2011). Reforming and reinventing government places an emphasis on economic growth, performance management, efficiency and reduction of wasteful expenditures and champions the emulation of private sector style management practices by public institutions. According to Cox et al. (2011:57), the NPM approach borrows the element of programme evaluation from earlier theories in its search for programme and managerial effectiveness in the public sector.

As a result, it can be established that it is precisely vital for legislators, government administrators and society leaders to ensure a fair, joint decision-making process. In this way, grass root government social equality will be stimulated. This implies that all choices taken by government must be in the best interests of the community in order to determine the real results of those choices.

The Public Choice Theory, unlike the other theories which have been discussed above, becomes more applicable to this study as it suggests that the policy and decision-makers in the metropolitan governments continue to use PPP as an alternative model for enhanced industrial development, industrial financing and eventually to improve the socio-economic

growth of the two metropolitans. In addition, it will make local government more democratic, fair, effective and efficient in governing and providing municipal services.

## **2.4 DEVELOPMENTAL THEORIES AND PHASES OF MANAGEMENT**

First, what characterises the introduction of management as a discipline are some stages of development: The People-Oriented Phase, the Scientific Management Phase, and the Contingency Theory Phase. Although an in-depth analysis of each phase is beyond the scope of this study, it is nonetheless relevant and important to focus briefly on the most crucial elements of each phase. These phases are important for this study in that they not only describe how to approach the application of the above theories, but also focus on the developmental side and management thereof (Van De Waldt & Du Toit, 2011:58).

### **2.4.1 The Scientific Management Phase**

Based on Taylor's principles and assertions, the Scientific Management Phase focuses on the improvement of productivity, not public administration (Taylor, 1947). This clearly emphasises performance management with measurable outputs at the end. Smit et al. (2007), however, argue that by singling out one's work performance and focusing only on internal processes and excluding environmental factors, limits the applicability of manufacturing performance management in public management.

### **2.4.2 Behavioural or People-Oriented Phase**

This Phase can be traced back to studies by Hawthorne who showed that for people to be more productive, they needed to be motivated in various ways other than financial rewards or a conducive working environment (Van Der & Waldt Du Toit, 1999:87). The foundation of the people-oriented approach is the realisation that people are distinct as human beings and this fact cannot be disregarded. Instead, the latter should receive thorough consideration.

While the Scientific Management Phase emphasises processes leading to productivity through the rewarding of efficient work, this phase considers the human aspects as production continues to achieve better results. This is equally relevant to the scope of this research study, because the application of these developmental phases can be used to measure the socio-economic gains of PPPs. In any production line, there is a strong human element, which needs to be considered throughout the value service chain. A strong focus is the motivational and behavioural theories of human beings in the workplace (Van Der Waldt & Du Toit, 2011).

### **2.4.3 Situation or Contingency Theory Phase**

The introduction of the second phase (people-oriented), which focuses on improvement in production processes and provisioning of services alongside diversity, complexity and job specialisation, gives rise to the Contingency Theory Phase. This phase mainly considers environmental and circumstantial elements, and their influence on management style.

With these three development processes of management theories in mind, it can be suggested that logical, systematic and focused planning and implementation are key to improving organisational performance. PPP agreements or arrangements are no exception in this regard, because of the nature of the partnership, which seeks to fast-track efficient and effective service delivery. This means that the PPP objectives must be achieved as economically as possible. At the same time, it is important to share these developmental phases of management and a brief overview of management approaches and to have a balanced view of the actuality and nature of management, and the environment in which it takes place (Benington & Moore, 2011:89).

## **2.5 APPROACHES TO MANAGEMENT**

This study separates government institutions from private ones. According to Aguinis (2009), the scope and nature of public administration as an activity in government institutions is wider than that of management. Management is considered an aspect of public administration, which cannot be realised unless the results or outputs of public administrators enable the management of the government institutions to do so.

At the same time, public managers must have a clear policy pronouncement with specific objectives for the department or institution in question before they can fulfil their managerial functions. For managers to exercise their managerial functions, they need to use processes of public administration, such as setting up a structured approach and frameworks for the whole institution to function optimally. Nevertheless, management approaches are critical because public administration and management have always been about the art and science of human behaviour and interaction. Three approaches are discussed below.

### **2.5.1 The multidisciplinary approach**

Public administration cannot be studied out of context and, as such, any discussion thereby becomes interdisciplinary and multidisciplinary (Van Der Waldt & Du Toit, 1999). This implies that the study of public administration as a discipline is a continued result of other related disciplines, theories and concepts, which continue to enrich the content of public

administration. This is because the environment for private and public administration is not constant, but ever changing and that requires collaborative enquiries and focused theories. The table below shows an abstract of those disciplines that seem most appropriate to this study.

**Table 2.3: Public administration contributing disciplines**

CONTRIBUTING DISCIPLINES OF PUBLIC ADMINISTRATION	
Political Sciences	Kotze and Van Wyk (1986:76) define Political Science as the “scientific study of politics, which includes the following subfields: Political theory and philosophy, national political systems, international politics, public administration, political institutions and political behaviour.” Political Science is concerned about the study of the public or government within the context of political aspects “as opposed to public administration, which is concerned with the internal operations or functioning of executive government institutions” (Cloete, 1986). Similarly, PPPs are mostly the result of political will, rather than the inclination of public administration, which, in the view of the researcher, makes it a centred discipline for socio-economic development.
Economics	Cloete (1986:48) writes, “Economics studies individuals as economic entities and their behaviour in economic affairs, that is, how they use scarce resources.” It is common in the face of limited resources to have decisions made by authorities around values on how best to use these resources. It is, therefore, in this way that Public Administration and Economics are inseparably linked (Cloete, 1986).
Developmental Administration and Management	Development Administration and Management can be traced as a specialised field of study in Public Administration. A trend towards rationalisation in tertiary institutions and Developmental Administration saw this being integrated into Public Administration (Van Der Waldt & Du Toit, 2011). A typical example can be made of the Reconstruction and Development Programme (RDP), which is directly linked to public administration and which is concerned with the overall enhancement of living conditions and standards, and socio-economic development. In fact, the PPP project found in the two metropolitans of this study can be located within the same context. The overarching objective of these PPP projects is to improve the metropolitan’s living standards through development.

## CONTRIBUTING DISCIPLINES OF PUBLIC ADMINISTRATION

Ethnology	Ethnology is about the establishment of a better understanding of how communities can be developed. This method of enquiry seeks to gain insight into the way of life of different racial community groups and institutions, and how public affairs are dealt with or conducted (Van Der Waldt & Du Toit, 2011:61). The use of this method affords public officials a deeper knowledge and understanding of community needs, and cultural and customary differences.
Management Science	Management Science is about the search for ways to improve the functions of private enterprises (Cronje, Neuland & Van Reenen, 1987:29). Public Administration is an independent science. Management Science and Public Administration or Public Management talk to the application of management principles and approaches. The only difference between the two disciplines is the field of study.
Sociology	The fundamental aim of sociology is gaining an understanding of individuals in their communal and natural settings. This is in fact getting to know how the individuals understand and interpret their environment and that makes Sociology very relevant and important to Public Administration (Cloete, 1986). Public Administration has immense interest in the sociological studies of organisational matters if the variety of public institutions and their internal functions are to be understood.

**Source:** Van Der Waldt and Du Toit (2011:58)

From the above discussions of various disciplines, it can be concluded that public administration should be studied in conjunction with other disciplines and not in isolation. The continuous discovery of theories within the discipline is essential in the evolution of public administration as a discipline.

### 2.6 SUMMARY

The administrative and development theories, which have been forwarded in this chapter, point to common factors such as efficiency, effectiveness, leadership, systems approach, administrative order and many others. The drive towards the implementation of New Public Management and Public Choice Theory emerged strongly. PPP fits well within the realm of Public Administration and Management.

Many of the principles advanced by the aforementioned theories speak to aspects prominent in PPP projects. These aspects include decision-making, public interests, service delivery and the like. The application of management development theories in the implementation of PPP projects would promote efficiency and effectiveness. For any PPP procurement, the public and private sector need to be specific about what must be done and the expected outcomes.

This study draws from scientific management, behavioural, classical organisation and NPM theories. Although development theories (classical organisation, scientific management, behavioural and classical organisation) are still dominant, it is key to note that the NPM and Public Choice theories hold centre stage in socio-economic development interventions. This is supported by the contention that, for the public sector to improve its management practices and methods, it may require the application of private sector management styles and performance systems.

The management perspectives of the NPM focus on the measurement of performance systems. Public institutions focus on outcomes during strategic planning rather than looking at inputs as a measurement of efficiency and effectiveness. For IDZ-PPP to be successfully run there is a need for relevant, sound systems and leadership that promotes efficiency within the operations.

According to the New Public Management approach, managerial efficiency is fundamental for the public sector. This view is firmly based on the stance that the management philosophies and application of the private sector are naturally greater than the public sector and the reason why government now chooses to collaborate with the private sector. In addition, for various reasons, the decision making process in the public sector environment is much less certain and slower when compared with the private sector.

There is therefore justification for both the public and private sectors to join forces through PPP arrangements for an urgent turnaround of the country's economic status. Several researchers within the discipline of Public Administration and Management have made meaningful advocacy for PPP as an alternative strategy for local economic development, which would meaningfully benefit society in the fight against poverty, unemployment and inequality.

Notably, the structure, nature and operations of contemporary public institutions can be linked to the classical management approach that was followed from the 1900s to the early 1920s. Some of the great and popular contributors to this approach are Fredrick Taylor who focused on the productivity of each worker, while Henri Fayol focused on management process of large organisations, and Max Weber focused on how organisations were structured for improved organisational performance. The main objective of the public sector is to promote the general welfare of its populace. However, this chapter has presented key philosophies that talk to public service provision. These include, among others, the theory of public interest and the competitive theory of private sector and public institutions.

For the NPM theory to be more effective, it must be applied in conjunction with the Public Choice theory. Together the application of these theories will not only measure the performance efficiency of an organisation, but also take cognizance of community needs. It is important for the public sector to consider the needs of the people by scanning the environment in order to determine the nature of services required by the communities.

Once that is settled, the NPM can be applied to facilitate efficient and effective service delivery. With the two IDZs-PPP projects that are ongoing, the NMM and BCM, the founding principles of these PPPs are inclusive of the views and aspirations of their individual communities. Although the IDZs operate in these metropolitans, the Eastern Cape is still challenged with high levels of poverty, unemployment and inequality. It is, therefore, crucial to conclude that the public sector needs serious transformation from the formulation of, to the implementation of policy. The principles of the NPM and Public Choice theories will be advantageous in this instance. The next chapter will examine the experiences of international public-private partnerships.

## **CHAPTER THREE**

### **SELECTED INTERNATIONAL CASES OF PUBLIC-PRIVATE PARTNERSHIP ARRANGEMENTS**

#### **3.1 INTRODUCTION**

The aim of this chapter is to present selected cases of international public-private partnership endeavours in order to learn from these countries' experiences. Examples of PPPs will include cases in developed and developing countries.

#### **3.2 KOREA: PPS**

Pacific and Asia when infrastructure financing needs started to surpass the available public fiscal resources, the private had to get on board with a role of financing infrastructure projects through PPP arrangement with the public sector. Similarly, there is a growing demand for the adoption of PPP method among the developing member countries (DMCs) for infrastructure development projects. A global experience has revealed that the PPPs model in social and economic infrastructure delivery allow public sector to utilise the private sector investment and efficiency to enhance provision of services to the communities. In the same breath, many of the experiences from DMCs find difficulties with the implementation of PPP projects. The Asian Development Bank (ADB) works hand in hand with government institutions to spread information, support in developing reform agendas, improve capacity, reinforce governance, and create an enabling conditions for the successful implementation of PPP development projects (Kim, 2007:83).

Notably, the Republic of Korea has over two decades of experience in PPP project implementation. This experience has provided great lessons to most DMCs and merits wider dissemination. The Republic of Korea has developed institutional environment and an advanced market, with more than 15 years' experience in the PPP programme.

Subsequent the years of prompt economic development, the Republic of Korea from about 1990, began to face an immense scarcity of infrastructure services, such as railways, roads, airports and seaports. To address these needs, the Korean government pushed "for PPP infrastructure projects with the enactment of the Act on Promotion of Private Capital Investment in Social Overhead" Capital in August 1994 (Korea Development Institute, 2007).

As a result of the economic disaster that the Republic of Korea experienced during the late 1990's, the PPP project advancement fell into a crash. In response to this financial crisis, a



cross board amendment – called the Act on Private Participation in Infrastructure – was introduced in December 1998. It required the reinvigoration of PPPs arrangement through different government development policy frameworks. This included the minimum revenue guarantee (MRG). In January 2005, the aforementioned Act was amended again to expand the series of services offered through economic infrastructure such as environmental facilities to social infrastructure, military residences, housing and welfare facilities for the aged, cultural facilities, and transport facilities. At that time, the Korean government introduced the build-transfer-lease (BTL) method in addition to the existing build-transfer-operate (BTO) technique, to expand the range of involvement in PPP funding and to diversify prospects (Korea Development Institute, 2007).

In October 2009, the MRG was close down and substituted by the government support package of compensation base cost measurement. This means that the government institutions share investment risks within the limit of government's cost in the case of a public project.

In this section, the institutional settings for PPPs in the Republic of Korea are presented. These include the procurement schemes, legitimate PPP frameworks, financial and tax incentives, support for land expropriation by government, capacity building and education, training, and concession termination conditions.

The Republic of Korea's Public-Private Partnership Act and the Enforcement Decree and Public-Private Partnership Principal Legal Framework define the infrastructure development project types, procurements (types and processes), public and private sector roles and policy supports eligibility. PPP projects are exempted from stern government regulations in the space of state property administration and allows a business with a special determination to play a significant role of capable authority. The PPP legal arrangement hierarchy in South Korea is as follows:

- Public-Private Partnership Act
- Public-Private Partnership Enforcement Decree
- Public-Private Partnership Basic Plan
- Public-Private Partnership Implementation Guidelines.

The Public-Private Partnership Act makes a provision for the development of Basic Public-Private Partnership Plan (BPPP) together with the Public-Private Partnership Implementation Guidelines (PPPI), which equally deal in-depth with policy guidelines, procurement practices and the degree of support by government. The Ministry of Strategy and Finance (MOSF) and

the Public and Private Infrastructure Investment Management Centre (PIMAC) are directed to issue the Public-Private Partnership Basic Plan by the Act.

According to Yescombe and Farquharson (2018), the PPPBP provides and expansion from the Act by concentrating on the implementation procedures of PPP projects, payment schemes for government subsidies, financing, refining options, documentation instructions and risk allocation mechanisms. PIMAC is given a responsibility of developing the PPP-IG to enhance transparency and impartiality in the implementation processes of PPP projects

The major participants in the PPP programme are the MOSF and the apprehensive line ministries, where the MOSF is accountable for the implementation of the Public-Private Partnership Act, Public-Private Partnership Enforcement Decree, and Public-Private Partnership Basic Plan. Additionally, the preparation for the PPP draft budget is also the responsibility of the MOSF (Asian Development Bank, 2013).

Suitable procurement ways and means are distributed into build-transfer-lease (BTL) and build-transfer-operate (BTO), dependent on the structure of the PPP project arrangement. Additional procurement approaches, such as build-operate-operate (BOO), are also appropriate in the PPP procurement arrangement. PPP projects are classified as solicited or unsolicited, based on who starts the PPP project. "In the case of an unsolicited project, the private sector finds a possible PPP project and requests the description of the project as a PPP from the capable authority. The concessionaire is nominated under a competitive bidding process, although the initial proponent may obtain extra points in the bid evaluation process" (Anvuur, Kumaraswamy & Male, 2006).

In order to assist the operation of PPP projects, in South Korea, the PPP Act allows land expropriation rights to the concessionaire. The concessionaire may delegate the capable authority with the following duties: Compensation for loss, Execution of the land purchase, relocation of people (Anvuur, Kumaraswamy & Male, 2006).

When PPP projects were first introduced in 1995, 400 million Won was injected into PPP projects (mostly in BTO project types), which was only 0.5% of the total social overhead capital investment. However, by late 2008, W3.7 trillion was invested in PPPs, taking up about 17.3% of the total social overhead capital investment (Korea Development Institute, 2007).

A total of W66.1 trillion was injected in 203 BTO projects in September 2009. These projects were in several phases of development at the time: 44 under construction, 110 completed 24

under negotiation, 19 in preparation for construction and 6 preparing to publicize application for offer (RFP). Of these projects, 173 port projects were selected and signed business arrangements. By distinct of sectors, 11 railway projects, 17 port projects, 61 road projects, 5 logistics projects, 64 environmental facilities, and 45 other categories of construction projects, as well as culture, tourism and parking lots projects were completed. Of the 203 PPP socio-economic development projects, 117 were local projects and 86 were national projects (Korea Development Institute, 2007).

To promote BTO projects, the South Korean government subsidised operations through MRGs during the construction phase. This was different to other government support packages, such as fixed socio-economic construction subventions. The government guaranteed high monetary threats, because it was more difficult to provide costs and benefits estimations. Yet, over MRGs, the government guaranteed private stakeholders a portion of the anticipated proceeds for a project. If, for instance, the proceeds fell lower the assured level, the government paid the stakeholder the difference (Derwe, 2007:61).

It can be deduced that the Republic of Korea has strong institutional settings for PPPs in comparison to South Africa. Even though South Africa has a credible legal PPP framework, it does not resonate with the much-needed capital investment.

The following section presents tangible evidence of PPP contributions to the national economy of South Korea. South Africa can learn from South Korea's experiences.

In South Korea, the expectation was that the national economy, through the promotion of PPP procurement arrangement would improve following three business channels, namely "increased social welfare resulting from the timely delivery of social services, the early realisation of social benefits, reduction in the government's fiscal burdens through better VFM, and economic growth resulting from the inflow of private capital."

By the end of 2008, 20 trillion Won had been invested in PPP social and economic development projects, from private financial resources that resulted in a projected 0,198% gross domestic production growth, based on the based on the 2008 normal price. An early realisation of social benefits worth about 1.45 trillion Won (KRW) was recorded on account "the 14 PPP construction (road) projects that were opened two years ahead of schedule. The PPP projects had made the early realisation of social benefit possible. Had the projects been finalized three years earlier, the gain would have been about 2.47 trillion Won (DeCorla-Souza; Lee; Timothy; Mayer, 2014: 45).

Relying on various experimental VFM tests results, VFM improvement from 66 BTO developments was projected to range at about 891 billion Won, while VFM from 30 BTL projects was projected to be 89.6 billion Won. In terms of projects that were completed under the BTO approach, an additional ex-post VFM worth 142.5 billion Won from the selected 11 projects was projected. The analysis conducted on BTL projects it showed that a decrease in both cost and time overruns, which led to the enhancement of investment efficiency in social infrastructure facilities. In the instance of BTL, total projects costs were cut by 10.18% and the construction period reduced by 8.04%, which gave advantage in terms of efficiency over government financed projects (Timothy & Mayer, 2014:46). Table 3.1 below presents several procured PPP projects in South Korea.

**Table 3.1: Procurement method for PPP projects**

METHOD	SECTOR	NUMBER OF PROJECTS
Build-own-operate	Culture and tourism	4
	Logistics	4
	Total	8
Build-operate-transfer	Culture and tourism	1
	Logistics	1
	Total	2
Build-transfer-lease	Science museums	2
	Educational facilities	134
	Military housing	10
	Colleges	15
	Culture and tourism	19
	Welfare	5
	Communication	1
	Railways	2
	School complexes	2
	Environmental facilities	56
	Total	246
Build-transfer-operate	Airports	13
	Roads	43
	Culture and tourism	3
	Logistics	1

METHOD	SECTOR	NUMBER OF PROJECTS
	Parking lots	27
	Railways	6
	Ports	17
	Environmental facilities	56
	Total	166

**Source:** Korea Development Institution (2011)

The above table shows that the Build-transfer-operate method is characterised by a high number of facilities that relate to transport, such as railways, ports, and roads as the concession signatory recovers its investment costs from user fees. The BTL approach is often used in instances where the concession signatory finds it difficult to recover its investment costs through user fees. Social infrastructure facilities such as environmental facilities, welfare facilities, schools and military housing are only eligible BTL projects. The amounts emanating from private investment and total investment measurement differ across sectors. (Korea Development Institution, 2011). Based on investment totals, railways, roads, and facilities are the most dynamic sectors.

**Table 3.2: Public-Private Partnership Projects Investment**

	Total Amount (W billion)	Average
Total investment	71.614	170
Construction subsidy	14.683	41
Private investment	56.209	133

**Source:** Korea Development Institution (2011)

PPP arrangement on roads construction projects have successfully been implemented to tempt private investment. As a result, the private investment in road construction projects have steadily increased.

### 3.3 DEVELOPING COUNTRIES' PUBLIC-PRIVATE PARTNERSHIPS

According to Ministry of Foreign Affairs of the Netherlands, IOB Study (2013:7), the debates of the 4<sup>th</sup> High Level Forum on Effectiveness of Aid from 29 November to 11 December 2011 in Busan culminated to common proposal that of encouraging cooperation on development through PPP arrangements.

The Ministry of Foreign Affairs (MFA) has gradually used PPPs for the implementation of aid programme since 2002. The PPP arrangement were aimed at bringing the realisation of the Millennium Development Goals (MDGs) to fruition (Dutch MFA, 2010).

The Dutch government has been involved in PPPs in a number of developing African countries, such as Rwanda, Mozambique and Burundi, and developing Asian countries, such as Mongolia and Indonesia. Examples of actual projects are international partnerships, such as the Global Alliance for Vaccines and Immunisation (GAVI), collaborations with individual businesses, such as the Dutch energy company Nuon in the Foundation for Rural Energy Services (FRES) in Mali and product development partnerships (PDPs). In 2011, a total of €48.3 million was spent by the Dutch government on 54 development PPP arrangements. The PPP development projects were focused in the subsequent sectors: Water, food security, healthcare, and sanitation and hygiene. See Table 3.3 below.

**Table 3.3: Dutch government spending on PPPs in 2011**

Theme	Number of projects	Amount spent (x €mln.)
Food security	17	8.7
Water, sanitation and hygiene	15	13.5
Healthcare	13	24.5
Innovative finance	6	0.3
Climate and energy	3	1.3
TOTAL	54	48.3

**Source:** Kamer (2011-2012)

Critical PPP success factors are highlighted (Jamali, 2004). These critical factors are presented in Table 3.4 below.

**Table 3.4: Critical PPP success factors**

Critical Factor	Explanatory
Permanent government involvement	“The public sector should continue to set standards and monitor product safety, efficacy and quality and establish systems whereby citizens have adequate access to the products and services they need” (Jamali, 2004:45).

Critical Factor	Explanatory
A sound regulatory framework	"Regulation provides assurance to the private partner that the regulatory system includes protection from expropriation, arbitration of commercial disputes, respect for contract agreements, and legitimate recovery of costs and profit proportional to the risks undertaken" (Jamali, 2004:48).
<b>Fulfilment of key formation requirements</b>	Jamali (2004) refers to Sami et al. (2002: 18) when dealing with the key development requirements of operational PPPs. These requirements include "resource dependency, commitment symmetry, common goal symmetry, intensive communication, alignment of cooperation learning capability, and converging working cultures." Finally, Jamali (2004) refers to Kanter (1994:71) who emphasises "individual excellence, importance, interdependence, investment, information, integration, institutionalisation, and integrity as the key ingredients of effective collaboration."
<b>Four Cs in partner selection</b>	"The four C's of compatibility, capability, commitment and control are critical for successful pre-selection of alliance partners. Particularly important are the notions of compatibility, which entails identifying complementary strengths and weaknesses and commitment as reflected in the formalized commitment of necessary time energy and resources" (Hagen, 2005: 78)
<b>A common vision and trusty relationship between partners</b>	"Some of the traditional constraints in the way of a successful realisation of a PPP [...] the hold-up problem caused by a change in the position of partners; [...] reductionist measures instilling competitive norms instead of cooperative ones; and cultural differences between private and public partners" (Scharle, 2002: 201).
<b>Multiple interests of key participants are skilfully negotiated and packaged.</b>	Partnership arrangements give the impression to be most warranted where customary ways of functioning freely have a narrow influence on a problem; "where the specific desired goals can be agreed on by potential collaborators; where there is relevant complementary expertise in both sectors; where the long-term interests of each sector are fulfilled; and where the contributions of expertise of the different sectors are reasonably balanced" (Linder, 2003: 310).

Source: Jamali (2004)

PPPs are predicted as appropriate partnership arrangements to promote development objects and goals under circumstances where institutional and/or market failures are pressuring the delivery of public goods and services (predominantly physical and societal

infrastructure). They include a plainly well-defined action that is co-sponsored with the private sector, sharing all the associated investment risks and rewards with the public sector.

In addition, PPPs are promoted in circumstances where great circumstantial risks may well hinder the commitment of the private sector in investment or market arrangements. In this background, the purpose with PPPs is that risks may well be shared with the party that can better manage them, and that this transfer of risk is valued into any PPP contract.

Lastly, PPPs can be used to promote inventions in such a way that start-up costs can be shared and some public insurance is provided to account for likely failure. In all circumstances, PPPs are measured as an approach for assuring earlier project delivery and budget based project controlling (Hodge & Greve, 2011:45).

The private partners' incentive may possibly favour and influence the on time implementation of projects, but also thorough supervision is required in ensure compliance by the PPP units to quality standards. The poor performing or effective PPPs are often found in countries where government development indicators are relatively ineffective and weak as well (World Bank & PPIAF, 2012). At the other end, private partners may face information constraints regarding potential demand that public agents can more easily overcome.

Cautious consideration is essential in detecting the possible existence of market operation failures mainly in countries that a classified as developing. While private institutions reflect the risk-managed net present value of future cash flows to assess viability, the public sector uses an opportunity cost and risk-managed net present value of future public benefit to assess development plans. These different consideration measures may possibly result to added gratitude of the viability of plans and the significance of possible investments.

The PPP procurement arrangement framework is intended to close these dissimilarities, by concentrating on overcoming key limits that hinder local development efforts. The consideration processes develop even more complex when the developing country government wants to be considered. The extent to which PPPs include these local government actors in developing countries remains unclear (Hodge & Greve, 2011:47).

Some PPPs incline to start from a private intervention that pursues out public co-financing. These so-called Private Sector Initiative (PSI) projects are aimed at fostering private institution activities to encourage local economic growth in developing markets with high-risk development investment opportunities, taking gain of the aptitude of the public sector to



influence funding. Private sector participation is anticipated to generate sustainable work opportunities, spur invention, advance access to new markets, and kindle trade.

PSI funding mechanisms help to offset some of the initial investment costs involved in supporting innovation and commercial upgrading and improving the effectiveness and performance of the private sector. Furthermore, different fiscal tools, extending from pledges to loans, may be applied to protect these interests (PSOM/PSI & MMF, 2010:87).

The basis for close collaboration between the private and public parties is centred on the Principal Agency Theory, leading to numerous proposals for merging the reasonable returns of the private and the public sector. PPPs turn into an exciting choice when independent actors may act as budding partners who, though essentially different in nature, team up in realising a joint project, when conditions are conducive to it, and indeed, because they are different in nature, share the risks involved. Intergovernmental relations are one of the critical platforms for government to engage in strategic conversation for municipal development through PPPs (Mditshwa, 2018: 11).

### 3.4 MEDITERRANEAN PARTNER COUNTRIES' PPP PROGRAMME ANALYSIS

This division provides a brief overview of PPPs in the Mediterranean Partner Countries. Table 3.5 below provides a representation of such.

**Table 3.5: PPPs in the Mediterranean partner countries**

Name of country	Discussion analysis
Algeria	<p><b>“Algeria’s infrastructure sector is heavily reliant on public sector investment, which has discouraged the development of PPP initiatives.</b> Government agencies and State-owned corporations have enough funding to procure projects directly, without the need for private sector financing. Significant amounts of public investment originate in the country’s significant mineral reserves, which account for a substantial percentage of the country’s GDP. For instance, hydrocarbon resources (especially natural gas), represented 43% of GDP during the period 2005-2008. They have also accounted for 98% of the country’s total exports in the period 2004-2010. Algeria is also the world’s fourth largest producer of liquified natural gas (LNG), supplying approximately 10% of the EU natural gas consumption.”</p>

Name of country	Discussion analysis
	<p><b>“Regulatory restrictions imposed on private sector investments have also discouraged the development of PPPs in the country.</b> PPP procurement and financing cannot be easily pursued in Algeria due to strict regulations introduced in 2009 on foreign ownership, foreign borrowing and the repatriation of earnings. The Complementary Financial Law of 2009 (particularly through Ordinance No. 09-01 of 22 July 2009) introduced a number of restrictions to foreign investment, including the elimination of the free transfer of imports, mandating that Algerian partners must hold a majority stake (at least 51%) in any foreign investment and allowing the State the right to buy back the assets of private companies. Private investment restrictions have had a discouraging effect on the appetite of international companies to invest in Algeria, thereby reducing the chances of furthering a PPP programme involving foreign investors.”</p>
Egypt	<p><b>“Despite political turmoil in Egypt, relatively solid macroeconomic conditions place the country in a favourable position to continue developing its PPP programme.</b> Sustained economic growth, a controlled fiscal position and low aggregate and foreign debt outstanding (relative to Gross Domestic Product (GDP)) gave sponsors and investors’ confidence in the capacity of the Egyptian government to commit to PPP concession payments for projects with good business case. The political developments of early 2011 caused investors to be cautious due to increased uncertainty.”</p>
	<p><b>“Successful experiences with PPP projects can be replicated by developing a sustainable pipeline of well-designed projects focusing on certain sectors.</b> While government has not implemented an official policy on project prioritisation (as noted at the time of this study), the successful financial close of the New Cairo Wastewater (NCWW) Project demonstrated the feasibility of wastewater projects. In addition, a small number of hospital and highway projects were currently in the pipeline for procurement as PPPs, as well as both conventional and renewable power projects. The building of a credible pipeline of projects in certain sectors, served as an attraction for local and international investors and lenders to the Egypt PPP market.”</p>
Israel	<p><b>“Stable macro-economic conditions place Israel in a favourable position to continue expanding its use of PPPs as a procurement tool.</b> Israel’s fiscal and debt position, sovereign credit rating and balance of payments position give it ample capacity to maintain investment in infrastructure, whether through PPPs or other means. The banking sector is healthy and sophisticated, and avoided much of the solvency and liquidity pressures that occurred elsewhere during the international financial crisis. Investors had confidence in the capacity of the Israeli government to commit to PPP concession payments, or to set viable toll fee levels and in developing PPP projects with a good business case.”</p>
	<p><b>“A successful track record of PPP projects is being developed across several sectors by various procuring authorities.</b> There were signed projects in the roads, light rail and desalination sectors as well as more transport and water projects. Conventional and renewable power projects were on the way as well.”</p>

Name of country	Discussion analysis
Jordan	<p><b>“The World Bank classifies Jordan as a lower middle-income country</b> with an estimated GDP of €20.6 billion (€3.448 per capita in 2009). At the time, exports only accounted for 39% of foreign currency earnings. Jordan was heavily reliant on foreign transfers, specifically from Jordanians working abroad (19%), tourism and transit fees for Iraq-bound goods (23%) and government grants (6%). Natural resources include potash, phosphate and relatively unexploited oil shale deposits.”</p>
	<p><b>“Several large PPP agreements were successfully signed.</b> Examples include the AES Amman Jordan IPP (signed in March 2007), the Al Qatrana IPP (signed in October 2009), the new terminal for Amman Airport (November 2007) and the Disi Water PPP (June 2009). The total project funding for these four projects amounted to U\$2.4 billion, with 30% made available by sponsors in the form of project equity plus significant support from the Islamic Development Bank, KEXIM, KfW, OPIC, JBIC, and EIB in the case of Disi Water.”</p>
Lebanon	<p><b>“In Lebanon, national political stability was a precondition for the development of PPPs.</b> Large and long-term PPP projects required political stability to ensure that the rule of law would be upheld and contracts would be enforced.”</p>
	<p><b>“A sizeable PPP programme in Lebanon would be affordable for the public sector, if strong economic recovery continued, and the government maintained its efforts to reduce its net public debt.</b> Since the war of 2006, the Lebanese economy recovered, enabling the government to run primary fiscal surpluses. Moreover, a stable monetary policy (driven by a USD fixed exchange rate) encouraged international investment in the country’s banking sector, as well as the financial and real estate markets. Nevertheless, despite significant efforts, Lebanon’s public debt remained high in absolute terms. At the end of 2009, gross public debt and interest debt repayments accounted for 148% and 11.7% of GDP respectively.”</p>
	<p><b>“The government of Lebanon took significant steps to raise awareness about the importance of PPPs for its infrastructure development, including the drafting of a PPP law.</b> Initiatives included an awareness programme that assisted local banks to identify PPP opportunities, as well as a workshop designed to explain private sector engagement in water infrastructure. Complementary institutional reforms included the establishment of the Higher Council of Privatisation (HCP) and the Council for Development and Reconstruction (CDR), both created to promote the efficient long-term development of infrastructure in Lebanon. The HCP was responsible for developing the PPP laws sent to the Council of Ministers in November 2010.”</p>
Morocco	<p><b>“Morocco’s sustained economic growth and progressive structural reforms created favourable macroeconomic conditions for PPP investment.</b> Morocco’s fiscal deficit (4,4% of GDP) and foreign debt levels (24,5% of GDP) were moderate and sustainable, despite a deterioration following the slowdown in the Euro area, which is Morocco’s primary export market and main source of foreign direct investment. Nevertheless, the government had the capacity to maintain current spending levels and had a diversified range of funding sources offering long-term maturities. Morocco’s investment-grade rating also implied reliable access to international capital markets at favourable rates.”</p>

Name of country	Discussion analysis
	<p><b>“Although a legal framework existed to support concessions, broader PPP procurement in Morocco, such as projects where payments are directly related to performance, required the implementation of comprehensive legal and regulatory reforms coupled with institutional capacity building.</b> PPPs to date have been ad-hoc in nature due to the absence of a single policy or procurement channel, at the time. Public bodies, such as the National Office of Electricity and some state-owned entities had been active in entering into partnership contracts with the private sector in several sectors, including energy, water supply and ports. These projects demonstrated that Morocco could attract high quality domestic and international bidders.”</p>

**Source:** Adapted from European Investment Bank, PPP Legal and Financial Frameworks in the Mediterranean Partner Countries (2011)

### 3.5 LESSONS FROM OTHER COUNTRIES

The following section presents the lessons learned from the PPP experiences of the countries discussed above namely; Korea and Dutch, Mediterranean partner countries (Algeria, Egypt, Israel, Jordan, Lebanon and Morocco).

#### 3.5.1 Seeking alternatives

Many countries opted to increase revenues, defer spending or both, rather than considering alternatives for financing public infrastructure projects. Again, delay does not resolve the infrastructure related development problem. Keeping this in mind, decision-makers should pursue out other opportunities for infrastructure project delivery, together with PPPs. This choice is on occasion reduced because private funding is regularly considered as being extra ‘expensive’ than the use of common revenues. In spite of this negative view, cost drops in other areas regularly create PPPs cost economical with more modern opportunities and, in various cases, afford supplementary reimbursements to local areas.

The primary obstacle to establishing PPPs for municipal projects is the perceived cost. Although there are added costs associated with using private funds for public projects, savings are often derived from PPP-based projects in the end. This is true because the public sector can share the risks and responsibilities associated with the project with the private sector, therefore, saving money. Likewise, long-term planning measures used as a part of the PPP development process can lead to cost savings (Spratt & Collins, 2012:91).

In many cases, however, a comprehensive evaluation is neither contemplated nor completed, leading many decision-makers to dismiss a project delivery option that could potentially protect the public interest while maintaining cost effectiveness. To prevent this mistake, decision-makers should conduct a comparison of value derived from projects when

undertaken via each delivery option. As mentioned before the assessment of value earned, because of spending is termed 'value for money' (Garvin, 2007).

This estimation is intended to provide a long-term assessment of the total cost incurred by the public sector under a PPP arrangement and compare it to costs under the traditional process. When completed, the analysis sheds light on not only the comparative costs between the options, but also the potential affordability and feasibility under either option. Often, cost savings will be realised under PPPs. This is not to say that PPPs are the best way to deliver all projects, but they provide an option worthy of greater attention (Spratt & Collins, 2012:91).

Previously, public debt was used to finance projects because of the low interest rate associated with tax-exempt debt. In most countries in Europe, bonding initiatives were common, and the tax savings of about 2% to 4% over private financing seemed to be the best option for obtaining the necessary funds for capital projects. Today though, limits on tax exemptions make this option less appealing, and low interest rates on private, taxable issuances decrease the magnitude of that perceived advantage (Spratt & Collins, 2012:91).

The historic difference between tax-exempt interest rates and taxable interest rates has narrowed substantially because of the current financial environment. Furthermore, the tax-exempt bond market has also been disrupted by the declining success in bonding initiatives and referenda. While the market for public investment has become more challenging, there remains a very strong interest in infrastructure investment by many private capital sources, including banks, institutional investors, pension funds and private equity firms. This leaves a potentially viable option in the form of using PPPs to finance public capital projects (Riley, 2007:11).

Today, new factors must be incorporated into financing decisions. Previously, project feasibility studies only considered physical needs, such as building capacity and facility life expectancy. The various alternatives now available for procurement bring into question the most appropriate institutional arrangements, financing strategies, and methods of planning, designing, constructing, operating and maintaining facilities. One such example can be seen in the Korean government provisions, such as the low-interest TIFIA loans given for qualifying transportation projects, which provide new financing options. Because of the new factors and alternatives to consider today, there are more questions to consider when choosing the best method of procurement.

The common gap between available public funds and the cost of traditional procurement indicates that projects might be made more feasible by leveraging a combination of funding sources. Augmentation of public funding by incorporating private investment into the mix may allow decision-makers to meet the total project costs efficiently (Tocqueville, 2012:8).

### 3.5.2 Total cost comparison of PPPs versus public delivery

Thorough analysis often reveals that cost saving is possible when PPPs are used. Many estimates reveal a 7–10% savings over the life of the project, though one study (Chan & Cheung, 2014), reflected a 2% advantage. Admittedly, procurement and financing costs may be higher for PPPs; however, the FLC analysis shows savings over time due to the reduced costs associated with risk allocation, design, construction and long-term O&M. While not to scale, this is shown graphically in Figure 3.1, where the PSC column represents the estimated total project costs under traditional procurement and the PPP column represents the estimated total costs incurred by the public sector under the alternative proposal. In short, this estimated sample graph demonstrates that the higher procurement and financing costs associated with PPPs are more than offset by a reduction in other costs. While this “positive” VFM is not guaranteed under PPPs, it is often found when careful analysis is performed (Chan & Cheung, 2014).

Sources of public funding, such as municipal bonding, are tax-free and this basic knowledge may make those options attractive to public decision-makers, leading them to question the advantages of PPP use. This interest payment, however, is only a fraction of total financing costs – and an even smaller portion of total project cost.

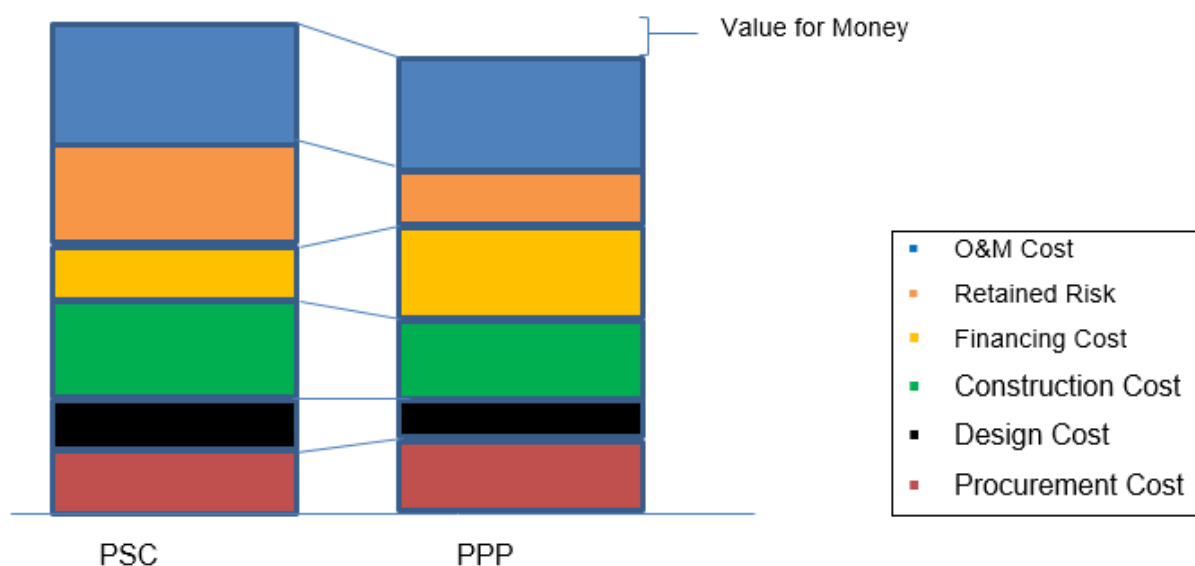


Figure 3.1: Project delivery costs for the public sector

The cost of financing should not be the deciding factor for public delivery of a project. Under the public-private contract, this difference in financing costs is recovered later, by way of the cost savings associated with risk transfer to (or absorption by) the private partner, as well as reduced design, construction, and O&M costs. A 2008 GAO study on PPPs for highway construction confirmed that although these financing costs are higher under PPPs and there is money lost due to the lack of tax exemptions for private sector financing, there are other reasons – financial and otherwise – to use PPPs, which benefit parties in both sectors (Lever, 2012:13).

When private financing is used, the private sector receives payments over the course of the contract term, leading to a return on investment over time. Likewise, the private sector may benefit from completion payments paid once a project is finalised. The public sector also frequently benefits from risk transfer to and absorption by the private sector and both parties can potentially achieve cost savings due to operational efficiencies implemented by the private partner, as in the case of improved maintenance practices.

Other potential areas for cost reduction, among others, include scheduling (because design and build phases can overlap, rather than waiting on a bidding process), bulk purchasing (because orders can be merged when a private entity operates multiple facilities), early construction start, and life cycle O&M efficiencies and innovations. The cost advantages of using PPPs often outweigh the potential for increased expenses related to the transaction costs incurred under private financing (Lever, 2012:13).

### **3.5.3 One key alternative: The PPP option**

Taking into account the above mentioned challenges, in many forms, PPPs, are likely to afford an alternative option to the commonly used methods of reducing expenditure, conceding projects or expenses, increasing levies and charges, or borrowing from other organizations. However, it is vital to take into cognisance that the use of PPPs does not necessarily mean privatisation of public assets or services. Although normally applied interchangeably, the two concepts are not the same, and there are distinct benefits from PPPs. It is interesting to note that, PPPs, 'collaborative enterprises', or 'joint ventures' retain an immense public control level and oversight function, at the same time as avoiding the damaging observations linked with the 'selling' of public assets or duties that is repeatedly linked with privatisation (PricewaterhouseCoopers, 2011).

Although high VFM does not assurance that PPPs will be more economical (or are even reasonable), this test can elicit the potential benefits of using these arrangements. If

implemented, additional benefits may be realised for public agencies and their private partners. These benefits to the public sector include the following:

- Maximisation of public and private sector strong points;
- Lessening or sharing of risks;
- Lessening in public principal venture;
- Mobilisation of excess or underused assets;
- Enhancement of productivities: quicker project finishing point; definite care;
- Enhanced environmental adherence;
- Enhanced service to the community while maintaining public oversight; and
- Enhanced cost-effectiveness.

One reason for selecting a PPP is the assurance of continuous preservation, overhaul, and replacement of public assets. As indicated formerly, acceding preservation can cause the total cost of developments, once finally made, to be 15 to 40 times the original cost. Decision-makers must cogitate future preservation when determining whether to proceed with new projects. Because future maintenance costs are accounted for within PPP contracts, they are removed from the general budget debate. This means that the project O&M costs are guaranteed, and continuous preservation is not in jeopardy with each budget cycle (PricewaterhouseCoopers, 2011).

### **3.6 SUMMARY**

A conceptualisation of PPP management in government institutions facilitates the actual process of pursuing the predetermined objectives of the PPP arrangement and aids better understanding of the specific means to achieve these basic PPP objectives. Conceptualisation is also critical in preventing possible differences in meanings attached to the PPP framework, which is an alternative approach or tool for improved service provision in the perspective of public institutions.

The measurement of government PPP performance in relation to socio-economic development demands has been a very important instrument in influencing policies in the recent history of the application and discipline of Public Administration and Management. Consistent with the administrative and development theories discussed above, management of the performance of PPP projects, either for improved efficiency or policy intervention, is dependent on the obtainability of information about the quality and quantity of facilities produced and the cost of production. It is equally important to relate PPP performance



management with pure public management within the parameters of the New Public Management Theory.

Due to non-monumental nature of the private sector, it is therefore comprised of different seizures of organisations, interests and impediments. However, in respect to this research study it is considered as the entirety of institutions whose organisational setting is outside the public sector domain and involved in profit-making activities as the leading purpose. This delineation is essential for the reason that there exist organisations that are found be outside the public sector domain, nonetheless they have slight, if any, significance to the perspective of PPPs in this study.

The public sector mainly focuses on serving its citizens and creating a favourable environment for the private sector to function proficiently through sound decision-making. Public institutions and their functional activities use resources, which are ring-fenced by the South African Constitution and are inputs whose worth for money is measured in relation to cost and actual output, among other things.

Therefore, the conceptualisation of these two sectors is critical in that both parties should have a clear basis for engaging in partnerships so that each still responds to its founding principles. Such clarification usually leads in assistances to consumers and the constituency and, therefore, PPP arrangements should be stimulated in a public sector that is responsive to the needs of the community. It is necessary to reflect the degree to which these two sectors may perhaps extend work collaborations in the form of partnerships arrangements having analysed the two spheres.

## CHAPTER FOUR

### LEGAL FOUNDATIONS OF PUBLIC-PRIVATE PARTNERSHIPS IN SOUTH AFRICA

#### 4.1 INTRODUCTION

The three spheres of government, which are provided for in the Constitution of the Republic of South Africa (RSA, 1996), are required to effectively provide basic municipal services and advance the over-all welfare of the citizens of the Republic, regardless of their geographic placement or race. Although these government spheres are interconnected and co-dependent, each sphere has its own fundamental mandate, functions and responsibilities that talk to goods and services provision to the all members of the society, regardless of a political sense of belonging. In terms of the Republic of Africa Constitution of 1996, South Africa is home to every person who lives in it, and the Freedom Charter (1965) supports that people should equally share from the republic's wealth.

Having emphasized above the three spheres of government, the study will mainly give attention to the third leg of government, which is the local government sphere where the two IDZs (Coega IDZ and East London IDZ) are located. The nature and location of the public-private partnerships (PPPs) at municipal metropolitan level in the discipline of Public Administration and Management is reflected in Chapter 2. It is similarly essential to record that although these IDZs are located in the two metropolitan municipalities, the ownership of the PPP agreement be with national government.

The Constitution of the Republic of South Africa 1996 outlines three imperative 'stratums' of municipalities within the local government sphere: The metropolitan municipality (MM), the district municipality (DM) and the local municipality (LM). The local municipality holds a prime 'spot' of importance within the context of providing basic community needs, while the district municipality comprises several local municipalities, which also include district councils and administrative units in broader geographical areas of demarcation.

The MM refers to a category 'A' municipality that has an exclusive municipal decision-making and jurisdictional power in its geographic area (RSA Constitution, 1996). Importantly, the idea behind the establishment and introduction of the district municipality model is based on the need to find an alternative means of effective and efficient service provision in the most structured manner, both politically and administratively.

The local municipality remains the point of departure of any government in power, because all socio-economic requirements are located there and political responsiveness is critical in that regard in creating vibrant local economies and rural- economic development drive (White Paper on Local Government, 1998; Andoh, 2012:95).

The Buffalo City Metropolitan Municipality (BCMM) and the Nelson Mandela Bay Metropolitan Municipality (NMBMM), the areas selected for the study, are found in the rural-urban vicinity of the eastern and western parts of the Eastern Cape. The two metropolitans have an exclusive municipal decision-making and jurisdictional authority. It is also important to highlight that they have shared responsibilities and functions, and they cut across the local government sphere in their operation.

The metropolitans still have the immense responsibility of fast-tracking and realising socio-economic transformation, which is an overriding goal for the entire government (RSA Constitution, 1996; Siddle & Koelbe, 2012:72). The metropolitans on their own cannot deliver on this mandate, except by entering structured partnerships, such as PPPs, which are guided by National Treasury Regulations. This is largely because the private sector has strong technical expertise (project planning, management and implementation skills, amongst others). Organised, structured and functional PPP methods are valuable for both metropolitans in improving service delivery.

This chapter affords an in depth narrative of the metropolitan municipality model within local government and administration. It further provides an in-depth legislative background of the PPP from a South African perspective. The chapter ends with an appraisal of the social demographics of the two metropolitans.

## **4.2 THE EVOLUTION OF LOCAL GOVERNMENT IN SOUTH AFRICA**

According to Vyas-Doorgapersad (2010) cf. Ijeoma (2013: 395), write that the effect on human settlements and municipal institutions by the past regime left a serious imprint on South Africa. The author adds that:

“Transformation requires a deep understanding of the historical role of local government in creating and perpetuating local separation and inequality, and the impact of apartheid at the local level/sphere and struggles against apartheid local government (Department of Provincial and Local Government [DPLG], 2008).”

The evolution of government in South Africa reflects a three-pronged structure, which moves from commercial public administration (1652-1975), to ‘pure’ local public administration (1975-1999), and ‘market-local public administration’ (2000 to date) (Binza, 2009).

The Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) promotes the necessity for local market based administration to afford the municipalities an opportunity and platform to engage in developmental partnerships with both private sector, civil society and public sector at large towards the creation of vibrant local economic and rural economies that respond to the needs of the communities.

Ismail, Bayat and Meyer (2005:3) define local government as that level of government which is commonly referred to as a decentralized representative institution with general and specific powers devolved to it by a higher tier of government within a geographic area". The local government leg is simply the manner in which towns, cities, villages and geographically organised communities are effectively and efficiently administered, managed and governed (De Visser, 2005). According to Lockhard (1968) cf. Nyagwachi, (2008:17), local government is defined as "a public institution with an authority to govern and play a management role in all the affairs that are within the jurisdiction of the municipality." Notably, "local government refers to a sphere of government and not the single municipality in that all combined municipalities form a sphere, called local government" (Reddy, 1996:50).

Local government alone cannot realise its statutory obligation without organized service provision partnership arrangements that are meant to improve the local government status. By the way, the interdependence of local government in relative to other legs of government implies an association of joint duties and the regulation thereof. Constitutionally, the national and provincial legs of government are instructed to play a guiding responsibility regarding municipal development performance. It is also imperative to indicate that all these government spheres share the same common national policy posture, which is to provide services to local communities and to expand rural economic development. They are, consequently, similarly central and applicable in relation to their responsibilities and functions.

Essentially, the duty of national government is to develop institutional policy frameworks for provincial and local government consistently all the way through the nine SA provinces. In terms of the Section 155(6) and (7) of the Constitution of the Republic of South Africa, (1996), both "national and provincial spheres of government have an obligation of monitoring municipal service delivery". Similarly, national and provincial governments have a common duty to provide support to local government. Provincial governments are enabled to get involved in any serious matters that the local government faces, which could be service provision-related or key developmental matters.

The local governments' 'interrelatedness' with other government legs (spheres in this context) implies a sense of co-operation amongst all three legs of government within the provisions of section 41 of the Constitution of the Republic of South Africa, 1996. Ijeoma (2013) asserts that the aim of the local government structure "is to promote socio-economic development throughout South Africa." In South Africa, the structure of local government is comprised of 283 municipal councils. These municipalities are categorised (A, B and C), as provided in the Local Government Municipal Structures Act, 1998 (Act No 117 of 1998). They form the local government sphere. These municipalities have different histories and unique environments and needs; which, therefore, justifies their categorisation. The aim is to understand the individual developmental needs of each municipality to respond promptly to the needs of the community.

#### **4.2.1 Features of municipalities**

Ismail et al. (2005:5) provide features that distinct municipalities from national and provincial governments but do not imply that these municipalities are independent entities. The features are as follows:

- "Well-defined areas of jurisdiction – municipalities are uniquely mandated to govern and manage the affairs and people of a specific geographical area
- Direct participation of the people in the jurisdiction, through elections
- Service provision – municipalities exist to provide certain basic services. Their sources of finance include rates and taxes that they constitutionally have power to charge.
- Municipalities can pass by-laws that are legally binding
- Municipalities may employ personnel to conduct and manage their business" Ismail et al. (2005:5).

The features of municipalities mentioned above are a simple indication of their primary service delivery duty to the local people within their respective authorities. Despite their unique features, they still function within the complete policy "framework of national and provincial governments, as provided in the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996)." By-laws are passed within the confines of other portions of legislation such as the Municipal Systems Act, the Municipal Structures Act and the Municipal Finance Management Act.

#### **4.2.2 Metropolitan municipalities in South Africa**

It ought to be noted that only the metropolitan municipalities would be expounded upon in this study, because their PPPs were examined. In terms of the White Paper on Local Government (1998:2), the concept 'metropolitan' denotes that:

“Large urban settlements or areas with high population densities and diversified economies and a high degree of functional integration across a larger geographic area...economic and social activities transcend municipal boundaries and metropolitan residents may live in one locality, work in another and use recreational facilities across the metropolitan area.”

The metropolitan governments each have their own executive authority, which presides over their areas, which are generally referred to as big cities. The function of these 'big' cities is complex due to the environmental and cultural manifestations that exist. Primarily, a metropolitan government provides basis for justifiable and socially impartial municipal governance, therefore averting circumstances where local people are subject to inadequate social and economic services and recreational and social amenities.

Metropolitan governments were established to provide fair and equitable redistribution of resources to benefit all. The metropolitan council's role is to develop and promote strategic engagement on issues of development, such as spatial planning, land use management, mobilising and coordinating public and private investments, and infrastructure development. There cannot be infrastructure development as a means for economic activities without spatial and land use planning and development.

It is difficult for the metropolitan municipalities to deliver on their mandate without the involvement of the private and third sectors in metropolitan socio-economic development strategic interventions. In this context, PPPs became relevant. Metropolitan councils are further in charge for a socio-economic the development framework “in order to enhance the economic vibrancy and the well-being of the people” (Robbins, 1987:11).

#### **4.2.3 Developmental local government**

Developmental local government is “local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of life (White Paper on Local Government, 1998:17).” The developmental local government is characterised by four interconnected features, namely:

- i. “Maximising social development and economic growth: This part relates to the powers and functions of local government that have to be exercised in a manner that maximises impact on the social development of communities meeting the basic needs of the poor and growing the local economy. Through its traditional responsibilities (service delivery and regulation), local government exerts a great influence over the socio-economic well-being of local communities. What can be deduced from the first feature is that municipalities should act entirely as the state’s engine through which service delivery reaches the local communities, while at the same time playing a vital role in ensuring that the local communities are provided with basic services in terms of the provisions of the Constitution. Similarly, the development of the local or rural economy should be at the centre of any developmental agenda or intervention. Job creation, poverty alleviation and unemployment are eradicated because of vibrant economies that can capture local economic development (LED) as a strategic pillar.
- ii. Integrating and coordinating: Within any local area, there are many different agencies that contribute to development, including national and provincial departments, parastatals, trade unions, community groups and private sector institutions. Developmental local government must provide vision and leadership for all those who have a role to play in achieving local prosperity. Poor coordination between service providers could severely undermine development efforts. Municipalities should actively develop ways to leverage resources and investment from the public and private sectors to meet development targets. One of the most important methods for achieving greater coordination and integration is integrated development planning. Integrated development plans provide powerful tools for municipalities to facilitate integrated and coordinated delivery within their locality. The principles set out in the Development Facilitation Act (Act 3, 1999) should guide municipalities in their approach to building integrated, liveable settlements. The emphasis in this regard is on how the municipalities integrate and coordinate service delivery and development.
- iii. Democratising development: In this democratic dispensation, municipal councils play a central role in promoting local democracy. While regulation remains an important municipal function, it must be supplemented with leadership, encouragement, practical support and resources for community action. Community participation and involvement in development planning is critical to meet the four Batho Pele principles that relate to public participation. Communities should also be encouraged to participate actively in rural economic development through development projects for

redistribution, as it is provided in the Redistribution and Development Programme policy document of 1996.

- iv. Leading and learning: Extremely rapid changes at the global, regional, national and local levels are forcing local communities to find new ways to sustain their economies, build their societies, protect their environments, improve personal safety (in particular that of women) and eliminate poverty. There is no correct way to achieve these goals. National frameworks and support from other levels of government are critical, but cities, towns and rural communities are increasingly having to find within themselves ways to make their settlements more sustainable.” This requires trust between individuals and open and accommodating relationships between stakeholders. Local government has a key role to play in building this kind of social capital – a sense of common purpose – to find local solutions for increased sustainability.”

Developmental local government obliges that municipalities become more visionary, strategic, and eventually persuasive in the way they function. Their role extends to policymakers, strategists and innovators, and to institutions that promote local democracy. Furthermore, developmental local government requires municipal service partnerships within the provisions of the National Treasury Regulations (White Paper on Local Government, 1998:25).

Hemson, Meyer and Maphunye (2004) contend that some government policies, such as “the Integrated Sustainable Rural Development Programme (ISRDP), the Local Economic Development Framework and the integrated development plans (IDPs) are sector biased”, and lack specific emphasis on localities, such as small towns. Rural development is more than merely agriculture. It is a combination of community development, integrated rural development, basic needs and public participation.

Local economic development initiatives eventually considered agricultural interventions as a solution to social and rural economic development (Nel & Rogerson, 2005:27). The Rural Development Framework (DLA, 1997) recognised local economic development as an effective alternative manner to socio-economic development for developmental local government. Its focus was on specific sectoral interventions, mainly agriculture in rural villages, for the purposes of integrated interventions (Makhura, 2009).

The World Bank (2002:1) defines LED: “as both a spatial and sectoral intervention focusing on the improvement of the employment status and the comparative and competitive advantages of any given locality, which differs from place to place”. The latter implies that



LED comprises and promotes partnerships between local government, the private sector and the community, to create business and employment opportunities, thereby stimulating local economic growth (Xuza, 2008:64).

The following pieces of legislation are important in the discussion of developmental local government. The Acts are “the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000); the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998); the Municipal Finance Management Act, 2003 (Act No 56 of 2003), and the Municipal Service Partnership Policy, 2000”. The Local Government: Municipal Structures Act, 1998 in its preamble states that:

“There is agreement in our country on a vision of democratic and developmental local government, in which municipalities fulfil their constitutional obligation to ensure sustainable, effective and efficient municipal services, promote social and economic development...and work with communities (Local Government: Municipal Structures Act, 1998).”

Section 153 (3) of the Constitution of the Republic of South Africa (1996:63) states: “a municipality has the right to govern, on its own initiative, the local government affairs of its community.” In essence, this implies that it is permissible for municipalities to source resources, to provide effectively local community services to advance the quality of life of all citizens in the equal, resourceful and cost-effective manner.

As mentioned earlier, the municipalities are within their constitutional rights to mobilise resources by engaging in PPPs on behalf of the municipal citizens, but the process must be consultative and beneficial to the citizens. An example would be the two IDZs located in the NMBM and the BCM, in that these two PPPs should be directly beneficial to the citizens of the two metropolitan governments. The primary objective for the establishment of the PPPs relates to socio-economic development. Section 151(1) of the RSA Constitution, 1996, affords the legal grounds for these municipalities to effectively administer, manage and resourcefully improve the well-being of all their citizens.

The creation of an environment, which allows people to unleash their potential in a democratic South Africa is the ultimate goal. In strengthening equality and combatting segregations in the affairs of government, the democratic government introduced a concept of ‘shared’ governance.

### **4.3 DEVELOPMENTAL LOCAL GOVERNMENT LEGISLATIVE FRAMEWORK**

This section focuses on the following legislation and policy documents in particular: Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000), Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003), Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998), and the White Paper on Transforming Public Service Delivery (South Africa, 1997).

#### **4.3.1 Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998)**

According to Ijeoma (2013) and Andoh (2012), the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998) is meant to regulate and guide the municipal internal structures, classifications and office bearers, and afford a suitable electoral system within the ambit of the Constitution of the RSA, 1996. Public participation in local government matters through the ward participatory system of municipal government permits the formation of functional ward based committees. The role of the ward-based committees is significant in the sense that it liaises between the municipal council and the community. The municipal council is in a better position to make informed decisions regarding the type of service needed by the people.

Consistent with the overview of this chapter, the RSA Constitution (1996), introduced the principle of 'shared authority' within a district area, which was embodied in the Municipal Structures Act, 1998 (Andoh, 2012:108). The need for new approaches to service delivery was emphasised in the White Paper on Local Government, 1998, The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998), as amended further makes a provision for the formation of local government in accordance with the minimum requirements that relates to municipal categories and types, to ensure alignment with the national democratic vision of government and the ideal developmental local government.

Mufamadi (2001:5), on the other hand, places municipalities as:

“A radar of success to fulfil their constitutional obligations to ensure sustainable, effective and efficient municipal service delivery, promote social and economic development, and encourage community participation in local governance to meet the socio-economic needs of the people.”

According to Mbanga (2012:174), the key defining features of the new local government system is its openness to local community people to play a dynamic role in the governance of their local municipality, which is a democratic rule of the South African Constitution. The formation of ward committees is the result of what government has to offer to its

constituency through its local sphere of government so public participation in this regard becomes critical for sustainable development.

In reference to the promotion of local democracy through public participation Bekker and Leilde (2003) (in Mbanga, 2012:174), outline key democratic areas in table 4.1 below:

**Table 4.1: Democratic areas**

<b>“Voters</b>	“To ensure maximum democratic accountability of the elected political leadership for the policies they are empowered to promote.”
<b>Citizens affected by local government policy</b>	“To express, via different stakeholder associations and ward committees, their views before, after and during the policy development processes in order to ensure that policies reflect community preferences as far as possible.”
<b>Consumers and end-users of municipal services</b>	“To expect value-for money, affordable, courteous and responsive service.”
<b>Partners in resource mobilization”</b>	“For the development of the municipal area.”

**Source:** Mbanga (2012)

Mbanga (2012:145), further states that:

“Although not compulsory, the Municipal Structures Act, 1998 provides for ward committees to be set up in each ward of a municipality in order to enhance participatory democracy. A ward committee comprises the ward councillor as the chairperson and up to ten other people representing a diversity of interests in the ward.”

In line with the Municipal Structures Act (Act 117 of 1998) and the Municipal Service Partnership Policy, 2000, municipalities are enabled to engage into “viable partnership arrangements with the private sector and public organisations in a bid to build and improve the local economic development of each municipality”. In this context, the metropolitan governments have a responsibility to ensure the formation of structured partnerships that contribute to continuous training and skills development, and a human resource development system.

The local sphere of government’s human capacity is improved through partnerships to better manage the socio-economic development initiatives, interventions and programmes in the most effective and efficient manner, and to efficiently and equitably redistribute economic

resources. In this regard, PPPs are an alternative model for improved and sustained LED and rural economic development (RED) which ultimately contributes to development indicators.

Similarly, Section 120 of the Municipal Finance Management Act, 2003 (Act 56 of 2003) “provides for circumstances and procedures to which all municipalities entering into PPP agreements should adhere to”.

#### **4.3.2 Local government: Municipal Systems Act, 2000 (Act No 32 of 2000)**

Ijeoma (2013) suggests that the Municipal Systems Act (Act 32 of 2000) holds a supreme place in all local government regulation, as it provides for the establishment of development planning, performance information management systems, efficient utilisation of resources and organisational change management frameworks. The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), in its preamble, stipulates that: “there is a need to set out the core principles, mechanisms and processes that give meaning to developmental local government and to empower municipalities to move progressively towards the social and economic upliftment of communities and the provision of basic services to all our people.”

In terms of section 16(1) of Chapter 4, local public involvement in planning, development and administration is outlined clearly for better application of the community participation mechanisms, processes and procedures. Those community participation mechanisms, processes and procedures are provided in section 17 (1 and 2). In context, the Municipal Systems Act governs the local government operations in the South African government system.

In the year 2000, the Department of Provincial and Local Government (DPLG) in an attempt to simplify the development planning approach, developed and issued a guide on how to formulate and implement the Integrated Development Plans (IDPs). Section 25 of the Municipal Systems Act provides for the development and adoption of a five-year plan, known as the Integrated Development Plan (IDP) that outlines the development agenda and financial resources of the municipality. This is essentially the municipality’s business plan.

The intention of issuing the IDP manual packs is to alert the municipality to serious factors to consider when developing a public participation plan as a phase in the Integrated Development Plan processes. In terms of the Municipal Systems Act, 2000, community participation cannot be overemphasised. Andoh (2012: 191) agrees that: “participation

cannot be meaningful unless data collected, and information provided is communicated effectively in the sense of usable information for the target audience.” The IDP provides metropolitan government with an enabling service environment to graduate from the conventional service delivery environment in response to community needs in the most democratic manner.

The IDP can be likened to a ‘Northern star’, which directs wandering boats to their exact destination. It provides strategic guidance to municipalities on how to better manage, invest, develop and implement service delivery and development-oriented decisions consistent with the Medium-Term Strategic Framework (MTSF) period. In meeting the above, the White Paper on Local Government (1998) is able to achieve this enabling environment by insisting that municipalities allow for private sector participation (community organisations, non-governmental organisations and all citizens) in finding sustainable ways of meeting the community’s socio-economic needs (Plummer, 2012:17; Johnson, 2004:75).

According to the DPLG (2007), the IDP is a strategic document, which is the result of a structured, manageable and constitutional developmental process to which financial resource is attached and linked to municipal programmes, which are planned to be delivered within a period of 5 years. The IDP document is often associated with the Municipal Service Delivery and Budget Integrated Plan (SDBIP), which is an operational implementation plan of the IDP for the next financial year.

The allocation and attachment of financial resource to any municipal development project or programme, requires accountability and transparency. Although there are several structures and forums that coordinate the local government activities and functions with the sector government departments’ activities, the IDP is at the centre of integration.

Municipal plans, programmes and projects must be aligned to the municipal budget. Similarly, the individual work plan agreements should be informed by the municipal plans in order to monitor overall performance of the municipality. This must be based on the balance scorecard method outlined by the South African Cities Network.

Furthermore, the municipal five-year IDP document is not simply a document. It is subjected to IDP processes, which include an IDP review for the Municipal Council to reflect on progress made, areas for improvement and reprioritisation of projects.

According to the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000):

“Development’ means sustainable development, which includes integrated social, economic, environmental, infrastructural, spatial, organisational and human resources upliftment of a community aimed at: (1) improving the quality of life of its members with specific reference to the poor, and other disadvantaged areas of the community; (2) ensuring that development serves present and future generations.”

For local government to achieve meaningfully financial sustainability towards the provision of community services, it relies on economic capital vibrancy. In terms of the Local Government: Municipal Systems Act (2000:14), municipal financial stability ensures the delivery of services:

“In a manner aimed at ensuring that the financing of such services from the internal and external sources of revenue is adequate to cover the cost of the initial capital expenditure required for the service, as well as the operating and maintaining or replacing cost of the physical assets.”

Without monetary investment, local and rural economic development and growth, is impossible to achieve (Plummer, 2012: 17; Winter, 2002: 37).

The researcher reasons that although Ijeoma (2013) rated the Local Government: Municipal Systems Act (Act 32 of 2000) as one of the most important pieces of legislation at local government level, adherence to its provisions by municipalities remains challenge. Effective and efficient service delivery depends on a functional municipal structure with intact leadership, internal controls, clear implementation plans and a viable budget to respond to infrastructure development needs. The municipality cannot meet the service delivery demands of the community on its own. Structured municipal partnerships may improve the pace of service delivery.

#### **4.3.3 Local Government: Municipal Finance Management Act (Act 56 of 2003)**

The prime purpose of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003) [MFMA] is “to secure sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government.” In other words, the Municipal Finance Management Act is set to regulate and monitor the budget processes of the municipalities, as outlined in the Constitution of the Republic of South Africa of 1996, which put in force accountability and transparency.

The Act further stipulates that the budget process should take a participatory approach in municipalities, thereby allowing open engagements on budget matters in relation to budget allocation. Section 17 of the MFMA requires alignment between the IDP and the budget processes, and these processes should run parallel and concurrently.

In 2015, the South African government developed and announced a new approach called the Back-to-Basic (B2B) Framework, with financial management as one of its five pillars. That alone indicates that the Department of Cooperative Governance and Traditional Affairs has an obligation of enforcing compliance with the requirements of the Municipal Finance Management Act, 2003 (Act No 56 of 20013).

Early in 2018, the Auditor General of South Africa (AG-SA) pronounced the financial state of the South African municipality in terms of audit opinions. Of the 283 municipalities, only 50 (20%) showed sound financial management and the rest required interventions (Auditor General, 2015). Importantly, financial resources must be spent on service-related programmes in order to optimise local economic growth (Kamensky & Morales, 2006: 45; Black, 1999:184). In terms of section 120 of the MFMA of 2003, all municipalities are provided with conditions and processes for entering into PPP agreements (National Treasury Regulations, 2010:14).

Figure 4.1 (below) shows the correlation between planning, implementation and value for money within the context of the MFMA and MSA.



**Source:** Author

**Figure 4.1: A comparative reflection between planning, implementation and value for money**

The coloured bars denote the following: Bar 1 implies that the municipality can have a bad IDP, which does not meet the requirements contained in the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000), but is good at implementation. The result, therefore, would be successfully spending a lot of money on unnecessary services, even services not required by the community (things which are not even in the IDP) that nullifies value for money, as provided for in the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003). The municipalities must focus their financial resources on what is contained in the IDP and on what the community needs.

The middle bar indicates that a good plan exists, but was badly executed. This means that there is a good IDP for a list of projects, but a lack of skills to implement these plans. This results in wasteful, irregular and fruitless expenditure, which is contrary to Chapter 4 of the MFMA's provisions.

The third bar illustrates what municipalities should strive towards within the legislative framework of local government. In this case, a good IDP is coupled with good implementation strategies and there is an adherence to the provisions of the MFMA and MSA.

In terms of Section 116 of the MFMA, the accounting officer is compelled to establish capacity in the administration of the municipality to assist with sound and well-administered contract management. PPP is regarded as one form of contract and therefore, its management should ensure that:

- The SLA process is properly enforced and managed for all contracts;
- the contractor/lessee performance or beneficiary under the agreement or contract is monitored monthly;
- effective management contracts are ensured by administering the contract with the necessary competencies and delegations; and
- contracts with the relevant service providers are signed by the accounting officer, in line with the current approved delegation of Powers Framework (RSA, 2003).

#### **4.3.4 White Paper on Local Government (1997)**

This policy became a one-of-a-kind policy that proved to be reflective of the dynamics of the modern environment with a key focus on development as called for in the Constitution. Four features of developmental local government are:

- "Maximising economic growth and social development: local government is instructed to exercise its powers and functions in a way that has maximum impact on the economic growth and social development of communities.
- Integrating and coordinating: local government integrates and coordinates developmental activities of other State and non-State agents in the municipal area.



- Developing democratic and public participation: local government becomes the vehicle through which citizens work to achieve their vision of the kind of place in which they wish to live.
- Leading and learning: municipalities must build social capital, stimulate the finding of local solutions for increased sustainability, and stimulate local political leadership” (RSA, 1998:45).

The above features demonstrate the adoption of a structured transformation agenda of local government. “The Local Government: Municipal Demarcation Act, 1998, provided for the separation of municipal boundaries by a single independent Municipal Demarcation Board (MDB),” taking cognisance of these four features (De Visser, 2005:19). The motive behind the demarcation of municipal boundaries was to nullify the past regime’s rule where old-style rural areas were run by an indigenous authority. This policy provided a new system that responded to the ‘wall-to-wall’ imperative of comprehensive and sustainable municipalities in line with section 151(1) of the Constitution RSA, 1996. The Local Government: Municipal Structures Act of 1998 became a legal basis for the formation of local government bodies.

Mbanga (2012) makes a point that the new transformative mandate was characterised by the serious challenge of transforming the inherent socio-political deficiencies, which marginalised the poor. Structural arrangements became the centre point of transformation to allow all systems to respond to the socio-economic developmental agenda. Molefe (1991) cf. (Mbanga, 2012) suggests that the fact that local government is defined as a ‘sphere’ and not a ‘tier’ connotes a socio-political shift from the apartheid order in the direction of an independent cooperative governance system of local government. Therefore, this socio-political shift has been captured by the introduction of the new conception of developmental local government within the local government sphere.

Ijeoma (2013) highlights three important approaches to municipalities being developmentally oriented, which are:

- “Integrated development planning and budgeting;
- Performance management; and
- Working together with local citizens and partners.”

These approaches encourage local government and local communities to seek collectively long-lasting solutions to their unique environmental challenges. Performance management has been the focal area of local government transformation. Functional and effective

performance management systems play a huge part in the drive towards functional government in a democratic society.

The realisation of a developmental local government vision to advance the quality of life of its residents depends on the pursuit “of efficient and effective performance management” in relation to service provision (White Paper on Local Government, 1998). A functional performance information management system is important in that it evaluates programme performance, personnel performance, accounts to citizens, and provides feedback to facilitate strategic conversations and public stakeholder participation in local government matters (Andoh, 2012:20). Essentially, performance management should be used as one of the key management tools in fostering outcomes-based performance. Programmes cannot operate themselves. Municipalities are therefore, encouraged to invest in human resources for better results and then to measure outputs and outcomes.

Developmental local government creates “an enabling environment for local economies to grow and produce prosperity for all.” The White Paper on Local Government (1998:18) states, “the powers and functions of local government should be exercised in a way that has a maximum impact on the social development of communities – in particular meeting the basic needs of the poor – and on the growth of the local economy.” Several institutional changes are outlined in this policy document. First, the need to eradicate the past regime’s weaknesses and socio-economic development gaps.

Secondly, the local government outlook must be developmental in nature. The development of local communities through the socio-economic development intervention is crucial. The Eastern Cape, because of its geographic location and past exclusions, is characterised by high poverty levels and joblessness. The establishment of the two IDZs-PPPs in the two metropolitan municipalities has been a strategic move by the Eastern Cape Provincial Government, in lieu of developmental local government.

Thirdly, municipalities need to move beyond being a ‘level’ of government, towards a ‘sphere’ of government delivering on the vision of developmental local government. There is no service provision without specific development factors, such as infrastructure development, spatial development planning and rural economic planning (De Visser, 2009; Mpengu, 2010; White Paper on Local Government, 1998).

#### **4.3.5 White Paper on Transforming the Public Service (1997)**

The White Paper on Transforming the Public Service (1997) (also identified as Batho Pele) stimulates the effective and resourceful provision of services. Eight Batho Pele principles are

identified. All eight principles are important in the delivery of services by government, and in this context, the value for money principle is the most relevant. When engaging in a PPP arrangement, metropolitan governments need to make sure that there is value for money.

#### **4.3.6 Municipal Planning and Performance Management Regulations (2001)**

The Municipal Planning and Performance Management Regulations (MPPMR) (2001) are focused on uplifting socio-economic conditions (development requirements). All council activities are geared towards eradicating the inequalities and backlogs of the past (Padarath, 2006:3). The Municipal Planning and Performance Management (2001) provides and requires that the IDP “crosses departmental divisions by linking the physical, social, institutional and economic components of planning and development with management and implementation structures.”

On a detailed scale, the Municipal Planning and Performance Management Regulations (2001) in relation to performance management state that the performance information management system (PMS) of the municipalities needs to do the following:

- “Demonstrate how the performance management system is to operate and be managed, from the planning stage up to the stages of performance review and reporting.
- Define the roles and responsibilities of each role-player, including the local community, in the functioning of the system.
- Clarify the processes of implementing the system within the framework of the integrated development planning process.
- Determine the frequency of reporting and the lines of accountability for performance
- Link organisational performance to employee performance.
- Provide for the procedure by which the performance management system is linked with the municipality’s integrated development planning processes.
- Show how set key performance indicators envisaged in Section 43 of the regulations will be incorporated into the municipality’s planning and monitoring processes” (MPPMR, 2001: 29).

Without planning, there is no performance monitoring and reporting. Therefore, the provisions made in these regulations are crucial to municipalities realising developmental local government reform.

#### **4.4 SUMMARY**

This chapter captured the legislative framework for PPP in the South Africa. Legal foundations have been identified as the critical success element for PPPs, taking into account the National Treasury Guidelines on PPPs. These efforts are aimed at enhancing development partnerships at a reasonable manner, where value for money can be measured. The monitoring and oversight over the government spending largely regulated in order to ensure that state resources are efficiently managed.

## **CHAPTER FIVE**

### **THE CONTEXTUAL FRAMEWORK OF PUBLIC-PRIVATE PARTNERSHIPS**

#### **5.1 INTRODUCTION**

The demand for basic public (municipal) services exceeds the available resources at the disposal of government. PPPs have emerged as an alternative efficient choice to public infrastructure requirements and socio-economic development. The objective of this chapter is to provide a contextual overview of the value of PPPs.

#### **5.2 CONCEPT AND HISTORICAL BACKGROUND OF PRIVATISATION**

This section concentrates on the privatisation theory, cost, benefits and practice. Firstly, it is imperative to explain the term 'privatisation' by presenting a brief historic background and examining the crux of its theory and practice. Worth mentioning is that its practice is subject to variability from area to area for the reason that of the types of settings in which diverse administrations and the social order function. Thereafter, general arguments around privatisation from different school of thoughts are provided.

Privatisation is the sub element of the Public Choice Theory. Privatisation is an option for service delivery that the metropolitan municipalities can employ. Privatisation means the systematic transfer of appropriate functions, activities or property from the public to the private sector, where service production and consumption can be regulated more efficiently by the market and price mechanisms" (Parker & Saal, 2003).

More simply, Damsa (2017:67) defines privatisation as "the act or process of converting a business or industry from governmental ownership or control to private enterprise." These contentions suggest that the private sector is a skilled and technical sector with expertise in developmental programmes or projects. Privatisation is comprised service shedding, of selling state- owned assets, de-regulation, economical offering coupled with the introduction of market arrangements and private ownership (Ott, 2002:12).

The World Bank (1991) defines privatisation as "the transfer of productive assets from the public sector (government) to the private sector under some type of equity sale or contracting out agreement." Other authors believe in the likelihood of privatisation undermining democracy in the provision of services in the sense that the private organisations enter the public service jurisdiction, and the public sector stands to lose its ability to turn into a region where democratic actions are adopted (Boyles, 2005:17). In other

words, privatisation may be perceived as the transfer of public power to private interests. Despite all the opinions in contrast to privatisation, if correctly undertaken the positive spinoffs offset the losses resulting from privatisation.

Binza (2009:91) writes that privatisation fits well as “one of the sub-components of the Public Choice Theory” and confirms a similar view expressed earlier. This concurs with the view of Rabin, Hildreth and Miller (1997:112), that “an essential redefinition of the Public Choice Theory is that of privatisation of a portion of the public sector and the expanded use of contracts and regulations.” Feigenbaum, Henig and Hamnet (1999:1) understand privatisation as the process that government uses to transfer some or the entire functions or responsibilities to the private sector for efficient and effective implementation thereof. In the context of this study, privatisation captures an extensive range of methods, which are focus on private sector involvement in public sector business, thereby enhancing public service delivery.

In line with the above, Ismail et al. (2005:17) argues that privatisation extends broadly to the following areas:

- i. **“Contracting:** The government sets the standards, but signs an agreement with a private provider, for profit or not for profit, to provide goods or manage services. The State funds the provision of the services. This, in other words, means that the agreement should benefit both parties in order to ensure continuous and sustainable participation, and involvement of the private sector in public service delivery.
- ii. **Voucher:** The government unit sets standards of service, but individuals or groups can choose or select among producers available in the open market. Similar to contracting, government pays for the services.
- iii. **Public-private partnerships:** The State conducts projects in cooperation with private providers.
- iv. **Franchise:** The State gives monopoly privileges to a private producer to provide a service in a given geographical area and individual consumers decide if they wish to purchase the service.
- v. **Grants and subsidies:** The State agrees to partially support or subsidise a private group in order to provide a service.
- vi. **Asset sale:** The State sells or cashes out its assets to private individuals, receiving a windfall again and enlarging the tax base.
- vii. **Volunteerism:** The State uses volunteers to provide public services.

- viii. **Private domain:** The State relies on private sector resources for assistance in providing public services. Private providers may loan personnel, facilities, or equipment to government agencies” Ismail et al. (2005:17).

In the case of PPPs, the private sector delivers services on behalf of government and, therefore, service delivery become privatised (Savas, 2000:65). Having defined privatisation and established that PPPs are located within this realm, let us turn to a discussion about PPPs specifically.

### **5.3 CONCEPT AND HISTORICAL BACKGROUND OF PUBLIC-PRIVATE PARTNERSHIPS**

In latest years, there have been various reforms within the governance of the public sector driven by several factors. Some of these aspects emanated from the low optimism amongst public servants for reasons such as: low productivity or performance in the public sector, constant financial constraints, and the absence of the citizenry’s confidence in the public sector.

South Africa as one of the developing countries needs to adjust and be guided by global manifestations and trends yet maintain their uniqueness. PPPs have become noticeable global in the delivery of public services. The subsequent section will examine the concept of PPPs.

#### **5.3.1 The public-private partnership concept**

In Africa, and South Africa to be precise, the term of partnerships occurred and simultaneously gained momentum within government and public management. PPPs became the most popular type of partnership. Briefly, the Treasury Board of Canada Secretariat defines a partnership as:

“An agreement between a government institution and one or more parties (inside or outside government) where there is an agreement to work cooperatively to achieve public policy objectives and where there is:”

- “Delineation of authority among partners;
- Joint investment of resources of time and funding expertise;
- Allocation of risk among partners; and
- Mutual or complementary benefits (Scope of Alternative Service Delivery, 2003).”

The above definition suggests that a partnership is a plainly developed contract or agreement that outlines the partnership or agreement terms and conditions. In simpler terms, partnership means an arrangement to work collaboratively towards the realisation of a one-shared goal. Ellram in Agere (2000:178) defines a partnership as “an ongoing relationship between two organisations which involves a commitment over an extended time period, and a mutual sharing of the risks and rewards of the relationship.”

The Framework for Improving Efficiency and Service Delivery (FIES) published by the Department of Public Service and Administration (DPSA) (2000:15) describes a partnership as:

“A collaborative agreement between two or more parties based on mutual interest and a clear understanding or contract that sets out the objectives and terms of the agreement.”

In the contexts of partnerships, Stratton in Osborne (2000:221) views PPPs as:

“Collaboration among business, non-profit organisations and government in which risks, resources, and skills are shared in projects that benefit each partner as well as the community.”

The Canadian Council for Public Private Partnership (CCPPP), in Akintoye, Beck and Hardcastle (2003:3), describes a PPP as a co-operative venture between the public and private sectors, built on the expertise of each partner that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards. It can be inferred that a PPP is a demonstration of the government’s willingness to engage in developmental agendas with the private sector through contractual arrangements that are substantive in nature for the overall benefit of the populace. According to Reddy (1996):

“A PPP is a set of institutional relationships between government and various actors in the private sector and civil society in which boosterism is integrated with the use of municipal powers to attract external sources of funding, new direct investments or new employment sources.”

To that extent, partnership arrangements can also be between a municipality and a:

- “private sector company usually referred to as a public-private partnership;
- public sector partner usually referred to as shared service delivery; and
- community based organisation of NGO termed Public/CBO/NGO Partnership (Framework for Improving Efficiency and Service Delivery, 2000:30).”



The South African National Treasury Regulation 16.1 (Gazette No. 25915, 16 January 2004) defines PPP as:

“A commercial transaction between an organisation and a private party in terms of which the private party:

- Performs an organisational function on behalf of the organisation [and in this context a metropolitan government].
- Acquires the use of state property for its own commercial purposes.
- Assumes substantial financial, technical and operational function and/or use of state property.
- Receives a benefit for performing the organisational function or from using the State property.”

The discussion now turns to categories of partnerships.

**Consultative and advisory** – used to collect basic evidence for the purposes of policy planning development process, evaluation, programme design, and modifications.

**Contributory and support sharing** – used to influence new resources for the provision of services.

**Operational or work sharing** – these partnerships allows role-players to share work, resources and exchange information for service provision.

**Collaborations** – facilitate mutual “decision-making concerning policy formulation, strategic development, evaluation, service design, delivery and amendment (the Framework for Improving Efficiency and Service Delivery, 2000:25).”

The White Paper on Local Government Service Partnerships (2000:6) advocates that partnership arrangements are a better option for enhanced service delivery and can play a very substantial role in ensuring municipal service delivery effectively and efficiently. In addition, the White Paper on Local Government Service Partnerships, 2000 is one of the key policy document frameworks in the application of partnerships by municipalities (Nyamukachi, 2005:54). It highlights the following characteristic municipal service partnership arrangements:

- “Service contract
- Management contract
- Lease
- Build-Operate-Transfer (BOT)
- Concession”

In the perspective of this study, metropolitan municipalities in South Africa cannot respond to all the service provision-related problems and/or backlogs (particularly infrastructure backlogs) and capital needs on their own. Hence, the necessity for an alternative service provision instruments and other funding opportunities such as partnership arrangements (White Paper on Local Government Service Partnerships, 2000:5). Gomez-Ibanez and Meyer (2011) contends that governments “have always relied on private partners to provide key goods and services. As long as there have been governments, there have been armies, as long as there have been armies, government have purchased weapons and supplies from private vendors.”

Partnership arrangements are not a very new occurrence. However, “what is new is the angle around and the extent to which they have been used” (Nyamukachi, 2005:54). The former Minister of Provincial and Local Government in the foreword to the White Paper on Local Government Services Partnerships (2000) states that:

“South Africa is facing daunting challenges in municipal service delivery. Achieving the objectives of the Reconstruction and Development Programme (RDP) within a reasonable time frame requires municipalities to look at innovative ways of providing municipal services. Partnerships between municipalities, the public sector, the private sector and community and non-governmental organisations are a key option that municipalities could consider in their efforts to rectify infrastructure deficits and disparities.”

According to the Department of Provincial and Local Government (DPLG) (2006:10), it is important to have structured and implementable partnerships to enhance the efficient and effective delivery of municipal services. Partnerships can be regarded as one of the alternative mechanisms that government can utilise in service delivery interventions in order to allow government to better adopt newer skills and expertise, which are sourced outside the public sector.

According to the DPLG (2006), PPP is referred to “as one of the mechanisms or municipal service partnerships (MSPs) aimed at improving the quality of public service delivery” at municipal level. The DPLG provides three MSPs definitions, as follows:

“A contractual relationship where an external organisation takes responsibility for all or part of the delivery of a municipal service. This can involve a partial or complete transfer and other assets and resources; an arrangement whereby a non-municipality service provider assumes responsibility for performing functions at a predetermined price and according to pre-defined performance criteria...the provision of services by an external supplier with an ongoing service contract” (MSPs, 2006:29).

According to Ankitoye et al. (2003), a PPP is described as:

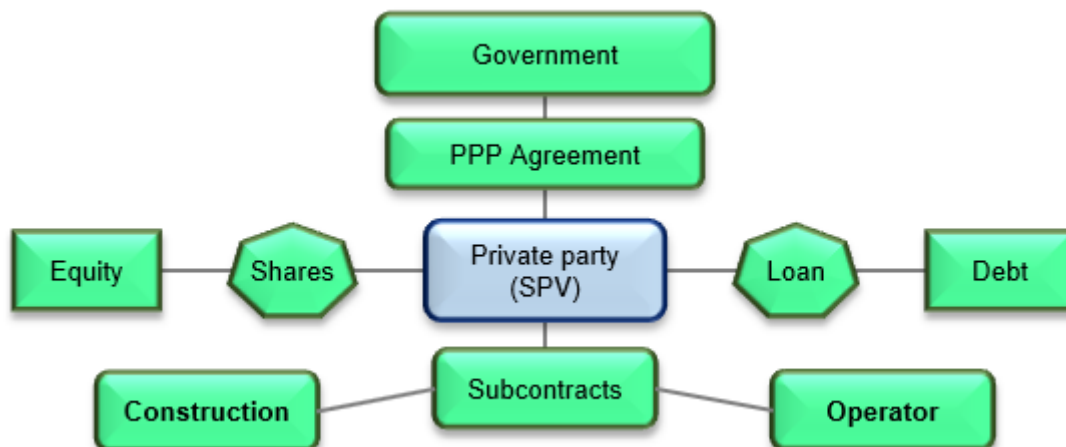
“A contractual relationship between a [metropolitan] government and a private party, where the latter takes responsibility for all or part of a [metropolitan] government's functions. This contractual arrangement enables the resources and risks to be shared for the purpose of delivering a municipal service or developing social and economic infrastructure.”

PPP refers to a partnership arrangement, which includes a private (profit-oriented) institution and a non-profit-oriented organisation, which in this case is the metropolitan government. Any method of municipal partnership arrangement must be geared towards socio-economic growth and sustainable development (Grimsey & Lewis, 2007:18).

The State Authorities Act, 2002 (Act No 1 of 2002) defines PPPs as:

“A contractual arrangement between public and private sectors (consistent with a broad range of possible partnership structures, for example, Design Build Operate and Finance); with clear agreement on shared objectives for the delivery of public infrastructure and/or public services by the private sector that would otherwise have been provided through traditional public sector procurement (Parker & Saal, 2003:14).”

Figure 5.1 is a graphic demonstration of the structure of PPPs.



Source: Nyagwachi (2008:44)

**Figure 5.1: Generic structure of PPPs**

Figure 5.1 shows that developmental needs arise from the public sector (government) and normally initiate the partnership requirement. PPP agreements bring together government and/or public and private sector institutions and development organisations such as United States Agency for International Development (USAID), The New Partnership for Africa’s Development (NEPAD), and OECD. The PPP project milestones and successes benefit the entire society in general (Nyagwachi, 2008:44). In addition, in Mbanga (2012), the PPP models developed by the governments of countries such as Canada, Australia and Britain comprise the following components:

- “The metropolitan governments define the services by reference to particular results and consequences, and the key performance measures, which the private role player must abide by for the project duration (10 – 30 years).
- The metropolitan governments must obtain the service or the asset prior effecting payment. The funds are dispersed after the functions have been accomplished or after the construction phase according to the agreed principles and performance provisions.
- The private sector designs, operates and owns the asset for the agreed period in order to ensure that all risks remain its responsibility”. Mbanga (2012:458) defines “Risk” as a “situation where a randomness facing an economic entity can be expressed in terms of a specific numerical probability, which could be objective or subjective.”

Grimsey and Lewis (2007) present the following methods of access for private sector involvement in economic development:

**Table 5.1: Common forms of PPP**

FORM OF PPP		DESCRIPTION
1.	Build Operate Transfer (BOT)	“An agreement where the private sector takes primary responsibility for financing, designing and operating the PPP project or concessionaire for the period of the concession (15-25 years). After the private sector has earned its capital and profit, it then transfers the control and ownership to the metropolitan government. “This arrangement is perhaps the most common form of PPP for building new infrastructure. In relation to a sale or permanent concession, government retains strategic control over the project.”

FORM OF PPP		DESCRIPTION
2.	Build Transfer Operate	In this arrangement, “a private developer designs, finances, and builds the infrastructure. Once the structure is completed, legal ownership gets transferred to the sponsoring government agency. The agency leases the facility back to the developer under a long-term lease. The developer operates the facility and has the opportunity to recover the investment and earn a reasonable return from user charges and commercial activities.”
3.	Design Build Operate (DBO)	“The public authority entrusts the private sector with the design, construction and operation of new facilities, for a fixed period of time, however, they remain the property of the public authority. The private operator takes responsibility for the risks linked to the design and management of the facility. A fee is paid by the public authority and commits to an overall cost for the facility.”
4.	Lease Build Operate (LBO)	“A private firm is given a long-term lease to develop and operate an expanded facility using its own funds. It recovers its investment plus a reasonable return over the term of lease and pays a rental fee. The facility remains publicly owned; therefore, this arrangement avoids the possible legal issues associated with the private ownership of a facility that was originally publicly financed.”
5.	Build Own Operate (BOO)	“An agreement where the private sector finances, designs, operates, controls and takes ownership of the PPP project in perpetuity. At the same time, this is under a franchise also subject to regulatory constraints on pricing and operations. Legislatively, the long-term property rights provide a significant financial incentive for capital investment in the facility.”
6.	Leasing	The financial risk is transferred to the private sector. In essence, the public sector (metropolitan government) takes the initiative of building the facility then leases it to the private sector who focuses on the operations and maintaining the facility.
7.	Buy Build Operate (BBO)	“A private developer is awarded a franchise in the form of a concession, to finance, build, own and operate a facility. Hence, this is sometimes referred to as build, own, operate, and transfer. However, it is a buy, build and operate.”
8.	Wraparound Addition (WA)	“A private developer finances and constructs an addition to an existing public facility and then operates the combined facility either for a fixed period, or until all costs attached to it are recovered and a reasonable return on the invested capital is realised. The developer may own the addition. The objective of this arrangement is to expand the facility, despite the government’s lack of resources or expertise.”
9.	Rehabilitate Operate Transfer (ROT)	“This refers to a private sector developer finances, rehabilitates, maintains and operates a facility for a given period of time, before transferring the facility back to the public entity or organisation at no cost.”

FORM OF PPP		DESCRIPTION
10.	Joint Ventures (JV)	“With specific reference to the metropolitan government, the private sector and the public sector gets into a joint partnership arrangement aimed at financing, owning and operating a specific facility or project for a specific duration. For instance, “the Japanese government refers to JVs as a “third sector” approach towards local economic development yet considering the public sector the “first sector” and the private sector the “second sector” (Grimsey & Lewis, 2007:11).”
11.	Cooperative Arrangements or Public–Private Cooperation	Such partnerships or arrangements are often referred to as “informal partnerships between the public sector and in this case metropolitan government and the private sector. In this case, the metropolitan government provides fiscal incentives and guarantees to attract the private sector to invest in physical or infrastructural development projects in a specified area.”
12.	Management Contract or Operations	In this arrangement, “the private sector partially provides infrastructure-related services partially manage the operations of the facility for a period agreed upon in the contract.”

**Sources:** Thomson (2005); Grimsey and Lewis (2007:11)

PPPs can be considered a small-scale version of privatisation and can take various forms (as illustrated above). The metropolitan governments usually use PPP forms such as: Build Operate and Transfer (BOT); Own and Operate (BOO); leasing; contracting out, and Build (Kelly, 2003:45; Ott, 2002:92).

In accordance with the National Treasury Regulations (2004), PPPs are awarded within the parameters of competitive, free and fair supply chain management systems.

Price regulations are imperative where PPPs are concerned. The municipal council should appoint a regulatory body to investigate price regulations. The regulatory system requires responses to questions such as: “When” – “price regulation is influenced by the environment, in which the PPP takes place. ““Who” - price regulation can be the responsibility of a municipal council or an independent body established by the council with the assistance of provincial, federal or national governments which must employ experts to best service the local people. “How” - the council must be clear on the criteria to be used in determining the appropriate price for a service to be provided through PPP”” (Kroukamp, 2004:28).

Risks are involved in any partnership. Grimsey and Lewis (2007:172) outline the specific risks associated with PPPs.

**Table 5.2: Common public-private partnership risks and causes**

<p><b>Economic risks:</b> “Economic risk is due to devaluation risk, foreign exchange risk, inconvertibility of local currency, inflation risk, interest rate risk, and small capital market risk.”</p> <p><b>Operational risk:</b> “This includes incapability of investors, infrastructural risk due to low quality or</p>
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limited physical infrastructure, demand and supply risk, improper regulation, liability risk, price escalation, management risk as a result of high operating costs and maintenance costs, and technical risk, which is due to engineering and design failures.”

**Transactional risk:** “This is caused by a delay in privatisation, improper privatisation, ineffective or incompetent administration, limited number of [interested] investors, and unfavourable investment conditions.”

**Political risk:** “This is caused by internal resistance of employees to change and transformation, labour or union resistance to privatisation or PPP initiatives and programmes, a move by government towards nationalisation in the midst of the PPP project, political influence by the “lefts or rights” to liberalisation, uncertainty of government policy, instability of the political environment which results in internal instability, and unsupportive government policies.”

**Legal risk:** “This is caused by an inefficient legal process or disregard of legal process by the processing party, legal barrier, and changes in [relevant] laws, regulations and policies.”

**Project default risk:** The PPP project fails because of a combination of any of the above.

**Environmental risk:** Arises because of adverse environmental impacts and hazards.

**Financial risk:** Arises from inadequate hedging of revenue streams and financing costs.

**Force Majeure risk:** Involves war and other natural calamities and acts of God.

**Source:** Grimsey and Lewis (2007:172)

The party that injects capital into the PPP project for development, implementation and its maintenance must provide efficient and effective service to guarantee the success of the project. Before tenders are called for around a specific project, the metropolitan government needs to undertake a risk analysis first, in order to ensure value for money (VFM).

At the centre of the PPP Model, better worth for money can be attained through the usage of private sector enterprises for the reason that of the better scope for technology, innovation, and the allocation of risk to the party that is able to manage it (OECD, 2007:10). In this regard, a PPP assessment framework becomes important. Key components of an assessment framework should be included in PPP documentation where consideration is given to the socio-political and socio-economic environments of the metropolitan within which the PPP project will be undertaken. The table below shows how the framework can assist government to make decisions on risk management.

**Table 5.3: PPP-assessing framework**

DEFINITION	DIMENSION	CHARACTERISTICS
<b>Rights:</b> The various rights given by metropolitan government to a private entity in return for carrying out a specified set of obligations	<ul style="list-style-type: none"> <li>• Possession</li> <li>• Revenues</li> </ul>	Real assets, intellectual assets, equity, ownership, whole or part allocation of rights.
<b>Obligation:</b> The promises that the private entity and the government agree to be bound	<ul style="list-style-type: none"> <li>◆ Development</li> </ul>	<ul style="list-style-type: none"> <li>• Planning, design, construction and improvements</li> </ul>

DEFINITION	DIMENSION	CHARACTERISTICS
by the agreement	<ul style="list-style-type: none"> <li>◆ Operating</li> <li>◆ Environment</li> <li>◆ Financing</li> </ul>	<ul style="list-style-type: none"> <li>• Operation and maintenance</li> <li>• “Biophysical (air, marine and terrestrial)</li> <li>• Social (labour issues, provincial benefits &amp; business impacts)</li> <li>• Extent of financing, source of security &amp; government guarantee.”</li> </ul>
<b>Liabilities:</b> The real and potential liabilities and risks assumed by either party under the agreement.	<ul style="list-style-type: none"> <li>◆ Legal liability</li> <li>◆ Risk</li> <li>◆ Taxes</li> </ul>	<ul style="list-style-type: none"> <li>• Unlawful act liability, business interruption and physical loss</li> <li>• Construction, business, financial and force majeure</li> <li>• Exemptions and liability assumption</li> </ul>

**Adopted:** Grimsey and Lewis (2007:88)

According to Irwin (2007), the party that turns out to have better systems and processes for risk management is likely to be the party who is granted the right to make decisions about a project. The author further suggests that: “PPP project risks and rights should be allocated together.”

### 5.3.2 Nature and components of PPP

For government to timeously, effectively and deliver efficiently on its mandate, it is important that the public and private sectors collaborate to plan, finance, implement and manage all PPP projects, especially infrastructure projects. This is mainly because infrastructure development and industrialisation create a platform for local economic growth and local social development of a specific municipality. These partnerships can take various methods, dependent on the precise division of risks and duties (Thomson, 2005:41; Savas, 2000:27).

According to World Bank (2019), the main government revenue, which comes from taxation, has been the traditional source aimed at infrastructure development and of course service delivery. This revenue stream cannot sustain ever-changing societal needs. Blake (2004) contends that government has embraced PPPs as a form of assistance in the financing of infrastructure and the delivery of services

Public managers in the perspective of PPP arrangements are required to assume the role of entrepreneur, facilitator, gatekeeper and partner in forming and sustaining relations and keeping ethical standards (De Los Ríos-Carmenado, Ortuño & River, 2016:8).



The partnership agreement between the public sector and the private sector cannot be overemphasised, because it determines the success of any partnership formed between the sectors. The partnership agreement should specifically reflect and deal with societal expectations in terms of service provision and monetary limits of such services. The partnership agreement guarantees conduciveness, beneficial collaborations and structured relationships, which are directed towards public service delivery. These two sectors need each other, the Service Level Agreement (SLA) clearly outlines the nature, and scope of activities attached to each partner (Hanss, 2001:401). Additionally, the agreement becomes the guiding tool especially in cases of dispute and misunderstanding and serves as reference point for project continuity.

Usually, an agreement takes the form of a contract, which is binding and specifies all expectations, limitations and obligations of parties involved the partnership and in this instance the metropolitan municipalities and the private sector (Pongsiri, 2002:488).

### **5.3.3 Public Partner versus Private Partner**

Sedisa (2008) argues that a public partner refers to the public sector, which may perhaps be narrowed down to a city, town, resident authority or any public sector entity with a mandate and need for a specific facility and an essential to access the resources of a private sector organisation in order to promote development. Particularly, the public sector is characterised by its own unique strengths and assets that it brings into the partnership to make it more achievable. The public sector is thus a central part of the governing hierarchy, which includes the legal authority in the implementation of public policy frameworks. The public sector takes policy decisions on whether to involve the private sector in public service provision, and it is responsible for implementation. The public sector also has the legal authority to ensure that policies, regulations and rules facilitate the full participation of the private sector in the developmental agenda of the country.

The two PPP projects, namely the COEGA and East London IDZs for example, should contribute to local economic growth and the social development of the populace of the two metropolitan governments. In addition, the public sector must ensure an environment that is favourable to the private sector confidently partaking in the socio-economic development of the metropolitan governments (Agere, 2000:98).

According to Boyne, Farrell, Law, Powel and Walker (2003:1):

“Governments in numerous countries have embarked upon reform programmes that are intended to make public sector organisations perform better. Public sector reform is in

fashion, and no self-respecting government can afford to ignore it. Public Management reform is defined as a deliberate change in the arrangements for the design and delivery of public services.”

“This includes innovations in public management – that is, ways of working or providing services that are new to a specific agency or to the public sector as a whole” (Bouckaert & Pollit, 2017:17).

In addition, Pollit and Bouckaert (2000:42) and Kasemets (2003:67) contend that:

“There is a paradox at the heart of the international movement in favour of performance-orientated management reform. The reformers insist that public sector organisations must re-orient and re-organise themselves in order to focus vigorously on their results...Yet this philosophy is not yet applied (by governments) to many of the reforms.”

Traditionally, the public partner, who ensured VFM relied strongly on strict adherence to rules and regulations to realise the predetermined PPP goals and objectives. This is because PPPs are seriously output-orientated and, therefore, all services rendered are classified as outputs. Reeves (2003) in Sedisa (2008:103) states that:

“The assets and services provided under the PPP model are designed on the basis of output specification, as opposed to prescriptive input specification..., and this gives the asset and service providers room for creativity and innovation especially because payment to these providers is linked to the quality and timing of their delivery.”

Therefore, the public sector is responsible for public policy formulation, which further defines the nature of service to be delivered over a given period, and as such should be articulated in terms of output specifications. It would be beneficial to both parties if service could be delivered according to specified performance standards and criteria. The public sector could then focus on payment mechanisms that relate to the set performance standards.

Whether the public sector is the initiator of the partnership or not, its expectations from the partnership are much greater. The public sector is expected to deliver services in partnership arrangement with the private sector because “the main rewards in partnering with the private sector are improvement of programme performance, cost-efficiencies, better service provisions, and appropriate allocation of risks and responsibilities (Pongsiri, 2002:489).” To achieve value for money from a partnership there must be a direct improvement in the quality of service delivery and it must make developmental sense to the taxpayer (RSA 1998).

The private sector (as one component of the PPP) is generally constituted by institutions that exist mainly for profit and are categorised by a great expertise level. In the PPP project environment, key responsibilities such as project planning, construction, design,

implementation, operating and financing and these facilities, are usually the reasons for engaging in a partnership agreement.

An analysis of the nature and degree of PPP project complexity reveals that high skill levels from the private sector are needed for the purpose of executing a project, hence the formation of a special purpose vehicle (SPV). Smit et al. (2007:171) writes that “the private partner may be a single company, but more often it is a team of companies who have come together to execute the partnership. The team is usually tailored to cover all the disciplines and expertise necessary to complement the partnership.”

According to Jamali (2004), in any partnership the private sector “expects to have a better investment potential, to make a reasonable profit, and to have more opportunities to expand its business interest. A good Return on Investment (ROI) is an essential consideration for the private sector partner.”

Bozeman (1984) cf. Mbanga (2012:97) categorises private and public institutions according to four magnitudes that he suggests outline procedures in institutions. These magnitudes are:

- Forming and sustaining the institution
- Organising the institution
- Organisational resourcing
- Set and pursuing goals

In **Table 5.4** below, Bozeman outlines where the public and private sector organisations fall on the public-private continuum.

**Table 5.4: Bozeman’s Public-Private Continuum**

PUBLIC ROLE	PROCESS	PRIVATE ROLE
Optional statutory appropriations	Assets or resources	Profits flowing from private market sales
Establishment (abolition) by government mandate	Lifecycle	Establishment only subject to private market
Structures established by government mandate	Structure	Structure free from government limitations
Goals and objectives determined based on government mandate	Goals/objectives	Goals free from governmental limitations

**Source:** Adopted from Bozeman (1984)

Mbanga (2012) records that the private sector and its organisations are subject to the “authority of the market” and provides goods and services based on consumer demands. On the other hand, public institutions are considerably less market-driven and obtain their resources from the political environment, as mentioned extensively throughout this thesis.

In addition, clients in the public sector are often provided with legislated service and decisions about what and how much to produce. In the environment of the public sector, this is a complex process that contains a quasi-market component through voter and exceptional attention response, and the electoral process. Generally, the state and social public organisations constitute the main actors in the management of public affairs. These organisations have public features, which are different from private organisations. Secondly, the objects of public affair management are public affairs, and there is no doubt that they all have a distinct publicness. At the same time, the ultimate goal or aim of public affairs management is to realise the public interest of the (Liu & Cai, 2020:145). These writers studied research on the public-private distinction topic and conclude that:

- “The most general management and organisation theory does not recognise the theoretical significance of the distinction issue.
- There are two divergent views of the distinction: economic and political.
- Until recently, both economists and political scientists have paid little attention to the managerial characteristics of public bureaucracies” (Liu & Cai, 2020:145).

Cooperation and support of the public sector is vital for the effective execution of PPPs. It would be fruitless to pursue PPPs without the involvement of the members of the public as one key component of PPPs.

#### **5.3.4 PPP agreement or contract**

An agreement is a detailed document, outlining and defining the responsibilities and privileges of the different parties to the agreement (Nyagwachi, 2008:83).

Houlden (1990:78) contends that:

“The collapse of partnerships is often due to a lack of clear agreement beforehand on what each partner is going to contribute, for what purpose, and what benefit each is seeking; and to the consequent lack of a common bond strong enough to survive the difficulties and choices that will arise.”

Parties in PPP contracts purposefully distribute risks among themselves and collaborate in a continuing bond “in order to achieve the objectives of the project” (Nyagwachi, 2008:107).

In terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003), a municipality might engage into a PPP agreement if there is evidence that the project has value for money in terms of municipal service provisioning. A metropolitan government should enjoy net benefit from the partnership through cost savings, quality delivery of services and risk transfer.

The Public Finance Management Act, 1999 (Act No 1 of 1999), as amended, sets out PPP circumstances and procedures to be followed, namely: metropolitan government might go into PPP agreement only if they can prove that the agreement will be within the means and deliver VFM, that there will be appropriate technical and operational support, and that financial risks will be transferred to the private party. “It is considered important that all PPP agreements that individual municipalities enter into comply with any prescribed regulatory framework for PPPs, as provided for in Section 120(2) of the Municipal Finance Management Act, 2003 (Act No 56 of 2003).”

Section 76(b)(v) of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) states that: “a municipality may provide a municipal service in its area of jurisdiction or part of its area through an external mechanism by entering into a service delivery agreement with any other [private] institution, entity or person legally competent to operate a business activity.”

In terms of Gazette Notice No. 27368 (Republic of South Africa, 2005), “the authority to enter into a PPP agreement on behalf of the organisation or institution” is vested in the accounting officer or authority or in this case, the Municipal Manager or City Manager of the metropolitan municipality. In the same Gazette, clause 16.3.1 outlines important requirements for the Municipal Manager to undertake in writing as soon as the organisation or institution identifies a PPP to be established. The requirements are:

- “Register the PPP with the relevant treasury;
- Inform the relevant treasury of the expertise within the institution to proceed with a PPP;
- Appoint a project officer from within or outside the institution; and
- Appoint a transaction advisor if the relevant treasury so requests” (Republic of South Africa, 2005).

The PPP Model must comply with Section 120 of the Municipal Finance Management Act, 2003 (Act No 56 of 2003) which makes the following provisions and requirements, namely:

“A metropolitan municipality may enter into a public-private partnership agreement, but only if the municipality can demonstrate that the agreement will:

- Provide value for money to the metropolitan government concerned;
- be affordable for the metropolitan government; and
- transfer appropriate technical, operational and financial risk to the private party.”

Additionally, before the conclusion of the municipal PPPs' deliverables, as outlined in the Municipal Public-Private Partnership Regulations (MPPR) of the Municipal Finance Management Act, 2003 (Act No 56 of 2003) (MFMA), and the Local Government: Municipal Systems Amendment Act, 2003 (Act No 44 of 2003), feasibility studies must be undertaken in order to establish its benefits to the larger local people. The viability assessment studies of the municipalities require that the following conditions be met, by the municipalities:

- a. “Explain the strategic and operational benefits of the PPP for the municipality in terms of its objectives.
- b. Describe in specific terms:
  - i. The nature of the private party's role in the PPP;
  - ii. the extent to which this role, both legally and by nature, can be performed by a private party; and
  - iii. how the proposed agreement will: provide value for money to the municipality; be affordable for the municipality; transfer appropriate technical, operational and financial risks to the private party; and impact on the municipality's revenue flows and its current and future budget.
- c. Consider all relevant information.
- d. Explain the capacity of the municipality to effectively monitor, manage and enforce the agreement.”

Within the PPP life cycle, a feasibility study is the second phase and it is conducted to support the organization establish whether conservative public sector procurement, or a PPP, is the greatest decision for the suggested development. A feasibility study entails:

- “Needs analysis
- Options analysis
- Project due diligence
- Value assessment

- Economic valuation
- Procurement plan
- Feasibility study report for Treasury approval” (Nyagwachi, 2008:63).

Once the above criteria and processes for PPP implementation stood to have been met, the Municipal Manager (MM), as an accounting officer of the metropolitan municipality should execute the ensuing:

- “Submit the report on the feasibility study together with all other relevant documents to the council for a decision, in principle, on whether the municipality should continue with the proposed PPP.
- At least 60 days prior to the meeting of the council at which the matter should be considered, the municipality must make public particulars of the proposed PPP, including the report on the feasibility study available, in accordance with section 21A of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000). In addition, it must invite the local community and other interested persons to submit to the municipality comments or representations in respect of the proposed PPP.
- Solicit the views and recommendations of the National Treasury, DPLG, and sectoral departments” (National Treasury, 2004:16).

### **5.3.5 PPP project life cycle at local government level**

“The Local Government: Municipal Systems Amendment Act, 2003 (Act No 44 of 2003), and Municipal Public-Private Partnership Regulations of the Municipal Finance Management Act, 2003 (Act No 56 of 2003), afford for the local leg of government PPP project life span.”

## **5.4 THE BUFFALO CITY AND NELSON MANDELA METROPOLITANS: AN ASSESSMENT OF THE PUBLIC-PRIVATE PARTNERSHIPS AND THEIR PROSPECTS**

Despite the socio-economic development policies introduced by the ANC government in South Africa in the early 1990s, a range of developmental constraints, such as continued immense unemployment levels, basic deficiency and inequality still prevail (ECSECC, 2015:27).

According to StatsSA (2016), of the nine provinces, the Eastern Cape is largely rural and characterised by infrastructure backlogs. The Eastern Cape provincial government was forced to direct resources towards rural development for improved social and rural economic development. PPP arrangements were called upon to assist in this endeavour (National

Treasury PPP Review, 2014/15: 57). A statistical assessment of the population is presented below to demonstrate the need for socio-economic development. The percentages represent the growth rates. Information pertaining to household growth and education are presented as well to further demonstrate the socio-economic needs of the province.

**Table 5.5: Population: Statistical assessment for South Africa, Eastern Cape and metropolitans**

Overall Population	1996	2001		2011	
Buffalo City Metropolitan	685 727	704 855	0.6%	755 200	0.7%
Nelson Mandela Metropolitan	969 518	1005 779	0.7%	1 152 115	1.4%
Eastern Cape	6 147 244	6 278 651	0.4%	6 562 053	0.4%
South Africa	40 585 568	44 819 797	1.0%	51 770 560	1.6%

**Source:** Statistics South Africa (2011)

Table 5.6 below indicates an increase in the number of households:

**Table 5.6: Household trends of the two metropolitans in the Eastern Cape**

Number of households	1996		2001		2011	
Buffalo City Metropolitan	161 167	4.2	191 958	3.6	223 568	3.2
Nelson Mandela Metropolitan	225 667	4.2	260 799	3.8	324 922	3.4
Eastern Cape	1 303 287	4.6	1 481 640	4.2	1 687 385	3.7

**Source:** Statistics South Africa (2011)

Education levels are displayed in the Table 5.7 below:

**Table 5.7: Levels of education**

<b>Individuals with less than full primary school education who are over 20 years old</b>			
	1996	2001	2011
Buffalo City Metropolitan	107 722	110 604	84 564
Nelson Mandela Metropolitan	116 348	125 615	88 992
Eastern Cape	1 220 535	1 352 521	1 038 872
<b>Those with Grade 12 and over</b>			
Buffalo City Metropolitan	92 567	132 522	193 325



Nelson Mandela Metropolitan	151 750	210 756	316 622
Eastern Cape	474 371	657 922	1 018 396

**Source:** Statistics SA (2011) in Freund (2014)

Historically, the introduction of the Rural Development Strategy in 1997, the Urban Development Strategy (UDS) back in 1996, the White Paper on Local Government in 1998, Local Economic Development Framework in 2006, and Municipal Service Partnerships in 2000, became the cornerstone for effective, efficient and vibrant economic development at local government level.

The LED activities pursued by metropolitan, district and local councils augmented and made an impact on the attraction of investments, combating unemployment and poverty. Metropolitan government played a leading role in developing broad-based LED strategies aimed at enhancing rural-local economic development and growth in partnership with locally based businesses and civil society organisations. The following section of the study reflects on the socio-economic benefits the Buffalo City and Nelson Mandela Bay metropolitan governments derive from the PPP projects of the East London IDZ and COEGA respectively.

#### **5.4.1 Coega and East London industrial development zones**

In terms of the World Economic Processing Zones Association (WEPZA, 2016), industrial development zones (IDZs), or economic processing zones (EPZs), have been the main performers in drawing investments and development to developing countries. According to Daniels and Radebaugh (2009), an EPZ can generally be regarded as a simply a sub-zone. A common purpose sub-zone is customarily developed nearby the entry of a seaport, such as a border crossing, an airport or shipping port, and regularly comprises of a delivery capacity (Rich, 2003:69). In other words, a sub-zone is normally disjointed from a general-purpose zone but is still under the equal managerial arrangement. The aforementioned authors contend that: “since 1982, the major growth in EPZs has been in sub-zones rather than general-purpose zones because companies have sought to defer duties on parts that are foreign-sourced until they need to be used in the production process.”

Special Economic Zones (SEZs) are physically designed for precisely targeted economic activities maintained through special arrangements and structures that usually differs from those that are used by the rest of the country. Whilst IDZ is a specific industrial estate built specifically to “leverage domestic and foreign fixed investment in value-added and export-oriented manufacturing industries and services” (Gumede, 2017: 71).

Daniels and Radebaugh (2009:117) state, "IDZs are areas in which domestic and imported merchandise are stored, inspected and manufactured free from the formal customs set procedures until the goods leave the zone."

Rich (2003:77) states, "establishing free trade zones to exploit the advantages of international trade is a recognized approach worldwide. Industrial development zones (IDZs) or export processing zones (EPZs)", as they are more commonly known, are industrial ports, which are aimed at providing a free linking intra-zone for vibrant economic activity. The intra-zone is enclosed by a fence and has customs security officers commanding the gate. IDZs have grown rapidly in countries with developing economies over the past two decades.

Globally, "there are foreign trade zones in the United States of America, free ports and zones in Europe, a trade development zone in Australia and special economic zones in China." IDZs are therefore industrial ports based on open trade, where there are no legislative restrictions and unnecessary long bureaucratic procedures. The legislation that becomes relevant and appropriate is the route through which they are developed and managed but still fall outside the levies zone of the country, even though they do fall under its control. They are administered as profitable organizations by public and/or private enterprises under the national legislation framework. According to Hamada (1975) cf. Rich (2003:62), the origins of these zones can be traced back to the early 1970s, in Taiwan and South Korea when the Kaohsiung and Masan Export Processing Zones were in operation.

Rich (2003: 62) contends that:

"A country provides a portion of its well-located land for foreign investments in certain industries, and in return ... it can enjoy benefits of various forms, such as: an increase in the employment of labour, an increase in exports leading to improvement in the balance of payments and the absorption of advanced technology. Without sacrificing the interests of protected industries ... a country ... provides various conveniences and facilities to foreign firms: ... duties on imported equipment, materials and intermediate goods are exempted: commodity taxes on production in the zone are exempted: goods from other parts of the country are considered as exports administrative procedures for the registration of firms ... are simplified: less restrictions are imposed on foreign exchange transactions."

For an IDZ to be successful, it has to be suitably located, be export-oriented with a sound and vibrant industrial base, be able to attract FDI to ensure that industrialisation is financed, and be open to technology and overseas markets. An IDZ is an effective and resourceful industrial port which delivers potential investors with necessary services to improve their attractiveness in global markets by establishing a "controlled investors' paradise."

According to World Investment Report (WIR) (2018:1), free trade is often the preferred policy for developing and developed countries, especially in cases where policy distortions or market imperfections such as production aids favour one industry over another. On the other hand, commercial theory has focused on the elimination of tariffs from IDZs and other trade constraints on small export companies located within “fenced” reserves with the support from outward-oriented FDI.

Webb and Pulle (2002) contend that for economic theory there is little support, which promotes the formation of IDZs. IDZs are found to be insignificant or lacks positive effects on the host country, especially when outward FDI is involved, which leads to the decrease of the economic wellbeing of the host country. The authors further argue that the EL-IDZ and Coega IDZs have not been of great influence in terms of development needs facing the host country, especially the domestic economy development for employment beneficiations.

Furthermore, evidence put forward that IDZs can be very costly for government to finance because of the requisite modern utilities and infrastructure services. According to the World Bank (2015), IDZs are both necessary and valuable for the reduction of anti-export bias of import policy exchange in developing countries.

In some developing countries, methods that are more efficient have been used to reduce unfairness and encourage export performance, which includes independent autonomous trade liberation. In principle, industrial IDZs, for instance those established in Coega and East London may be considered upon to increase exports of products that are manufactured in the several areas of the Eastern Cape.

#### **i. The East London IDZ**

The East London based Industrial Development Zone is one of the national governments’ initiatives aimed at encouraging local industrial and economic growth. The Eastern Cape provincial government led by the former Premier, Ms Nosimo Balindlela in her State of the Province Address (2007), indicated commitment to this endeavour and her overall support of this PPP approach. The provincial government, at that time, allocated more than R1.7b for both the Port Elizabeth-based Coega IDZ and the East London IDZ. The focus of these PPPs was to fast-track infrastructure development and local economic development. These projects were the largest and most remarkable government interventions in the Eastern Cape since 1994.

The East London IDZ is located in the town's west bank industrial area, and neighbours on the airport and the port of East London. It is a prime location with more than 1 500 ha available for further development, which would be undertaken in various phases. From its inception, critical success factors for the IDZ establishment were outlined in order to measure development and growth. Zimmerman (2002) in Rich (2003:67) lists the critical success factors as:

- "World-class infrastructure
- Human resource development skills
- Superlative logistics
- Strategic development investment
- Responsible environmental management
- Market consciousness" (Rich, 2003:67).

The EL-IDZ positioned East London as the automobile industry hub for South Africa and Africa. Its vehicle-handling wharf can handle more than 2066 vehicles a day. Of importance is that, the BCM is easily accessible by means of road, rail and air, which is conducive to international markets.

The former Chief Executive Officer, Peter Miles in 2003 said, "the IDZ will operate as a liberalized duty-free and multi-sector development area." The former Minister of Public Enterprises announced in 2002 "a portion of the Transnet budget would be allocated to the upgrading of the rail link between the Eastern Cape and Gauteng." The EL-IDZ five-year (2012-2017) strategy was centred on lobbying for strategic and high impact investments that would have a substantial socio, economic and rural impact on the region.

Since the 2010/11 financial year, the EL-IDZ has managed more than 22 new investors with a joint deal valued at R1.92 billion. This occurred in spite of the threats postured by slow global economic recovery, emanating from the 2008/09 economic recession, increasing geopolitical tensions and the likelihood of yet one more economic collapse as a result of the deafening product prices, at the time.

The EL-IDZ managed to raise more than 70% of the total investments secured by the IDZ (by value) which represented the automotive sector (EL-IDZ Annual Report, 2014/15:19). It is also interesting to note that the renewable energy sector overtook the automotive sector in 2015 as it had the highest value of investment, with the automotive sector only representing 35% of the total investment secured at the time. The EL-IDZ contributed to the creation of

8140 construction job opportunities, and 2931 jobs in manufacturing and related services (Annual Report, 2014/15:20).

The EL-IDZ Annual Review (2014/15:17) states that:

“The EL-IDZ is showing very commendable progress. The figures tell us a story of substantial progress since 2009. Whatever incentive we may provide as government, it is important that this is complemented by a strong management and a strong presentation of a credible quality product. The reputation of the particular IDZ is very important. This is what we are beginning to see at the EL-IDZ, the reputation is turning in a very positive direction. The other side of it is the delivery of concentrated industrial infrastructure. These are the elements that come together in the establishment of IDZ and there are some success stories in this regard that we see at the EL-IDZ.”

The value that the EL-IDZ adds to the region’s economic development is demonstrated by key stakeholders in the sections below.

Jeff Best of Johnsons Controls Automotive in The EL-IDZ Annual Review (2014/15: 19) affirmed the value of the EL-IDZ when he said that:

“The reason JCI chose the EL-IDZ for its location for investment is because of the infrastructure and the support we have received from the EL-IDZ as we have come into the region. They have been accommodative and have provided a conducive environment. Their professionalism in running the facilities and building the facilities – we have been very encouraged by the support we have received from the EL-IDZ.”

Arno van der Merwe of Mercedes Benz South Africa (2014) in the EL-IDZ Annual Review (2014/15: 19) expressed similar sentiments when he said:

“The partnership with the EL-IDZ is incredibly valuable. We have a fierce competitive situation in terms of the global economy. We see the emergence of emerging markets in terms of how they are competing as production locations much more than what we have seen before. In the light of the competitive business that we are in, it is absolutely essential that we create an environment and a destination for companies and suppliers that is welcoming and easy to deal with, in which they understand the constraints and opportunities. An initiative such as EL-IDZ provides a location in which there is a trusted partner that they can consult which provides them with the right guidance in how they can get their businesses up and running and established. We see the benefits of that we have seen that over the last years. We are proud to be associated with the EL-IDZ in that regard and to see the growth that is taking place alongside our growth.”

The sentiments expressed above suggest that the East London IDZ is making inroads locally and internationally and has the ability to attract more investors. FDI of the East London IDZ, according to Zimmerman (2002) should be based on:

- “Marketing and promotional initiatives
- Investment guidelines and information
- Focal industry investigations and information packs
- An effective organisational management structure
- Securing financial and/or technical partners for the development of the IDZ
- Establishment of key performance indicators
- Implementation actions, personnel, timing and costs
- A programme to control projects through scheduling, tracking activities, monitoring progress, and cost and human resource control.”

The following section speaks to the Coega IDZ.

## **ii. The Coega IDZ**

According to the Coega Development Corporation Strategy (2015), the aim behind the establishment of the Coega IDZ in Nelson Mandela Bay was to present a conducive platform for South Africa to participate in global export markets by focusing on local and foreign investment attraction within the manufacturing industries. The Coega Development Corporation was established in 1999 as a stated-owned entity, which was mandated to operate and promote the development of the Coega Industrial Development Zones.

The IDZ is strategically positioned adjacent to the Port of Ngqura in Nelson Mandela Bay, one of South Africa’s prime investment hotspots for medium to large industries with global competitive potential. It is a multi-million Rand industrial development covering 11 500 ha and includes a deep-water port. It was designed in the form of a cluster, linking related industries and their supply chains, with the aim of maximising efficiency and minimising response times. The IDZ is established into 14 zones and in-house the following clusters: Chemicals, metals/metallurgical, logistics, services, automotive, agro-processing, energy and maritime.

The Coega IDZ is a purpose-driven industrial land connected to an international airport and was designed with export-driven industries in mind. A large amount of capital was injected into the Coega project. It has become one of the best harbours in the country (StatsSA, 2013:21).

Coega handles 30.000 containers per month. The deep-water Port of Ngqura and Coega IDZ remain the main drivers for local investment and economic development. Coega attracts a mix of local and international investors for economic development. Coega IDZ since its

inception has recorded great successes and achievements that has led to the attraction of investors. One such project is the Petro South Africa's Mthombo project (Coega Annual Review, 2015).

Critical accomplishment features of the Coega IDZ include:

- A first-class deep-water port
- Export marketing (new market development)
- Clustering for synergy and supply chain integration
- Black business development
- Industrial ports appropriate for hefty, intermediate and light industries
- Economic development clusters centred on regressive and advancing incorporation
- Purpose-built industrial infrastructure
- A secured customs area
- Skilled and semi-skilled labour accessibility
- Facilitation of training requirements to meet investor needs

Since the development of the Coega five-year development strategy in 2010, new business lines, infrastructure management services and effective consulting to government institutions have expanded the CDC's income lines and allowed for a wider development footprint nationally.

It has attracted more than 19 (new or expansions of existing) investments which recorded to be the first ever of their kind in any South African IDZ. "Coega IDZ remains the preferred investment destination for foreign and local direct investment in South Africa," writes the CEO, Mninawe Silinga (2015). This is marked by an increase of self-generated revenue. The value of the IDZ's domestic and foreign investment has increased from that of previous years. The IDZ has created approximately 15 000 jobs. Eight thousand individuals acquired new skills through training and human capital development. "The IDZ acquired investment up to R1.8 billion for the 2014/15 financial year" (COEGA Development Corporation Integrated Report, 2014/15:25).

Coega's key focus areas are expressed in the Table 5.8 below:

**Table 5.8: Coega key focus areas**

CDC STRUCTURE	
<b>Coega IDZ</b>	Hosted 31 operational investors with a combined investment value of more

	than R6.44-billion
<b>Coega Commercial Services</b>	This pertained to staff development (recruitment and training) for IDZ investors through Coega Human Development/Capital Solutions, business travel solutions and leisure through Coega IDZ Corporate Travel, consulting services through Coega Business Development Solutions; Information Communication Technology through Coega Telecommunication; and conferencing and accommodation through the Coega Vulindlela Accommodation and Conference Centre.
<b>Project Management</b>	CDC acted as implementing agent for a range of public and private sector clients, providing infrastructure development and facilities management services

**Source:** COEGA Development Corporation Integrated Report (2014/15)

The products that generate revenue for the IDZ are presented in Table 5.9 below:

**Table 5.9: Product offering – revenue generating**

<b>PRODUCT OFFERING – REVENUE GENERATING</b>		
IDZ Focus	Industrial Estate Development	<ul style="list-style-type: none"> <li>• Economic Infrastructure</li> <li>• Investment Attraction</li> <li>• Facilities Management</li> </ul>
IDZ and Non-IDZ Focus	Travel Agency Services	<ul style="list-style-type: none"> <li>• Travel &amp; Accommodation</li> <li>• VISA Applications</li> <li>• Conference Facilities</li> </ul>
	Skills Development Services	<ul style="list-style-type: none"> <li>• Accredited Training</li> <li>• Non-accredited Training</li> <li>• Conference Facilities</li> </ul>
Non-IDZ Focus	Implementing Agency Services	<ul style="list-style-type: none"> <li>• Social Infrastructure</li> <li>• Facilities Management</li> <li>• Enterprise Development</li> </ul>
	Management Consultancy Services	<ul style="list-style-type: none"> <li>• Research</li> <li>• Document Management Services</li> <li>• SEZ/IDZ Studies and Planning</li> <li>• Business Re-engineering</li> </ul>

**Source:** COEGA Development Corporation Integrated Report (2014/15)



## **5.5 SUMMARY**

This chapter has provided a contextual overview around the value of PPPs. The historical evolution of privatisation was presented to establish the context for PPPs. It was concluded that privatisation is a sub-element of Public Choice Theory. Hence, for the purpose of this study, PPPs, as a concept of privatisation, are underpinned by Public Choice Theory, thus soundly locating it within the confines of Public Administration and Management as a discipline.

Various definitions of privatisation were explored. A range of categories of PPPs was discussed. As the study is focused on the BCM and NMB metropolitan municipalities the socio-economic value added by PPPs in these areas, were elucidated. It can be concluded that PPPs are sound mechanisms with which any government can, not only enhance service delivery, but also influence the socio-economic conditions that prevail in a positive manner.

## CHAPTER SIX

### RESEARCH DESIGN AND METHODOLOGY

#### 6.1 INTRODUCTION

First, the primary purpose of this study is to assess the socio-economic impact of the public-private partnership (PPP) projects in the Buffalo City Metropolitan Municipality (BCMM) and the Nelson Mandela Metropolitan Municipality (NMMM). This chapter explains, describes and forwards the methodology and the whole research design of this study. In social sciences, research methodology can be described as a planned technique for conducting a scientific research enquiry with a serious reflection of the research statement of the problem, primary research question(s), hypotheses and objectives. Social science studies have many methodological paradigms, which affirm that the aim of any research design and methodology predominantly rest on the setting and nature of the research (Bryman, 2012:45). This chapter describes the research methodology, and the data analysis technique employed in this study.

#### 6.2 AN OVERVIEW OF RESEARCH IN SOCIAL SCIENCES

Bryman (2012:5) writes that the term 'social research' "denotes research on topics relating to questions relevant to the social scientific fields, such as sociology, human geography, social policy, politics and criminology. Therefore, social research includes research that draws on the social sciences for conceptual and theoretical inspiration." Research can be regarded as a rational procedure of generating new social realisms, not just about learning ancient ones. This course consists of the gathering, presentation, analysis and interpretation of data in order to better comprehend the significance of the phenomenon under inquiry (Williams, 2012:90).

Johnson (2007:17) regards research as:

"The process of arriving at dependable solutions to problems through the planned and systematic collection, analysis, and interpretation of data. It is an important tool for advancing knowledge, for promoting progress, and for enabling man to relate more effectively to his environment, to accomplish his purposes, and to resolve his conflicts."

The above perfectly defines what research is all about in the field of social sciences, as well as its purpose. Consequently, in respect to the management of metropolitan municipality

matters, it is vital that once community problems have been acknowledged, they are promptly responded to ensure continuous social welfare improvement of all citizens.

However, for this to be dealt with appropriately there has to be a thorough process of investigating and testing of the problem brought forward towards an evidence based solutions. Therefore, “social sciences research should produce results that have socio-economic beneficiation to communities” (Mueller, 2012:10).

Then again, research in Public Administration and Management in specific, ought to be aligned to government’s national development priorities, such as socio-economic development deliverables outlined in the Medium-Term Strategic Framework (MTSF) of government. In the perspective of this study, the understanding of the socio-economic development effects and insufficiencies in the implementation of the PPP projects in the two IDZs in question should culminate from empirical research. In addition, the research study leads to a meaningful proposal on how best PPP arrangements can improve the level and nature of services provided by the metropolitan governments in South Africa.

From an academic point of view, research is often carried out for the purposes of discovering new pertinent knowledge on a particular enquiry. However, this denotes that the purpose of carrying out research is not simply for data collection, but rather to find appropriate solutions to research enquiries following a logical approach. For that reason, this indicates that research in social sciences is not merely about the collection of data, but also the need that encouraged the study to be undertaken.

Empirical research in social sciences is combined with a set of challenges that have to be dealt with constantly. Most of these challenges stem from the point that the research is overwhelmed by human beings participation as subjects of research in the study (Wagner, Kawulich & Garner, 2012:172). As expected, human beings think, observe and deduce their world (social and economic) in their own way, based on their experiences, research and assumptions. The latter alone validates the fact that empirical research can be tricky. However, research ethics help to alleviate the challenges associated with human participation in a study.

Neuman (2014:33) observes that: “people are engaged in an ongoing process of making sense of the world, in interaction with their fellows and we, as scientists, are seeking to make sense of their sense-making.” This view prompted the researcher’s comment that studying human behaviour can be challenging. It requires consideration of issues like privacy and confidentiality, which cannot be ignored, for the sake of the study’s reliability and credibility.

This implies that during the research study stages, some respondents tend to withhold their willingness to disclose what they know about certain variables and some decide not to tell the truth.

### **6.3 RESEARCH DESIGN**

According to Babbie (2015:89), each scientific social research enquiry has a research design, which shows the key research factors, such as, the data collection technique, data analysis approach and how they interrelate in order to ensure that the final findings of the research report respond to the predetermined research questions. The research design can be regarded as a roadmap for carrying out scientific research and it connects empirical collection of data to predetermined research questions and ultimately to its conclusions.

Yin (2013:37) confirms that the “research design is a plan or blueprint of how to conduct research. A research design can be referred to as a strategic framework and is critical to the success of the study, mainly because research results can only be accepted, rejected, replicated or even be understood in the context of how the research results were obtained.” According to Goodwin and Jasper (2014: 245), a researcher may adopt the normative approach to provide the basis for selection criteria in what questions to ask and which data to consider in the research study.

Botes, Brynard, Fourie and Roux (1997) cf. Andoh (2012:119) also suggests that:

“Normative research studies are more concerned with propositions and postulations; the existing standard or situation is measured against a visualised norm and an evaluation is made to determine which principles should or could be promoted or improved to achieve the ideal state.”

Taking from the above contentions, the techniques for the collection and analysis of data in the research study is determined by the choice of the research methodology and design. The research plan for this study started with problem identification, research questions and objectives, and research methodology. This research plan afforded the researcher with a rational process for scientific enquiry. The section below presents the research methodology employed.

### **6.4 RESEARCH METHODOLOGY**

First, it is important to note that a research methodology is not the same as research method even though, in some circumstances, they are interchangeable. As mentioned in the latter part of 6.3, a research method has to do with the how the data are collected, interpreted and

reported. Sedisa (2008:67) suggests that research methods are the real research practice encompassed of techniques or procedures and approaches used during the scientific research enquiry process, particularly in the stages of data collecting.

In contrast, methodology is wider than research methods and however vital in that it provides theoretical basis for the research method. Dunne (2012:162) defines methodology as “the study of, or a theory of, the way that research methods are used in undertaking a scientific study.” Essentially, it comprises the descriptive analysis of research methods and highlights the resources and limitations thereof.

Methodology sets the philosophical basis for the research. Therefore, the research methodology is aimed at describing and analysing the same research methods by stressing research confines and the scope of resources together with attached assumptions and possible consequences (Hall & Hall, 2009:79). It can, therefore, be presumed that a research methodology “is the science that enables researchers to follow established practices of gathering data with value underpinned by a broader understanding of the research process involved” (Buchanan, 2013:221).

Babbie and Mouton (2001:34) suggests that methodology considers the application of a common variety of techniques that are aimed at improving the chances of achieving validity in exertion of scientific enquiry. In fact, many authors concur that any scientific enquiry that relates to humans should be qualitative and quantitative in nature (De Vos, 2002:82). This study applied a quantitative research approach. The positive and negative aspects for choosing the quantitative research approach are provided.

#### **6.4.1 The quantitative research method**

According to Bless, Higson-Smith and Sithole (2013:34), the quantitative research method is mainly about comparing and analysing different given variables regarding size using a measurement technique. Marks and Samuelson (2011:103) agree with the notion that “when [one] can measure what he/she speaks about and express it in numbers, he or she knows something about it. Otherwise his/her knowledge is of an insufficient and unsatisfactory kind”.

“An ordinary scale of measurement is used as it enables the researcher to ensure that an effective comparison is conducted and establish rank-order between different values of a variable to classify the feelings of the respondents (Bless, Higson-Smith & Sithole 2013:36).”

The assumption is that research participants might agree or disagree on a subject variable at the centre of the questionnaire, but their level of agreement and differences adds so much value to the research conclusion.

The data collection tool employed in this study was a structured questionnaire, which was disseminated by email to the relevant participants. The section below outlines the location of the study and how the participants were selected.

## **6.5 SETTING AND PARTICIPANTS**

### **6.5.1 Setting**

Data was gathered from the BCMM and NBMMM. Section 153 of the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996) states that municipalities are mandated to:

- i. “[S]tructure and manage their administration and budgeting and planning process to give priority to the basic needs of the community and to promote the social and economic development of the community; and
- ii. [P]articipate in national and provincial development programmes.”

Therefore, municipalities have a legislative obligation that relates to planning (leading to the development of a five year IDP), which must receive the municipal council approval. The IDP document entails all developmental components of the municipality, which culminate to the improvement of the community wellbeing (MSA, 2003).

In terms of the Municipal Planning and Performance Management Regulations (MPPMR) (2001:7):

“IDP crosses departmental divisions by linking the physical, social, institutional and economic components of planning and development with management and implementation structures. Its aim is to uplift the socio-economic status of the people, eradicate development backlogs and inequality.”

Regulation 2(1) of the MPPMR provides for five key strategic areas in which the IDP must identify priorities for implementation in line with the Medium-Term Strategic Framework:

- “An institutional framework which must include an organogram required for IDP implementation and the management of internal transformation
- Investment initiatives – the IDP must show how the municipality should invest its resources, and secondly, what investment programmes or areas have been identified

- Development initiatives such as physical, social, economic and infrastructural development
- Projects and programmes [to be] implemented within the municipality by any organ of state
- Key performance indicators and measures (Republic of South Africa, 2001:8). The view is that the IDP should enable the municipality to achieve the developmental objectives of local government as provided for in Chapter Seven of the Constitution.”

The Provincial IDP Assessment Framework (2017–2022) was developed to assist municipalities in developing, monitoring and assessing the performance of their IDPs. The IDPs must make a provision for institutionalisation activity to establish and maintain ward committee structures to be compliant with the Local Government: Section 17 of the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998): Municipal Structures Act, 1998 (Act No 117 of 1998) delivers for the formation of purposeful ward committees as a structural machinery for improved public participation at grass-roots level where people meet policy.

The reason for the inclusion of the two metropolitan municipalities in the study was primarily to discover the socio-economic impact of IDZs. EL-IDZ is located in the Buffalo City Metro and the Coega IDZ is located in the Nelson Mandela Bay. These two PPPs are the focal point of the study. Both the IDZs were established to improve the local economic development of the two metros and improve economic growth of the province at large.

### **6.5.2 Participants**

The participants in the study comprised purposely-selected individuals involved with the Coega and East London IDZs. Participants were selected based on the nature of their work and their level of involvement in municipal development partnerships.

Their positions, knowledge and work experience aligned to PPP projects aimed at improving the socio-economic development of the metropolitan governments. The selected participants were also at the forefront of the implementation of the socio-economic development projects that relate to poverty alleviation, social development and local economic development through organised infrastructure development. Therefore, any proposed policy or framework shifts would affect them in one way or another, hence the suitability to elicit their views on the possibility of improving socio-economic development of the two metropolitans through PPP arrangements.

Fifty municipal officials and councillors were identified as the most appropriate participants for the study. Table 6.1 shows the categorisation of the participants.

**Table 6.1: Participant categorisation**

CATEGORY/UNIT	NUMBER OF PARTICIPANTS
Elected Representative/Councillor	15
Municipal/City Manager	2
Executive Directors	10
Managers	10
LED Specialist/Practitioner	5
Labour Union Representative	4
Other	4
<b>TOTAL</b>	<b>50</b>

**Source:** Author

To collect data from the participants in the BCMM, the researcher adopted the use of a structured questionnaire as mentioned earlier.

Before undertaking the study, permission to conduct research in the BCMM and the NBMMM was acquired from the two metropolitan municipalities (**see Annexure A**).

## 6.6 DATA COLLECTION INSTRUMENT

The data collection instrument that the researcher employed in the study comprised a structured questionnaire. The process of studying and analysing documents in the theoretical chapters of this thesis afforded the basis for the research problem and questions on modern-day PPP procurement arrangement in the local government sphere.

The questionnaire was designed to respond to the research question in order to elicit the socio-economic impact of the two IDZs in the two municipalities.

Lucey (2002:85) writes that:

“A questionnaire should realise the following objectives: It should reflect accurate information regarding the research study; it should meet the aims of the research; and it should be implemented within the ambit of available time and resources.”



The questionnaire was disseminated in two ways (**see Annexure B**). Thirty were sent by email and twenty were dispersed in-person. The questionnaire had two parts:

**Part 1** invited the participants' biographical details such as race, academic information, age group, portfolio and gender. Questions in this section were posed for understanding the demographic orientation of the respondents. These questions helped to justify the human aspect of the respondents.

**Part 2** presented the theoretical propositions aspect regarding the IDZs–PPP performance, legislative aspects, cost efficiency, project management, monitoring and evaluation, and socio-economic impact.

A total of 50 questionnaires were distributed to the municipalities as mentioned before, and 38 questionnaires were returned:

- 25 questionnaires distributed to the BCMM (23 plus 2 union representatives)
- 25 questionnaires distributed to the NMBMM (23 plus 2 union representatives).

**Table 6.2: Questionnaire distribution**

NAME OF MUNICIPALITY	QUESTIONNAIRES		
	Total distributed	Total number returned	%
Buffalo City Metropolitan	25	18	72%
Nelson Mandela Bay Metropolitan	25	20	80%
<b>TOTAL</b>	<b>50</b>	<b>38</b>	<b>76%</b>

**Source:** Author

Table 6.2 illustrates that of the 50 questionnaires administered, 38 (76%) questionnaires were returned, accounting for 20 (80%) NMBMM and 18 (72%) BCMM. This occurred during August and September 2016.

## 6.7 DATA ANALYSIS

Ingham-Broomfield (2014) contends that: data analysis is about organising the data collected in response to the research question. This implies that data on its own is not an answer to the research question, therefore, the data that are collected need to be arranged in an orderly manner, systematically processed and analysed in order to realise the predetermined research objectives.

In addition, data analysis comprises descriptive details of the nature and setting of the case. Denzin and Lincoln (2011: 213) suggest that: “quantitative data analysis refers to a systematic search for meaning through the processing of collected data so that what has been learned can be communicated to others.” The researcher used SPSS as a tool to assist with data analysis.

The data analysis approach focused on biographical and metropolitan descriptive data to describe the sample; performance of PPP project based on the twelve constructs that were derived from the analysis in terms of the research survey of operational PPPs-IDZs; factor analysis to determine the performance of PPP projects’ constructs in terms of reliability and validity via SPSS; and generalised linear model performance of PPP projects constructs’ analysis.

## **6.8 ETHICAL CONSIDERATION**

The Oxford English Dictionary (2017) defines ethics as “a system of moral principles or rules of behaviour or conduct, which provides for the creation of an enabling environment.” In this context, to be ethical in the research environment is to adhere to accepted norms and practices of research in social sciences. Andoh (2012:33) writes that: “that any expectation from research provides evidence of ethical consideration through knowledge and consent to conduct the study.” As a result, this study followed through the ethical requirements, practices and guidelines. Approval to undertake the study was obtained from the metropolitan governments of the Eastern Cape.

Before the data collection process, a research project information sheet, accompanied by a consent form, was sent to the participants. The information sheet included all the information relevant to the study. Serious caution was observed during the data gathering process to ensure that the research did not negatively influence any respondent’s privacy (Babbie, Hally, Wagner & Zaino, 2013:240). Anonymity, privacy and confidentiality of participants were ensured.

## **6.9 SUMMARY**

This chapter provided a brief overview of the research methodology employed in the study. The data collection tool was explained. How the participants of the study were selected, was also clarified. The chapter further touched on ethical considerations, pertinent to the study. The next chapter presents, interprets and analyses the data.

## **CHAPTER SEVEN**

### **DATA PRESENTATION AND ANALYSIS**

#### **7.1 INTRODUCTION**

In principle, analysis of data is the initial phase in a research project where the researcher pursues to make sense of what has been found during the research study processes. Moreover, the researcher concentrates on the data analyses and interpretation of the collected data in order to establish the significance and repercussions thereof. The preceding chapter presented the adopted research methodology. This chapter contains the exhibition and interpretation of data and discoveries emanating from the data collected during the study. This chapter analyses the data collected in order to determine the extent to which public-private partnerships (PPPs) can be used to enhance socio-economic development in the Eastern Cape metropolitan governments specifically, and South Africa at large.

This study was planned to examine the performance of operational Eastern Cape Metropolitan government PPP projects, add towards the current body of knowledge on metropolitan PPPs, and deliver a framework for a maintainable PPP system in the South Africa and beyond.

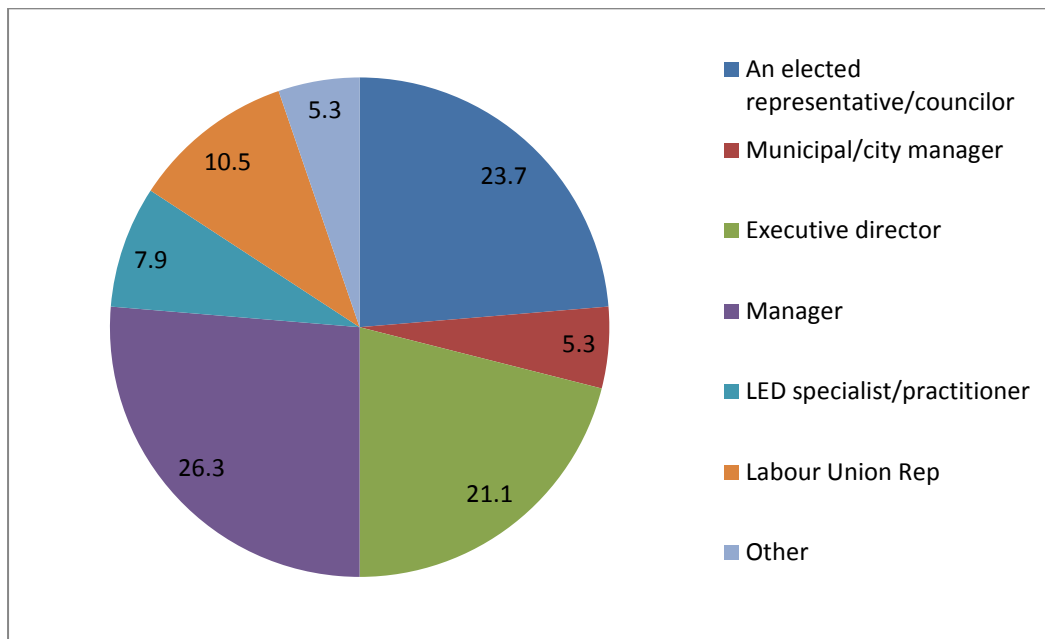
The study focused on: the value of PPPs in providing sustainable socio-economic development services; the socio-economic impact that PPPs (IDZs) have on the quality of service delivery in the Buffalo City Metropolitan Municipality (BCMM) and the Nelson Mandela Bay Metropolitan Municipality (NMBMM); costs and affordability; contract type, policy and guidelines; the lessons and benefits that can be realised from such PPPs; implementation success of PPPs in the service delivery environment; and the extent to which the private sector can play a significant role and be involved in PPP procurement arrangements.

#### **7.2 BIOGRAPHICAL AND METROPOLITAN DESCRIPTIVE DATA**

The responses from the purposively selected respondents in the BCMM and the NMBMM, who dealt with PPP procurement arrangements and service delivery interventions, are presented and discussed below.

### 7.2.1 Work post/position

The respondents were asked to provide their office or post positions.

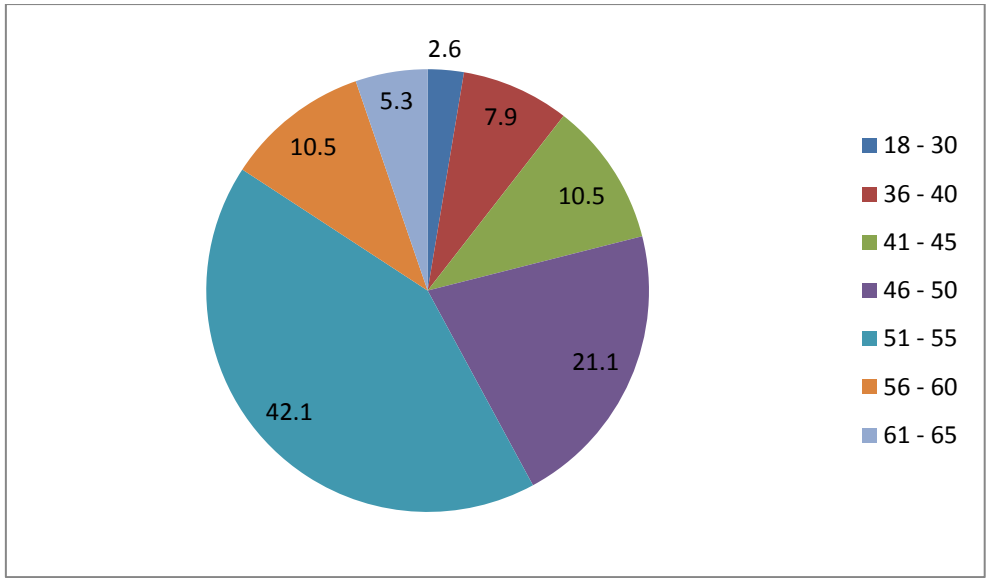


**Figure 7.1:** Respondents' work post/position rate

Most of the respondents who completed the questionnaire are managers (26.3%), followed by elected representatives (politicians) (23.7%) and executive directors (21.1%). The other two important components in municipal development, namely LED and the Business Unit represent 8% and 0% respectively. A 0% response illustrates no representation from the business unit managers for both the metropolitans. Respondents who did not specify the group to which they were affiliated totalled 5.3%. Shop stewards from SAMWU and IMATU account for 10.5%.

### 7.2.2 Age

The respondents provided their age categories.

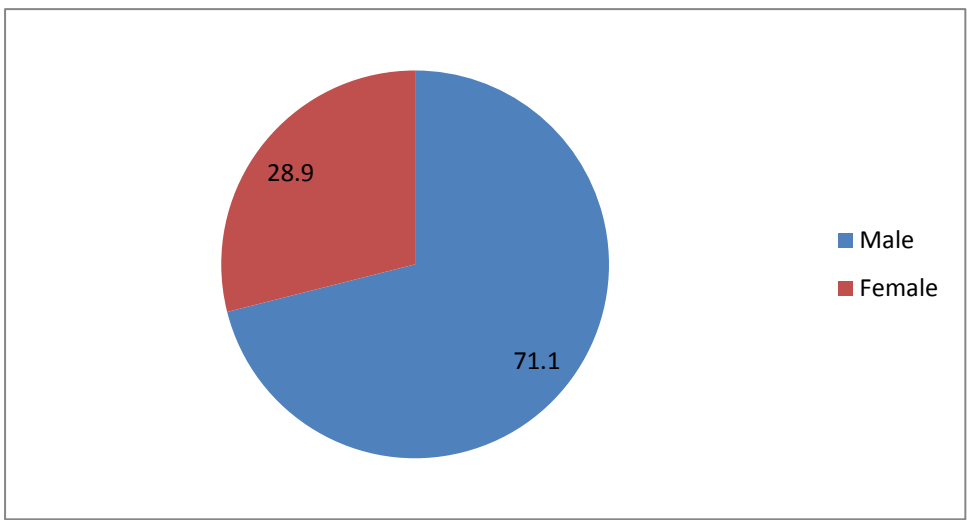


**Figure 7.2:** Respondents' age prevalence

Most of the respondents are councillors, executive directors, managers, city managers and staff in the LED Unit of the BCMM and NMBMM, as well as IMATU and SAMWU labour representatives, aged between 51 and 55 (42.1%), and 21.1% between the ages of 46 and 50. Respondents between the ages of 56 and 60 account for 10.5%. Respondents between the ages of 61 and 65 account for 5.3%. Those between the ages of 41 and 45 account for 10.5% of the respondents. Respondents between the ages 36 and 40 account for 7.9%. Respondents below the age of 30 account for 2.6%. Based on the lifecycle of the two PPP (IDZ) projects in the metropolitans, the age classification reveals that there will be some level of leadership continuity and institutional memory (knowledge management) towards sustainable PPP project implementation.

**7.2.3 Gender**

The study targeted both male and female municipal officials.



**Figure 7.3:** Gender incidence

Males constitute 71.1% and females 28.9% of the respondents.

### 7.2.4 Population group

The respondents provided their population group.

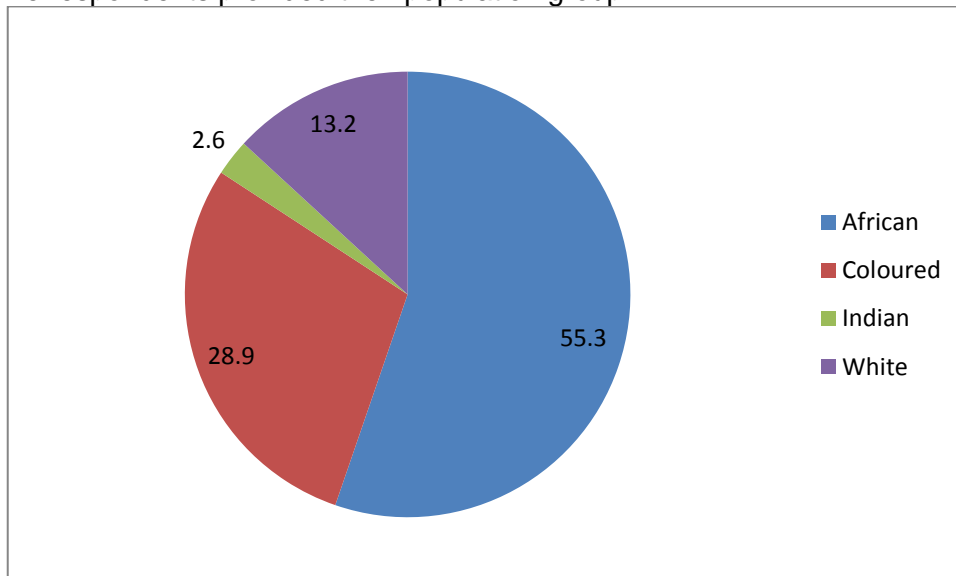


Figure 7.4: Race group rate

In relation to race representation, the responses reveal that black Africans dominate with 55.3%, 28.9% Coloureds, 13.2% Whites and Indians account for only 2.6%.

### 7.2.5 Education

The respondents provided their level of education in relation to PPP arrangements in the two metros.

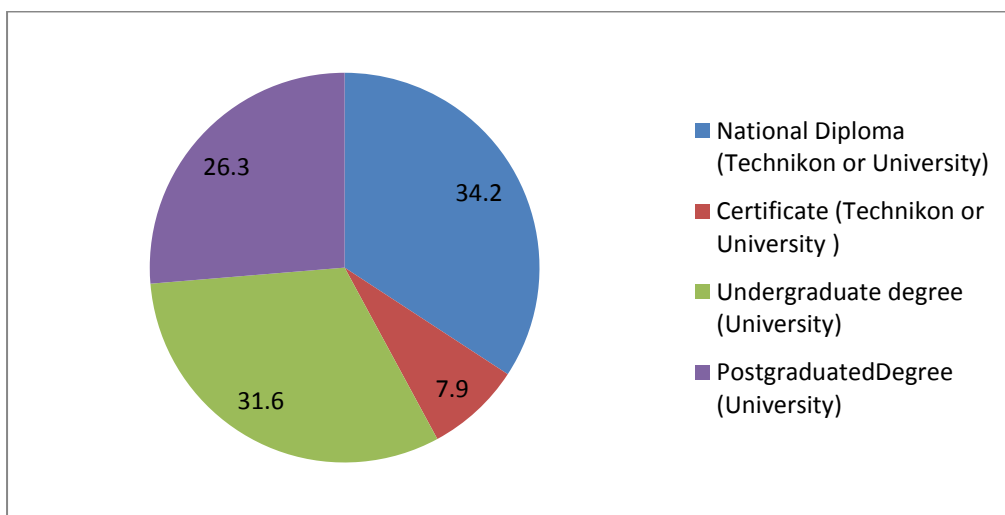
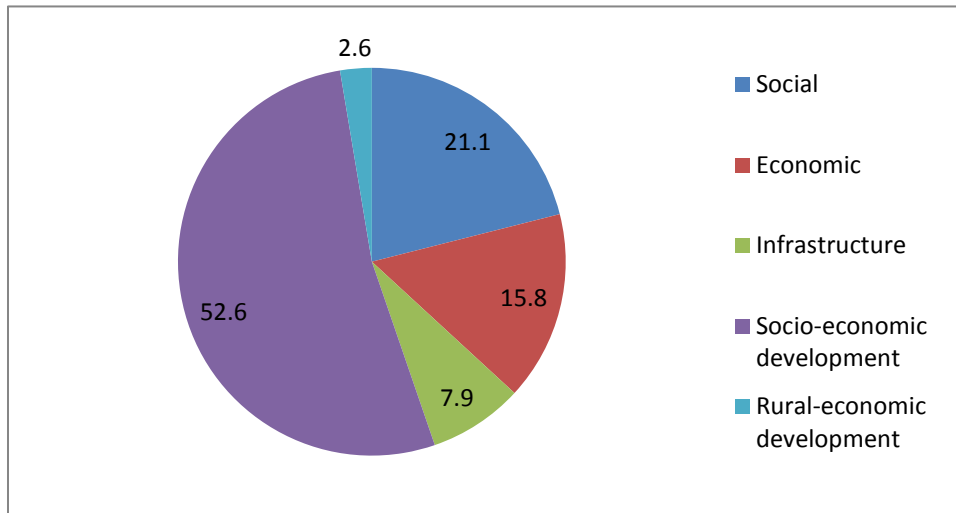


Figure 7.5: Level of education frequency

In relation to education levels, the results reveal that 34.2% of the respondents hold a national diploma, 31.6% have completed an undergraduate degree at university level and 26.3% have a postgraduate degree.

### 7.2.6 Public-private partnership role players

The respondents were required to indicate their role in the PPP

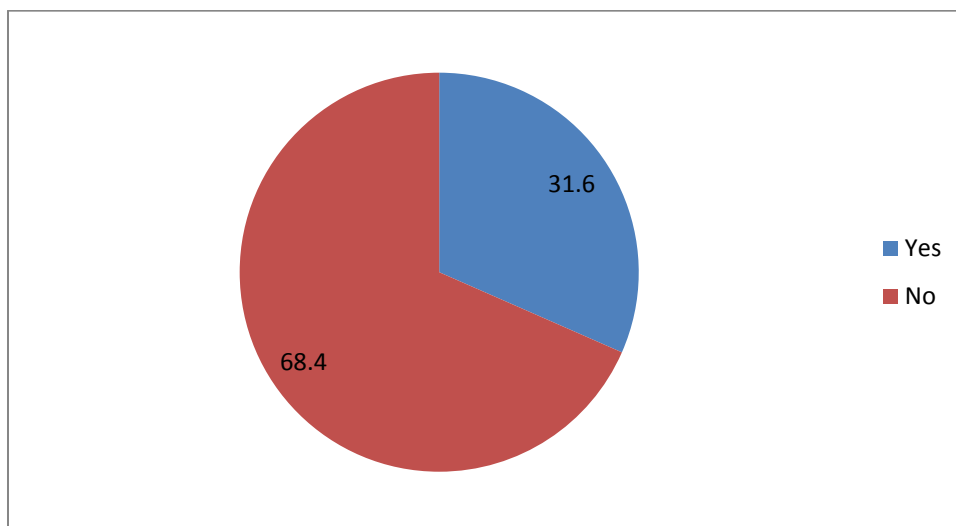


**Figure 7.6:** Public-private partnership role-players prevalence

The respondents' roles in PPP procurement arrangements in the metropolitan municipalities reveal that 52.6% of the respondents are participants in socio-economic development. 15.8% of the respondents participate in economic whilst 21.1% participate in social and 7.9% of the respondents play part in infrastructure.

### 7.2.7 IDZ agreement benefit

The respondents were requested to indicate the agreement benefit

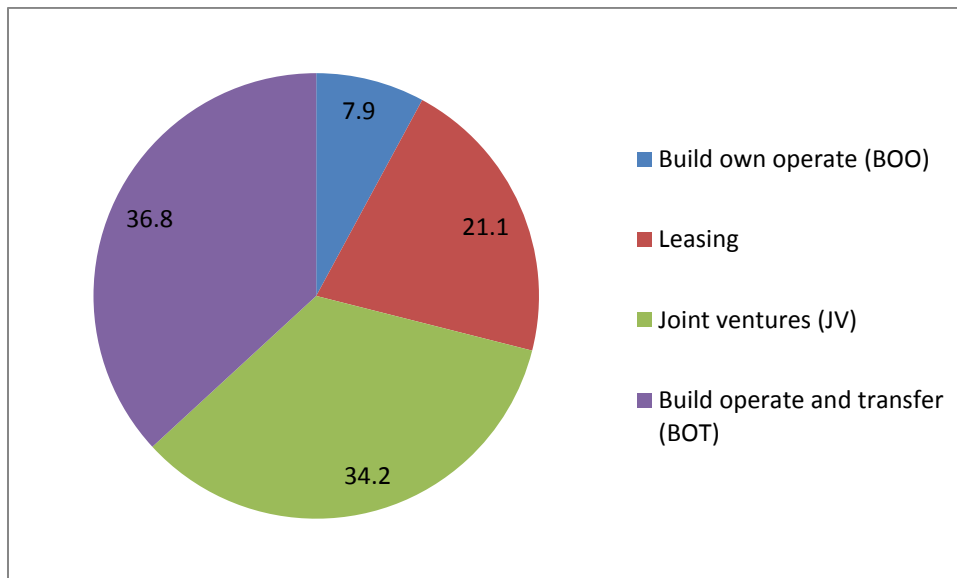


**Figure 7.7:** IDZ agreement benefit rate

A majority of the respondents (68.4%) indicated that the metropolitan government do not benefit from the IDZ PPP agreement.

### 7.2.1.8 PPP options

The respondents were asked to indicate the form of agreement that the two metros undertook.



**Figure 7.8:** PPP options incidence

A majority of the respondents (36.8%) indicated that the metros are engaged in the BOT type of PPP arrangement. 34.2% of the respondents indicated that the metros are engaged in the JV type of PPP arrangement whilst 21.1 % indicated the use of Leasing as one type of PPP arrangement by the metros and 7.9% of the respondents indicated that the metro are engaged in BOO type of PPP arrangement.

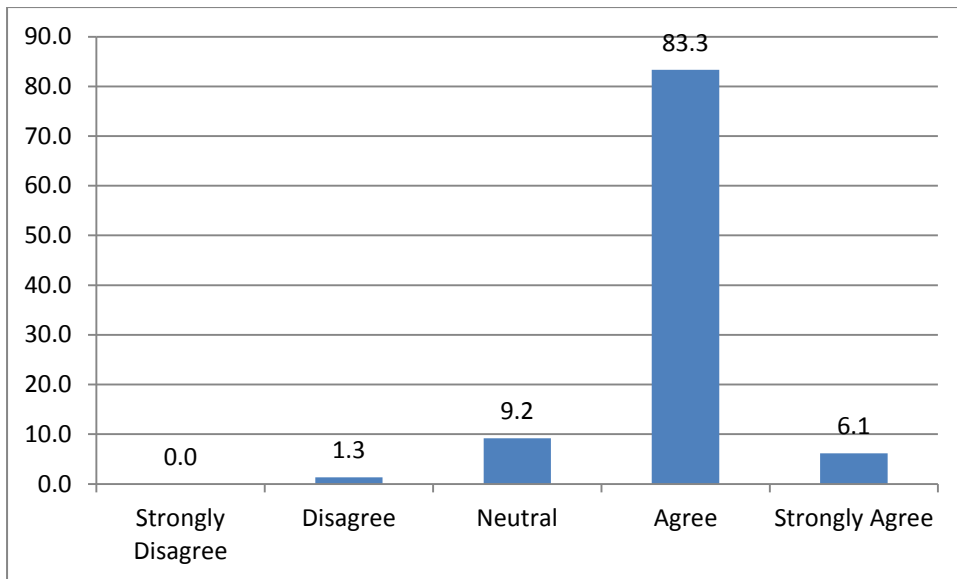
## 7.3 PERFORMANCE OF PUBLIC-PRIVATE PARTNERSHIP PROJECTS' CONSTRUCTS

This section presents a summary of evidence based on the twelve constructs that were derived from the factor analysis in terms of the research survey of operational PPPs–IDZs in the metropolitan governments in the Eastern Cape.

### 7.3.1 Factor 1 - Policy/PPP legal framework

Six Likert scale items were derived from the principle component analysis (PCA), which were used to ascertain the policy/PPP legal framework construct via a weighted average computation.



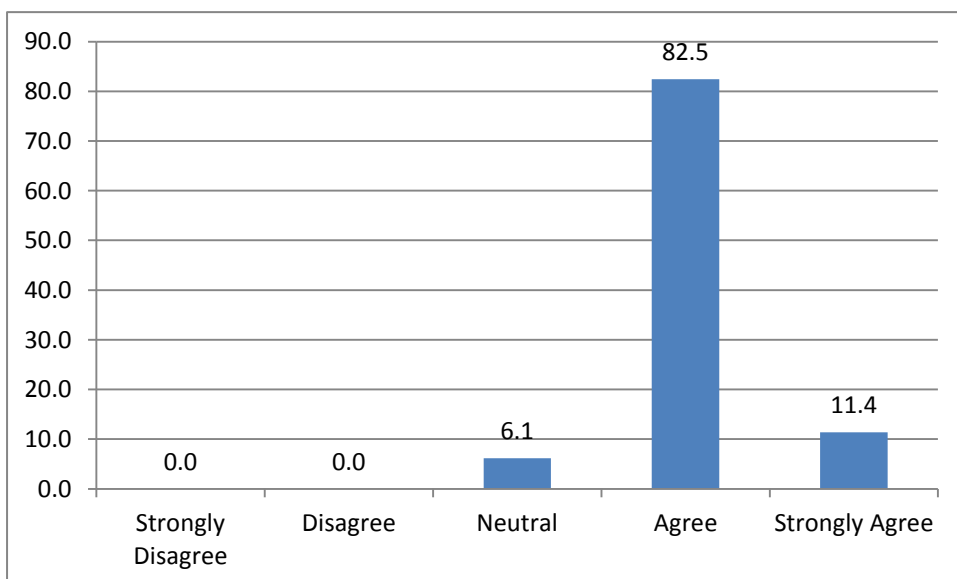


**Figure 7.9:** Policy/PPP legal framework frequency

A majority of respondents (89.4%) agreed (agreed and strongly agreed) regarding the policy/PPP legal framework construct versus 1.3% who disagreed (strongly disagreed and disagreed).

### 7.3.2 Factor 2 - Policy/PPP legal framework participation

Three Likert scale items emanated from the principle component factor analysis, which were used to consider the policy/PPP legal framework participation construct by computing the weighted average.

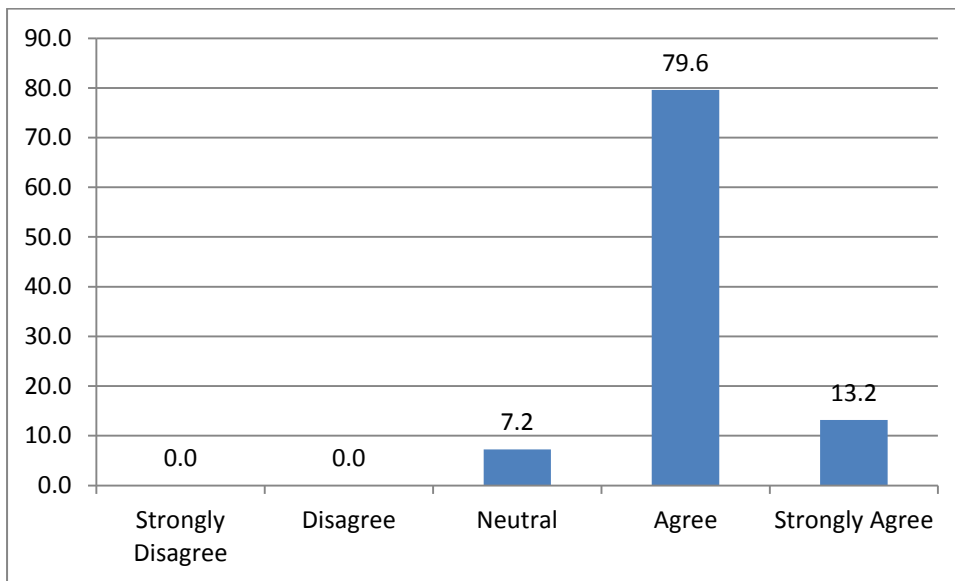


**Figure 7.10:** Policy/PPP legal framework participation frequency

A majority of the respondents (93.9%) agreed (strongly agreed and agreed) in terms of the policy/PPP legal framework participation compared 0.0% who disagreed (strongly disagreed and disagreed).

### 7.3.3 Factor 3 - Socio-economic impact of PPP project contributions

Four Likert scale items were derived from the principle component factor analysis, which were used to ascertain the socio-economic impact of PPP project contributions construct via a weighted average computation.

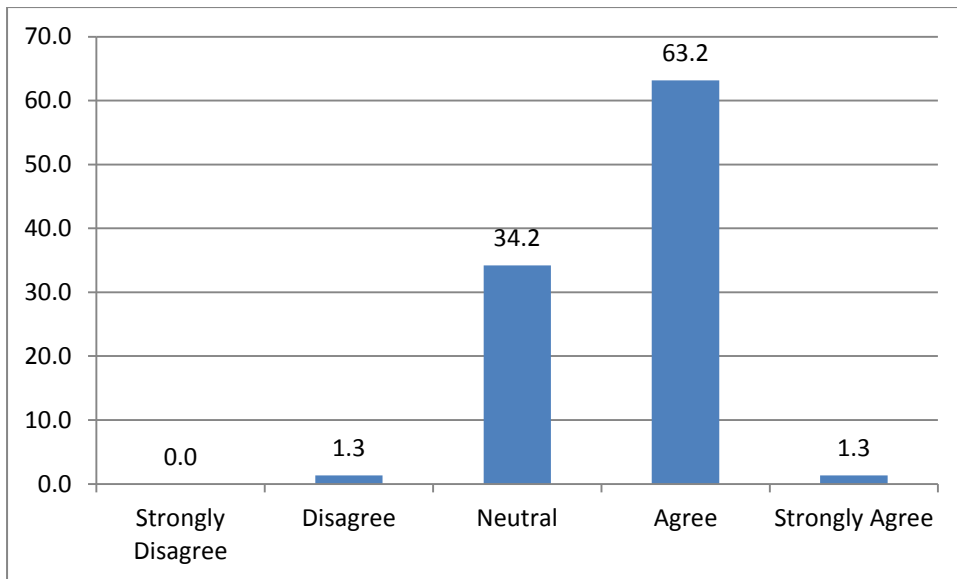


**Figure 7.11:** Socio-economic impact of PPP project contributions frequency

A majority of the respondents (92.8%) agreed (strongly agreed and agreed) in terms of the socio-economic impact of PPP project contributions compared 0.0% who disagreed (strongly disagreed and disagreed).

### 7.3.4 Factor 4 - PPP cost efficiency affordability

Two Likert scale items emanated from the principle component factor analysis, which were used to consider the PPP cost efficiency affordability construct by computing the weighted average.

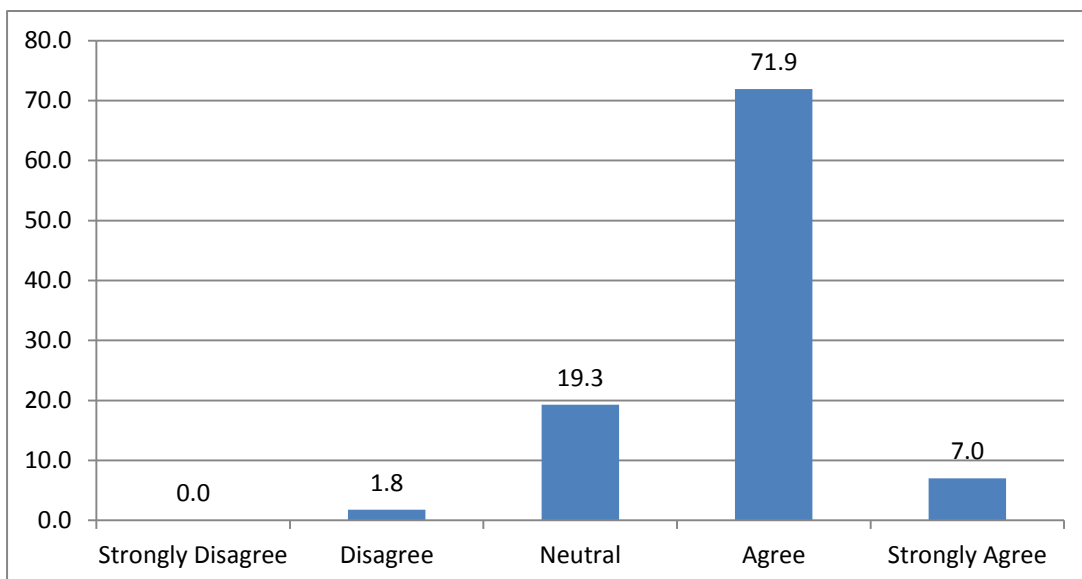


**Figure 7.12:** PPP cost efficiency affordability frequency

A majority of the respondents (64.5%) agreed (strongly agreed and agreed) in terms of the PPP cost efficiency affordability compared 1.3% who disagreed (strongly disagreed and disagreed).

### 7.3.5 Factor 5 - Project management (PPP projects) skills, resources and risk sharing

Three Likert scale items were derived from the principle component factor analysis, which were used to ascertain the project management (PPP projects) skills, resources and risk sharing construct via a weighted average computation.

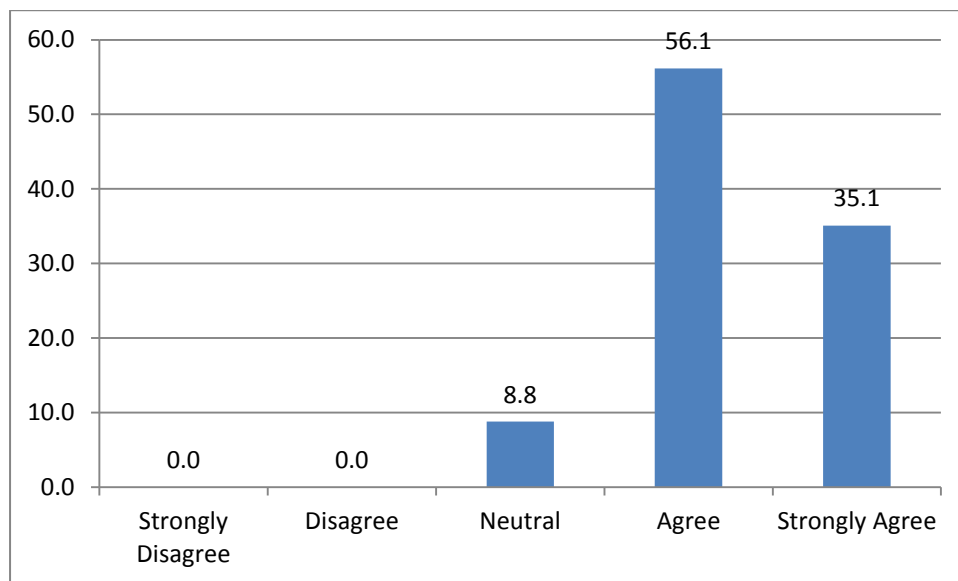


**Figure 7.13:** Project management (PPP projects) skills, resources and risk sharing frequency

A majority of the respondents (78.9%) agreed (strongly agreed and agreed) in terms of the project management (PPP projects) skills, resources and risk sharing compared 1.8% who disagreed (strongly disagreed and disagreed).

### 7.3.6 Factor 6 - Socio-economic impact of PPP project on service provision and infrastructure

Three Likert scale items emanated from the principle component factor analysis, which were used to consider the socio-economic impact of PPP project on service provision and infrastructure construct by computing the weighted average.

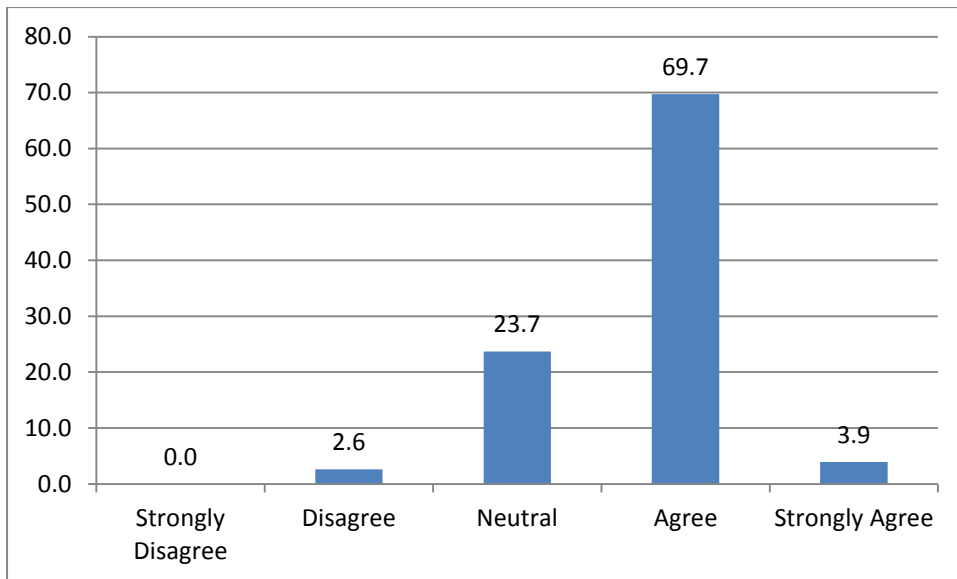


**Figure 7.14:** Socio-economic impact of PPP project on service provision and infrastructure frequency

A majority of the respondents (91.2%) agreed (strongly agreed and agreed) in terms of the socio-economic impact of PPP project on service provision and infrastructure development compared 0% who disagreed (strongly disagreed and disagreed).

### 7.3.7 Factor 7 - Monitoring of PPP projects

Two Likert scale items were derived from the principle component factor analysis, which were used to ascertain the monitoring of PPP projects construct via a weighted average computation.

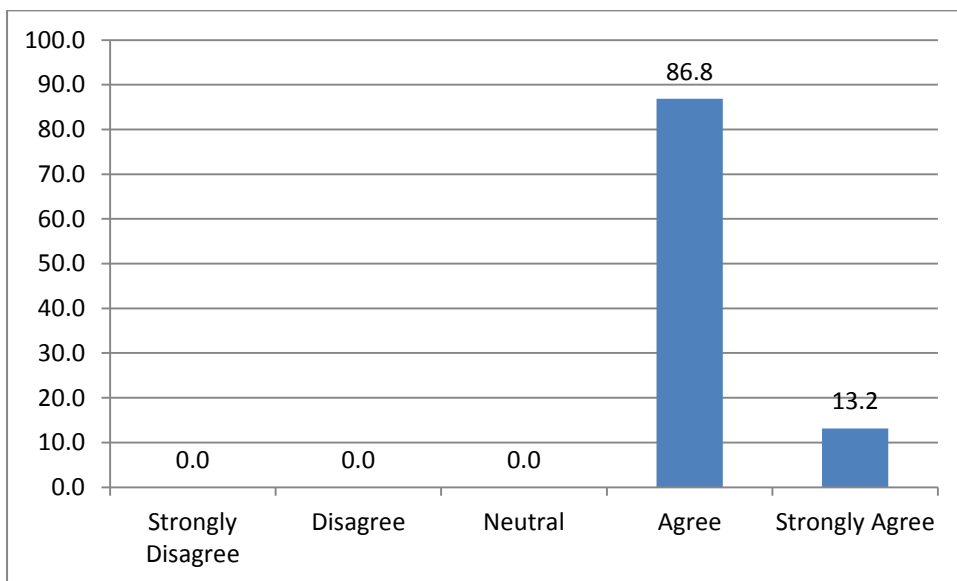


**Figure 7.15:** Monitoring of PPP projects frequency

A majority of the respondents (73.6%) agreed (strongly agreed and agreed) in terms of the monitoring of PPP projects compared 2.6% who disagreed (strongly disagreed and disagreed).

### 7.3.8 Factor 8 - Socio-economic impact of PPP project benefits

Two Likert scale items emanated from the principle component factor analysis, which were used to consider the socio-economic impact of PPP project benefits construct by computing the weighted average.

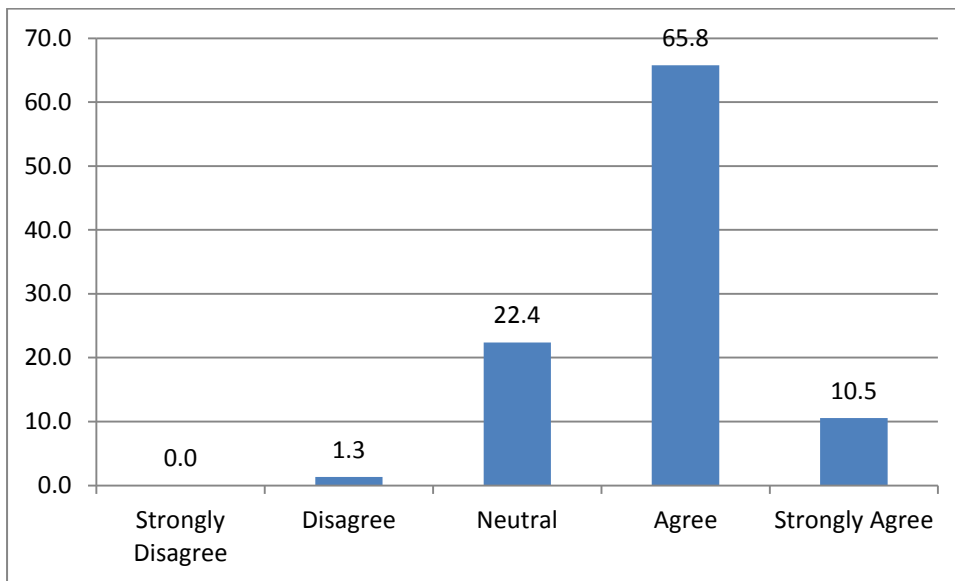


**Figure 7.16:** Socio-economic impact of PPP project benefits frequency

A majority of the respondents (100%) agreed (strongly agreed and agreed) in terms of the socio-economic impact of PPP projects compared 0% who disagreed (strongly disagreed and disagreed).

### 7.3.9 Factor 9 - Project management (PPP projects) innovations and constraints

Two Likert scale items were derived from the principle component factor analysis, which were used to ascertain the project management (PPP projects) innovations and constraints construct via a weighted average computation.

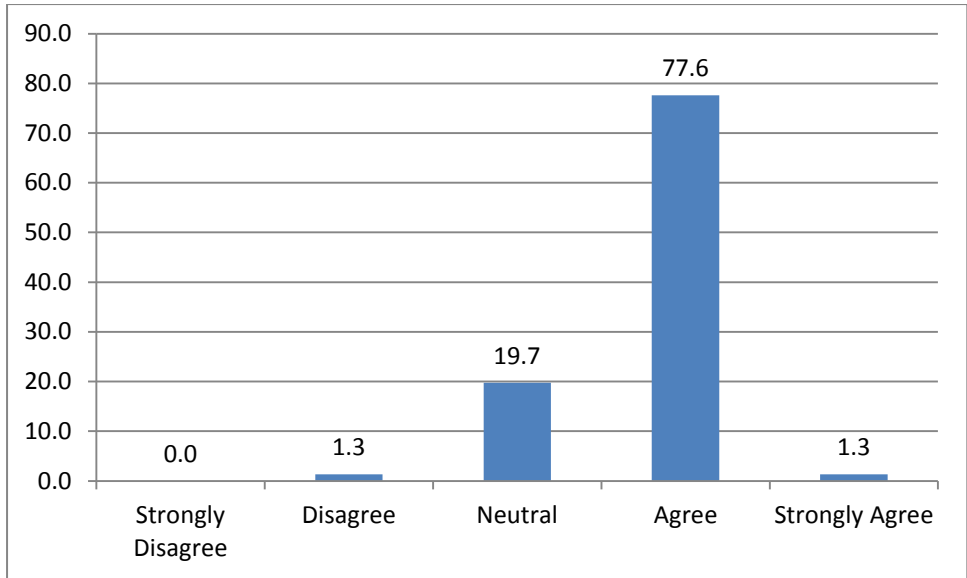


**Figure 7.17:** Project management (PPP projects) innovations and constraints frequency

A majority of the respondents (76.3%) agreed (strongly agreed and agreed) in terms of the project management (PPP projects) innovations and constrains compared 1.3% who disagreed (strongly disagreed and disagreed).

### 7.3.10 Factor 10 - PPP cost efficiency

Two Likert scale items emanated from the principle component factor analysis, which were used to consider the PPP cost efficiency construct by computing the weighted average.

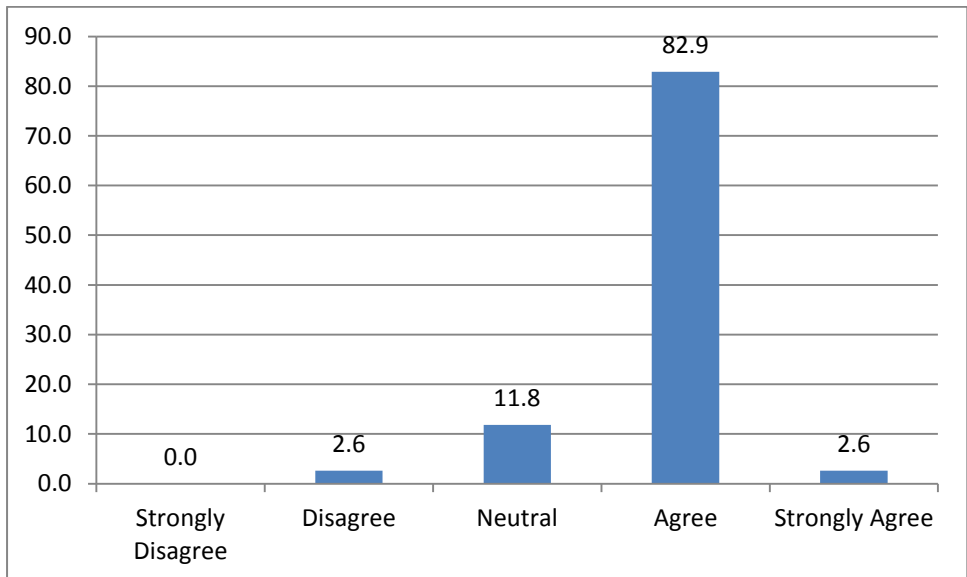


**Figure 7.18:** PPP cost efficiency frequency

A majority of the respondents (78.9%) agreed (strongly agreed and agreed) in terms of the PPP cost efficiency compared 1.3% who disagreed (strongly disagreed and disagreed).

**7.3.11 Factor 11 - PPP cost efficiency sustainability and subsidy**

Two Likert scale items were derived from the principle component factor analysis, which were used to ascertain the PPP cost efficiency sustainability and subsidy construct via a weighted average computation.

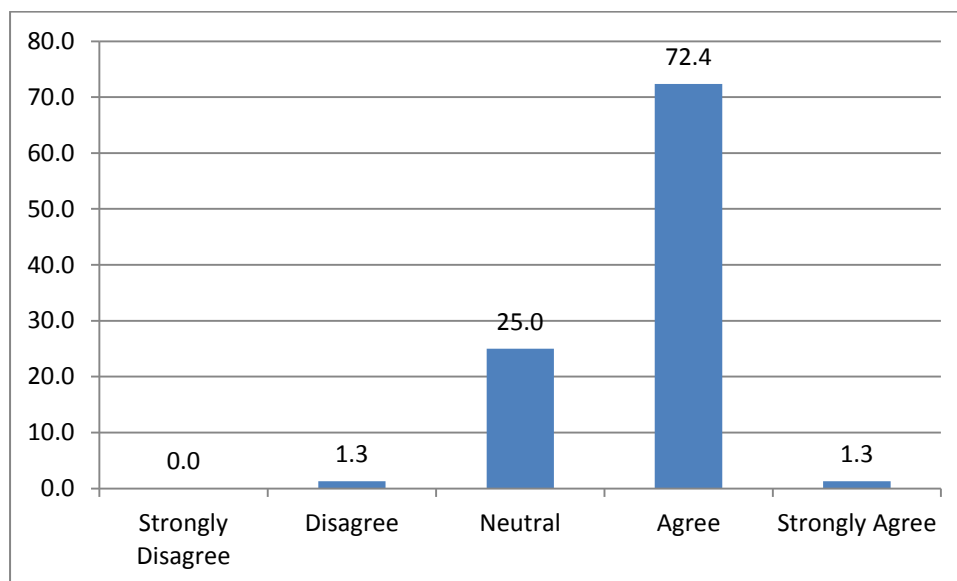


**Figure 7.19:** PPP cost efficiency sustainability and subsidies frequency

A majority of the respondents (85.5%) agreed (strongly agreed and agreed) in terms of the PPP cost efficiency sustainability and subsidies compared 2.6% who disagreed (strongly disagreed and disagreed).

### 7.3.12 Factor 12 - Project management (PPP projects) quality improvement

Two Likert scale items were derived from the principle component factor analysis, which were used to ascertain the project management (PPP projects) quality improvement construct via a weighted average computation.



**Figure 7.20:** Project management (PPP projects) quality improvement frequency

A majority of the respondents (73.7%) agreed (strongly agreed and agreed) in terms of the project management (PPP projects) quality improvement compared 1.3% who disagreed (strongly disagreed and disagreed).

## 7.4 FACTOR ANALYSIS

Exploratory factor analysis was conducted to determine the performance of public-private partnership projects' constructs in terms of reliability and validity via SPSS. Twelve different factors/constructs emerged in the exploratory factor analysis

### 7.4.1 Eigenvalues and total variance explained

The PCA was used to establish the number of components (factors) via the total variance explained and eigenvalues.



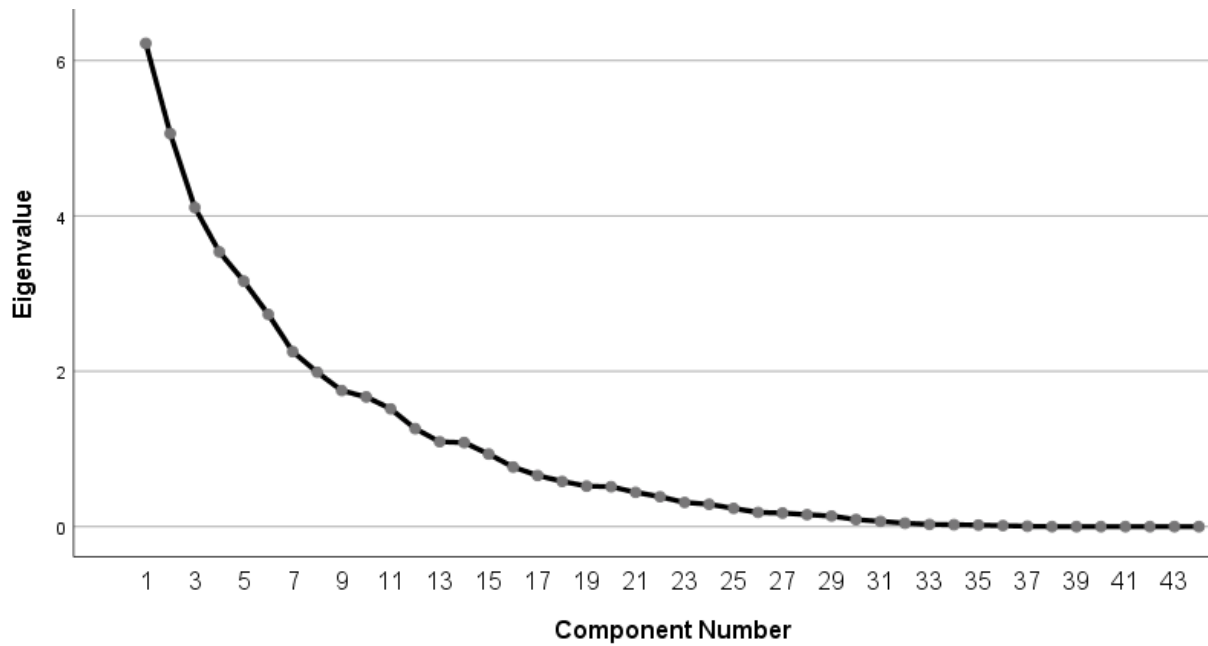
**Table 7.1:** Eigenvalues

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings
	Total	% of Variance	Cumulative %	Total
Factor 1 - Policy/PPP legal framework	6.221	14.139	14.139	4.339
Factor 2 - Policy/PPP legal framework participation	5.061	11.501	25.640	4.466
Factor 3 - Socio-economic impact of PPP project contributions	4.108	9.336	34.977	3.946
Factor 4 - PPP cost efficiency affordability	3.538	8.040	43.017	3.540
Factor 5 - Project management (PPP projects) skills, resources and risk sharing	3.160	7.181	50.198	3.899
Factor 6 - Socio-economic impact of PPP project on service provision and infrastructure	2.732	6.209	56.407	3.506
Factor 7 - Monitoring of PPP projects	2.252	5.119	61.526	3.249
Factor 8 - Socio-economic impact of PPP project benefits	1.988	4.518	66.044	3.050
Factor 9 - Project management (PPP projects) innovations and constraints	1.751	3.980	70.024	3.023
Factor 10 - PPP cost efficiency	1.669	3.794	73.817	2.726
Factor 11 - PPP cost efficiency sustainability and subsidies	1.516	3.445	77.262	2.802
Factor 12 - Project management (PPP projects) quality improvement	1.261	2.867	80.129	2.435
Factor 13	1.092	2.482	82.611	2.524
Factor 14	1.081	2.457	85.068	2.180

The PCA revealed 14 factors that exceeded eigenvalues of greater than 1, with an explained variance of 6.221%, 5.061%, 4.108%, 3.538%, 3.160%, 2.732%, 2.252%, 1.988%, 1.751%, 1.669%, 1.516%, 1.261%, 1.092%, and 1.081% respectively.

#### 7.4.2 Scree plot

The scree plot is used to determine which components (factors/constructs) are retained based on the PCA.



**Figure 7.21:** Scree plot

An examination of the scree plot reveals a clear change in direction in at component 13 and only components above this point are retained (Pallant, 2010). Hence, the first 12 components (factors/constructs) were retained.

### 7.4.3 Pattern matrix (factor loadings)

The pattern matrix shows the components and factor loadings.

**Table 7.2: Pattern matrix**

	Component													
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
PPP procurement provides overall cost savings (fair, equitable, competitive and transparent) for the role players compared to Cost-effectiveness can be measured in terms of outputs and outcomes instead of the actual financial commitment by the	0.012	0.096	0.034	0.108	0.199	-0.180	0.151	0.148	-0.038	0.771	-0.022	0.273	-0.249	-0.054
The various PPP implementing agencies are able to afford project transaction costs.	0.112	-0.066	-0.005	0.183	-0.497	-0.123	0.010	0.092	0.086	0.965	0.187	-0.029	0.115	0.054
The various PPP implementing agencies are able to afford project business costs.	-0.021	-0.014	-0.143	0.949	-0.016	0.149	0.100	-0.178	0.133	0.372	0.070	0.112	-0.276	0.134
The IDZ PPP contributed in bridging the gap between the cost of infrastructure needed and the resources available.	-0.117	0.148	0.114	0.845	0.106	0.134	0.053	-0.226	-0.163	-0.070	0.231	-0.295	-0.251	0.043
Cost savings can be assessed with reference to factual data, rather than through comparisons with the assumptions used in	0.089	0.192	-0.366	0.137	0.102	-0.018	-0.097	-0.089	0.174	0.010	0.360	-0.307	0.351	0.072
The use of PPPs delivers benefits due to budget restrictions in the Public sector capital budgets.	-0.078	-0.068	-0.082	0.063	0.211	-0.495	0.465	0.389	-0.036	0.056	0.285	0.028	0.143	0.027
PPP procurement guarantees and brings forward investment and ensures sustainability.	0.033	0.003	0.169	-0.307	-0.015	0.018	0.164	-0.090	0.042	-0.040	-0.085	-0.058	1.051	0.108
In South Africa PPP transaction costs are subsidised to faster the deal.	-0.055	0.094	0.102	0.137	-0.273	0.102	-0.182	0.001	0.113	0.120	0.991	0.132	-0.122	0.024
The Metropolitan IDZ- PPP maintained and enhanced the quality of the socio-economic related projects.	0.126	0.120	0.209	-0.129	-0.008	0.228	0.248	-0.153	-0.297	0.190	0.505	-0.005	0.343	-0.046
The application of Design-Build type of PPP by government on IDZs provided improved project through construction techniques	-0.036	-0.170	-0.184	0.081	0.304	0.167	0.098	-0.030	-0.110	0.012	0.058	0.916	-0.163	0.184
The IDZ PPP brought specialised resources to infrastructure development and industrialization services that significantly	-0.176	0.429	-0.094	-0.132	0.028	0.046	-0.092	0.031	-0.104	0.245	0.198	0.806	0.147	0.271
The slow PPP deal flow in South Africa is due to capacity constraints at provincial government and municipalities.	0.120	-0.016	0.038	0.304	0.700	0.081	0.098	-0.026	0.111	0.036	-0.256	0.276	0.116	-0.086
IDZs ensured integrated project development and delivery by maximising on private innovations.	-0.075	0.111	0.122	0.088	0.236	-0.050	0.004	0.179	0.704	-0.145	0.019	-0.061	0.068	-0.175
The PPPs offered the opportunity for the private sector to apply its expertise to bring technical innovation to complex projects.	-0.132	-0.172	0.113	-0.064	-0.267	0.092	0.219	0.046	0.887	0.158	0.039	-0.123	0.046	0.306
Lack of or inadequate provision of PPP awareness and training (Capacity development) hinders the intended development and	0.040	0.041	0.234	0.118	0.350	-0.101	-0.279	-0.101	0.482	0.377	0.205	0.180	0.033	-0.146
The existence of the PPP in the metropolitan municipality provided skills development opportunities for the metro.	0.180	-0.044	0.032	0.001	0.403	0.014	0.428	-0.169	0.490	-0.149	0.058	-0.170	-0.196	-0.131
The IDZs as a PPP implementing institutions have enough skills to implement all PPP projects and meet the	0.089	0.149	-0.209	-0.444	-0.004	0.083	-0.125	-0.031	0.332	-0.032	0.217	-0.185	-0.425	0.136
In practice, government transferred and shared the risks associated with economic development projects with the private PPP arrangement clearly shows where risk lies and guarantees risk burden.	-0.023	-0.100	0.028	-0.045	0.956	-0.020	-0.032	0.060	-0.113	-0.271	-0.213	0.168	-0.106	0.170
Efficient monitoring of PPP projects means good implementation of the PPP project, accordingly.	-0.026	-0.005	0.003	-0.107	0.630	0.005	-0.213	0.119	0.224	-0.149	0.072	-0.083	0.243	0.381
The metropolitan IDZs have functional monitoring and evaluation systems.	0.070	0.300	0.087	-0.119	-0.174	-0.140	-0.075	0.192	-0.093	-0.014	-0.016	-0.289	-0.105	-0.995
South Africa has a credible legal PPP framework for the implementation of PPP projects.	-0.007	0.101	-0.027	0.063	-0.262	-0.025	0.797	-0.020	0.146	0.028	-0.243	-0.010	-0.077	-0.240
The existing investment climate in South Africa promotes a viable and sustainable PPP project system.	-0.026	-0.005	-0.117	0.096	0.049	-0.074	0.943	-0.179	0.106	0.093	-0.074	0.060	0.219	0.201
The current government is committed to private sector participation in infrastructure development and service delivery.	-0.100	0.335	-0.038	0.491	-0.047	0.114	0.248	0.063	0.348	-0.021	-0.386	-0.155	0.052	0.119
The PPP framework allows private sector to participate in infrastructure development and delivery of services.	-0.147	0.978	-0.061	0.143	-0.086	-0.066	-0.154	-0.024	-0.035	0.041	0.180	0.033	-0.091	-0.094
Policies relative to PPPs are consistent with socio-economic development policies of government.	0.072	0.921	-0.039	0.131	0.037	0.246	-0.035	-0.089	-0.218	0.112	-0.020	-0.002	0.025	-0.231
There is sufficient legislative authority for entering into PPP agreement by government in South Africa.	-0.078	0.942	-0.124	-0.112	-0.127	0.086	0.276	-0.030	0.188	-0.234	0.006	0.075	0.141	-0.244
The existing PPP regulations, frameworks and guidelines are sufficient mechanism for PPP business and auditing in South	0.203	0.376	0.285	0.068	0.180	-0.132	0.203	-0.017	-0.235	0.110	-0.074	-0.118	-0.159	0.281
PPP regulations protect public interest and maximise value for money.	0.417	0.410	0.059	-0.326	-0.019	-0.015	0.114	0.231	0.107	0.132	-0.109	-0.018	-0.051	0.203
The existing policy framework environment supports open market access and fair PPP competition.	0.542	0.119	0.144	0.321	0.000	0.045	-0.103	0.032	0.046	-0.157	-0.156	0.084	-0.035	0.330
The PPP guidelines in South Africa by National Treasury provide adequate opportunity to assess the most effective type	0.805	0.091	-0.005	-0.073	0.061	0.206	0.073	0.048	-0.248	-0.101	0.136	0.023	0.050	-0.167
The policy environment favours PPP growth in South Africa.	0.950	-0.083	-0.182	-0.085	0.061	0.150	-0.046	0.047	0.017	0.266	-0.199	-0.131	0.043	-0.040
A Public-private partnership procurement between government and private sector leads to effective and efficient service delivery	0.972	-0.139	-0.088	0.059	0.020	-0.138	-0.064	-0.007	-0.089	0.061	-0.023	-0.181	0.015	-0.069
PPP-IDZ management and operations is linked to socio-economic service delivery model of the metropolitan.	0.513	0.141	0.028	0.431	-0.084	-0.193	-0.177	0.052	-0.024	-0.195	0.177	0.106	-0.076	-0.031
The IDZ PPP undoubtedly and reasonably accelerated service provision in a most effective and efficient manner.	0.657	-0.205	0.081	-0.137	-0.232	-0.061	0.183	-0.198	0.170	-0.038	0.255	0.286	0.006	0.027
Public capital injection provided sufficient infrastructure investments in the IDZs leading to increase economic growth of	-0.121	0.258	0.175	-0.113	0.065	0.865	-0.011	0.050	0.079	-0.199	0.103	0.290	-0.138	0.107
The IDZ-PPP projects implementation assisted the Metropolitan Municipality to realise its immediate and medium service	0.142	0.002	0.000	0.274	0.006	0.892	-0.271	0.170	-0.074	-0.019	-0.036	-0.103	0.066	0.086
The IDZs PPPs expedited the delivery of infrastructure and industrial facilities and services to reduce capital and operating	0.056	-0.112	0.004	0.150	-0.137	0.707	0.193	0.311	0.128	-0.188	0.241	0.149	0.209	0.059
The IDZ PPP procurement has made a meaningful social impact to the communities within the metropolitan government	-0.019	-0.202	-0.027	0.196	0.118	0.370	0.190	0.492	-0.059	0.320	0.013	-0.081	-0.048	-0.065
The IDZ PPP procurement has contributed to Local Economic Development of the Metropolitan	-0.159	-0.005	0.719	0.118	-0.063	0.110	0.166	0.088	0.038	-0.008	0.342	-0.131	-0.118	0.001
The IDZ has contributed greatly in the GDP of the Metropolitan and of the province at large.	-0.021	-0.260	0.774	-0.048	0.007	0.081	-0.178	0.088	0.145	-0.074	0.216	-0.044	-0.165	-0.102
The PPP project implementation contributed to metropolitan unemployment and poverty reduction.	-0.010	-0.217	0.845	0.003	0.075	0.112	-0.098	-0.168	0.027	0.007	-0.126	-0.112	0.319	0.136
The development of an alternative public-private partnership model would benefit both the metropolitan government and the	-0.048	0.234	0.852	-0.062	0.085	-0.052	-0.109	-0.007	0.166	0.106	-0.084	-0.119	0.272	-0.188
	0.037	-0.063	0.126	-0.176	-0.038	0.079	-0.124	0.899	0.165	0.241	-0.042	-0.096	-0.103	-0.141
	0.019	0.005	-0.134	-0.246	0.116	0.251	-0.183	0.898	0.010	-0.044	-0.003	0.093	-0.055	-0.127

The pattern matrix reveals 14 components, but shows 12 components with two or more factors and loadings of over 0.5, so these were retained (Pallant, 2010). However, components 13 and 14 only comprised of one component over 0.5, so these were not retained, which is in agreement with the scree plot.

#### 7.4.4 Reliability

Reliability was assessed by Cronbach's Alpha and composite reliability (CR). Reliability values of over 0.8 are indicative of robust reliability, whereas values between 0.6 and 0.8 are suggestive that reliability is acceptable (Wiid & Diggines, 2013). Cronbach's  $\alpha$  values ranged from 0.588 to 0.877, and the CR values ranged from 0.779 to 0.963 thereby reflecting acceptable, but mostly robust reliability refer to Table 7.3).

**Table 7.3:** Performance of public-private partnership projects' exploratory factor analysis (factor loadings, AVE, CR and Cronbach's Alpha)

Constructs	Factor loadings	AVE	CR	Cronbach's $\alpha$
<b>Policy/PPP legal framework</b>				
The existing PPP regulations, frameworks and guidelines are sufficient mechanism for PPP business and auditing in South Africa.	0.542	0.581	0.887	0.842
PPP regulations protect public interest and maximise value for money.	0.805			
The existing policy framework environment supports open market access and fair PPP competition.	0.950			
The PPP guidelines in South Africa by National Treasury provide adequate opportunity to assess the most effective type of PPP for a given project	0.972			
The policy environment favours PPP growth in South Africa.	0.513			
A public-private partnership procurement between government and private sector leads to effective and efficient service delivery	0.657			
<b>Policy/PPP legal framework participation</b>				
The existing investment climate in South Africa promotes a viable and sustainable PPP project system.	0.978	0.897	0.963	0.857
The current government is committed to private sector participation in infrastructure development and service delivery.	0.921			
The PPP framework allows private sector to participate in infrastructure development and delivery of services.	0.942			
<b>Socio-economic impact of PPP project contributions</b>				
The IDZs PPPs expedited the delivery of infrastructure and industrial facilities and services to reduce capital and operating costs.	0.719	0.639	0.876	0.862
The IDZ PPP procurement has made a meaningful social impact to the communities within the metropolitan government space.	0.774			
The IDZ PPP procurement has contributed to Local Economic Development of the Metropolitan	0.845			
The IDZ has contributed greatly in the GDP of the	0.852			

Metropolitan and of the province at large.				
<b>PPP cost efficiency affordability</b>				
C4 The various PPP implementing agencies are able to afford project transaction costs.	0.949	0.807	0.893	0.797
C5 The various PPP implementing agencies are able to afford project business costs.	0.845			
<b>Project management (PPP projects) skills, resources and risk sharing</b>				
The IDZ PPP brought specialised resources to infrastructure development and industrialization services that significantly leveraged the resources and capabilities of the metropolitan government.	0.700	0.600	0.813	0.751
D19 The IDZs as a PPP implementing institutions have enough skills to implement all PPP projects and meet the predetermined objectives.	0.956			
E20 In practice, government transferred and shared the risks associated with economic development projects with the private sector.	0.630			
<b>Socio-economic impact of PPP project on service provision and infrastructure</b>				
PPP-IDZ management and operations is linked to socio-economic service delivery model of the metropolitan.	0.865	0.681	0.864	0.822
The IDZ PPP undoubtedly and reasonably accelerated service provision in a most effective and efficient manner.	0.892			
Public capital injection provided sufficient infrastructure investments in the IDZs leading to increase economic growth of the metropolitan governments.	0.707			
<b>Monitoring of PPP projects</b>				
Efficient monitoring of PPP projects means good implementation of the PPP project, accordingly.	0.797	0.762	0.864	0.707
The metropolitan IDZs have functional monitoring and evaluation systems.	0.943			
<b>Socio-economic impact of PPP project benefits</b>				
The PPP project implementation contributed to metropolitan unemployment and poverty reduction.	0.899	0.807	0.893	0.877
The development of an alternative public-private partnership model would benefit both the metropolitan government and the society at large.	0.898			
<b>Project management (PPP projects) innovations and constraints</b>				
The slow PPP deal flow in South Africa is due to capacity constraints at provincial government and municipalities.	0.704	0.642	0.779	0.588
IDZs ensured integrated project development and delivery by maximising on private innovations.	0.887			
<b>PPP cost efficiency</b>				
PPP procurement provides overall cost savings (fair, equitable, competitive and transparent) for the role players compared to traditional procurement.	0.771	0.762	0.864	0.588
Cost-effectiveness can be measured in terms of outputs and outcomes instead of the actual financial commitment by the Public Sector.	0.965			
<b>PPP cost efficiency sustainability and subsidies</b>				
PPP procurement guarantees and brings forward investment and ensures sustainability.	0.991	0.619	0.746	0.661
In South Africa PPP transaction costs are subsidised to faster the deal.	0.505			
<b>Project management (PPP projects) quality improvement</b>				
The Metropolitan IDZ- PPP maintained and enhanced the quality of the socio-economic related projects.	0.916	0.745	0.853	0.651
The application of Design-Build type of PPP by government on IDZs provided improved project through construction techniques application.	0.806			

### 7.4.5 Validity

Convergent validity was evaluated via factor loadings and average variance extracted (AVE). The factor loadings and AVE of performance of public-private partnership projects constructs ranged from 0.505 to 0.991 and 0.581 to 0.897 respectively (refer to Table 7.3), thereby surpassing the threshold level of 0.5, which is suggestive of convergent validity (Bagozzi & Yi, 2012:74-94).

**Table 7.4: Component correlation matrix**

Component	1	2	3	4	5	6	7	8	9	10	11	12
Policy/PPP legal framework	<b>0.762</b>											
Policy/PPP legal framework participation	0.255	<b>0.947</b>										
Socio-economic impact of PPP project contributions	0.227	0.003	<b>0.799</b>									
PPP cost efficiency affordability	0.041	0.153	-0.082	<b>0.898</b>								
Project management (PPP projects) skills, resources and risk sharing	0.019	0.247	0.170	0.254	<b>0.775</b>							
Socio-economic impact of PPP project on service provision and infrastructure	0.037	-0.229	0.219	-0.118	0.066	<b>0.825</b>						
Monitoring of PPP projects	0.128	0.116	0.215	0.013	0.067	0.146	<b>0.873</b>					
Socio-economic impact of PPP project benefits	0.217	0.088	0.132	0.162	0.112	0.093	0.239	<b>0.898</b>				
Project management (PPP projects) innovations and constraints	0.021	0.095	0.101	-0.034	0.112	-0.137	-0.094	-0.153	<b>0.801</b>			
PPP cost efficiency	-0.087	0.108	-0.042	-0.147	0.329	0.273	0.036	0.035	-0.193	<b>0.873</b>		
PPP cost efficiency sustainability and subsidies	0.070	-0.030	0.085	-0.098	0.273	0.169	0.251	0.105	-0.103	0.303	<b>0.787</b>	
Project management (PPP projects) quality improvement	-0.003	-0.224	-0.039	0.028	-0.296	-0.072	-0.041	0.109	-0.096	-0.191	-0.177	<b>0.863</b>

Discriminant validity was evaluated by calculating the square root AVE of each construct, which must be greater than the constructs' correlations (Fornell & Larcker, 1981:39-50). The square root of AVE of each of the performance of public-private partnership projects constructs all exceeded the correlation values (refer to 7.4).

## 7.5 GENERALISED LINEAR MODEL PERFORMANCE OF PUBLIC-PRIVATE PARTNERSHIP PROJECTS CONSTRUCTS' ANALYSIS

### 7.5.1 GLM - Performance of public-private partnership projects constructs

Wald's Chi-Square and the Bonferroni correction pairwise post hoc tests, via a generalised linear model (GLM), were utilised to ascertain if there were significant differences regarding performance of public-private partnership projects constructs.

**Table 7.5:** Performance of public-private partnership projects constructs (mean, SD & *p*)

<b>Attitude construct</b>	<b>Mean</b>	<b>SD</b>	<b><i>p</i></b>
F1 - Policy/PPP legal framework	3.94	0.336	0.001*
F2 - Policy/PPP legal framework participation	4.05	0.368	0.001*
F3 - Socio-economic impact of PPP project contributions	4.06	0.379	0.001*
F4 - PPP cost efficiency affordability	3.36	0.568	0.001*
F5 - Project management (PPP projects) skills, resources and risk sharing	3.84	0.457	0.046**
F6 - Socio-economic impact of PPP project on service provision and infrastructure	4.26	0.527	0.002**
F7 - Monitoring of PPP projects	3.75	0.503	0.005**
F8 - Socio-economic impact of PPP project benefits	4.13	0.322	0.001*
F9 - Project management (PPP projects) innovations and constraints	3.86	0.505	0.032**
F10 - PPP cost efficiency	3.79	0.396	0.013**
F11 - PPP cost efficiency sustainability and subsidies	3.86	0.418	0.041**
F12 - Project management (PPP projects) quality improvement	3.74	0.431	0.010**

\* Wald Chi-Square test showed a significant difference at  $p < 0.001$

\*\* Wald Chi-Square test showed a significant difference at  $p < 0.05$

The Wald Chi-Square tests (via the GLM) show showed that there was a significant difference for all performance of public-private partnership projects constructs (refer to **Table 7.5**). Additionally, the mean value indicate that the respondents exhibited favourable perceptions to all of the performance of public-private partnership projects constructs.

### **7.5.2 Influence of biographical and metropolitan descriptive data on performance of public-private partnership projects' constructs**

Wald's Chi-Square and the *Bonferroni correction* pairwise post hoc tests (via the GLM) were utilised to ascertain if there were significant differences between the respondents' biographical and metropolitan descriptive data (independent variables), which either had a positive or negative on the performance of public-private partnership projects' constructs.

Table 1 shows the *tests of model effects* in terms of Wald Chi-Square tests, which is based on the *Bonferroni correction* pairwise post hoc tests regarding the influence of demographic and personal data on the eight suppliers' preference constructs, and showed significant differences between the following variables:

**Table 7.6:** Influence of biographical and metropolitan descriptive data on performance of public-private partnership projects' constructs

<b>Biographical &amp; metropolitan descriptive</b>	<b>F1</b>	<b>F2</b>	<b>F3</b>	<b>F4</b>	<b>F5</b>	<b>F6</b>	<b>F7</b>	<b>F8</b>	<b>F9</b>	<b>F10</b>	<b>F11</b>	<b>F12</b>
Work post/position	0.000**	0.243	0.143	0.000*	0.250	0.038**	0.000*	0.000*	0.078	0.000*	0.004**	0.000*
Age	0.000**	0.000*	0.000*	0.172	0.018**	0.019**	0.573	0.000*	0.000*	0.118	0.013**	0.000*
Gender	0.003**	0.027**	0.000*	0.723	0.363	0.013**	0.463	0.010**	0.001*	0.417	0.000*	0.487
Population group	0.000**	0.054	0.209	0.000*	0.174	0.741	0.076	0.065	0.067	0.056	0.047**	0.945
Education	0.000**	0.002**	0.000*	0.021**	0.088	0.513	0.003**	0.016**	0.001**	0.002**	0.038**	0.002**
Public-private partnership role players	0.000**	0.143	0.112	0.004**	0.481	0.006**	0.303	0.000*	0.300	0.000*	0.006**	0.029**
IDZ agreement benefit	0.000**	0.106	0.382	0.005**	0.739	0.943	0.001*	0.010*	0.133	0.461	0.161	0.040**
PPP options	0.005*	0.000*	0.043**	0.002**	0.196	0.000*	0.509	0.000*	0.050**	0.561	0.004**	0.001*

\* Wald Chi-Square test showed a significant difference at  $p < 0.001$

\*\* Wald Chi-Square test showed a significant difference at  $p < 0.05$

### 7.5.2.1 Work post/position

**F1 - Policy/PPP legal framework ( $p < 0.001$ ):** Municipal/city managers (M = 4.91, SE = 0.200) exhibited the most positive policy/PPP legal framework perceptions compared to elected representatives/councillors (M = 3.98, SE = 0.129), executive directors (M = 3.98, SE = 0.104), managers (M = 4.33, SE = 0.098) and labour union reps (M = 3.87, SE = 0.149).

**F4 - PPP cost efficiency affordability ( $p < 0.001$ ):** LED specialists/practitioners (M = 4.94, SE = 0.321) showed the most favourable PPP cost efficiency affordability attitudinal responses in comparison to elected representatives/councillors (M = 2.94, SE = 0.235), municipal/city managers (M = 2.49, SE = 0.366), executive directors (M = 3.53, SE = 0.190), managers (M = 3.6572, SE = 0.17938), labour union reps (M = 2.92, SE = 0.272) and other work posts/positions (M = 2.71, SE = 0.358).

**F6 - Socio-economic impact of PPP project on service provision and infrastructure ( $p < 0.05$ ):** Municipal/city managers (M = 4.86, SE = 0.447) displayed the more favourable socio-economic impact of PPP project on service provision and infrastructure perceptions than managers (M = 4.37, SE = 0.219).

**F7 - Monitoring of PPP projects ( $p < 0.001$ ):** Executive directors (M = 4.02, SE = 0.230), managers (M = 3.88, SE = 0.218), and labour union reps (M = 4.11, SE = 0.330) showed the most favourable monitoring of PPP projects predispositions perceptions compared to elected representatives/councillors (M = 2.661, SE = 0.285).



**F8 - Socio-economic impact of PPP project benefits ( $p < 0.001$ ):** Municipal/City Manager (M = 4.81, SE = 0.257) showed the most favourable socio-economic impact of PPP project benefits predispositions perceptions compared to executive directors (M = 4.10, SE = 0.133), managers (M = 4.01, SE = 0.126) and LED specialist/practitioner (M = 4.11, SE = 0.330).

**F10 - PPP cost efficiency ( $p < 0.001$ ):** Labour union reps (M = 4.30, SE = 0.272), executive directors (M = 4.11, SE = 0.190), managers (M = 3.60, SE = 0.179) and Municipal/City Managers (M = 3.44, SE = 0.366) showed the most favourable PPP cost efficiency predispositions perceptions compared to an elected representative/councillor (M = 2.80, SE = 0.235).

**F11 - PPP cost efficiency sustainability and subsidies ( $p < 0.05$ ):** Municipal/City Managers (M = 4.83, SE = 0.443) and labour union reps (M = 4.75, SE = 0.329) showed the most favourable PPP cost efficiency sustainability and subsidies predispositions perceptions compared to an elected representative/councillor (M = 3.44, SE = 0.284).

**F12 - Project management (PPP projects) quality improvement ( $p < 0.001$ ):** Labour Union Reps (M = 4.81, SE = 0.292), other (M = 4.60, SE = 0.385), municipal/city managers (M = 4.53, SE = 0.393), executive directors (M = 4.36, SE = 0.203), managers (M = 3.97, SE = 0.192) and elected representatives/councillors (M = 3.91, SE = 0.252) showed the most favourable Project Management (PPP projects) quality improvement predispositions perceptions compared to LED specialists/practitioners (M = 2.40, SE = 0.344).

#### 7.5.2.2 Age

**F1 - Policy/PPP legal framework ( $p < 0.001$ ):** Respondents aged 18 – 30 years (M = 4.87, SE = 0.176) exhibited the most positive policy/PPP legal framework sentiments compared to those aged 36 – 40 years (M = 4.09, SE = 0.141), 41 - 45 years (M = 4.15, SE = 0.145), 46 - 50 years (M = 4.03, SE = 0.110), 51 - 55 years (M = 3.92, SE = 0.075), 56 - 60 years (M = 4.16, SE = 0.127), and 61 - 65 years (M = 4.44, SE = 0.177).

**F2 - Policy/PPP legal framework participation ( $p < 0.001$ ):** Respondents aged 56 – 60 years (M = 4.49, SE = 0.175) displayed the most favourable positive policy/PPP legal framework participation attitudinal responses in comparison to those aged 18 - 30 years (M = 3.67, SE = 0.243), 36 - 40 years (M = 3.43, SE = 0.194), 41 - 45 years (M = 3.74, SE = 0.200), 46 - 50 years (M = 3.76, SE = 0.152), and 51 - 55 years (M = 3.87, SE = 0.103)

**F3 - Socio-economic impact of PPP project contributions ( $p < 0.001$ ):** Respondents aged 61 – 65 years (M = 4.87, SE = 0.242) exhibited the most positive socio-economic impact of PPP project contributions attitudinal perceptions compared to those aged 36 – 40 years (M = 4.03, SE = 0.192), 41 - 45 years (M = 4.30, SE = 0.198), 46 - 50 years (M = 3.77, SE = 0.151), and 51 - 55 years (M = 4.20, SE = 0.102).

**F5 - Project management (PPP projects) skills, resources and risk sharing ( $p < 0.05$ ):** Respondents aged 61 – 65 years (M = 4.19, SE = 0.420) exhibited the most positive project management (PPP project) skills, resources and risk sharing attitudinal perceptions compared to those aged 36 – 40 years (M = 3.65, SE = 0.334), 41 - 45 years (M = 3.30, SE = 0.343), 46 - 50 years (M = 3.87, SE = 0.261), and 51 - 55 years (M = 3.88, SE = 0.176).

**F6 - Socio-economic impact of PPP project on service provision and infrastructure ( $p < 0.05$ ):** Respondents aged 61 – 65 years (M = 4.62, SE = 0.395) showed the most positive socio-economic impact of PPP projects on service provision and infrastructure attitudinal perceptions compared to those aged 51 – 55 years (M = 4.35, SE = 0.1665), and 56 - 60 years (M = 4.36, SE = 0.283).

**F8 - Socio-economic impact of PPP project benefits ( $p < 0.001$ ):** Respondents aged 61 – 65 years (M = 4.91, SE = 0.227) exhibited the most positive socio-economic impact of PPP project benefits attitudinal perceptions compared to those aged 46 – 50 years (M = 3.79, SE = 0.1417), and 56 - 60 years (M = 4.10, SE = 0.163).

**F9 - Project management (PPP projects) innovations and constraints ( $p < 0.001$ ):** Respondents aged 51 – 55 years (M = 3.85, SE = 0.182), 56 – 60 years (M = 3.79, SE = 0.311), and 46- 50 years (M = 3.78, SE = 0.270) exhibited the most positive project management (PPP project innovations and constraints attitudinal perceptions compared to those aged 41 – 45 years (M = 2.32, SE = 0.355).

**F11 - PPP cost efficiency sustainability and subsidies ( $p < 0.05$ ):** Respondents aged 61 – 65 years (M = 4.65, SE = 0.392), 56 – 60 years (M = 4.54, SE = 281), and 51- 55 years (M = 4.21, SE = 0.164) exhibited the most positive PPP cost efficiency sustainability and subsidies attitudinal perceptions compared to those aged 46 – 50 years (M = 3.54, SE = 0.244).

**F12 - Project management (PPP projects) quality improvement ( $p < 0.001$ ):** Respondents aged 61 – 65 years (M = 4.62, SE = 0.347), 51 – 55 years (M = 4.31, SE =

146), and 41- 45 years (M = 4.90, SE = 0.284) exhibited the most positive Project management (PPP projects) quality improvement attitudinal perceptions compared to those aged 36 – 40 years (M = 3.25, SE = 0. 276).

### 7.5.2.3 Gender

**F1 - Policy/PPP legal framework ( $p < 0.001$ ):** Female respondents (M = 4.52, SE = 0.134) displayed more favourable policy/PPP legal framework sentiments than male respondents (M = 4.18, SE = 0.074).

**F2 - Policy/PPP legal framework participation ( $p < 0.05$ ):** Male respondents (M = 3.95, SE = 0.102) exhibited more positive policy/PPP legal framework participation sentiments in comparison to female respondents (M = 3.61, SE = 0.184).

**F3 - Socio-economic impact of PPP project contributions ( $p < 0.001$ ):** Female respondents (M = 4.81, SE = 0.183) showed more positive socio-economic impact of PPP project contributions' attitudinal responses compared to male respondents (M = 3.93, SE = 0.102).

**F6 - Socio-economic impact of PPP project on service provision and infrastructure ( $p < 0.05$ ):** Female respondents (M = 4.70, SE = 0.297) displayed more favourable socio-economic impact of PPP project on service provision and infrastructure sentiments than male respondents (M = 4.48, SE = 0.165).

**F8 - Socio-economic impact of PPP project benefits ( $p < 0.05$ ):** Female respondents (M = 4.49, SE = 0.171) showed more favourable socio-economic impact of PPP project benefits attitudinal perceptions than male respondents (M = 4.12, SE = 0.095).

**F9 - Project management (PPP projects) innovations and constraints ( $p < 0.001$ ):** Male respondents (M = 3.76, SE = 0.181) displayed more favourable project management (PPP projects) innovations and constraints sentiments than female respondents (M = 2.81, SE = 0.327).

**F11 - PPP cost efficiency sustainability and subsidies ( $p < 0.001$ ):** Female respondents (M = 4.88, SE = 0.295) displayed more favourable PPP cost efficiency sustainability and subsidies sentiments than male respondents (M = 3.81, SE = 0.164).

#### 7.5.2.4 Population group

**F1 - Policy/PPP legal framework ( $p < 0.001$ ):** African respondents ( $M = 4.75$ ,  $SE = 0.131$ ) displayed more favourable policy/PPP legal framework perceptions than Coloured ( $M = 4.16$ ,  $SE = 0.081$ ), Indian ( $M = 4.43$ ,  $SE = 0.201$ ), and White ( $M = 4.05$ ,  $SE = 0.109$ ) respondents.

**F4 - PPP cost efficiency affordability ( $p < 0.001$ ):**

Indian respondents ( $M = 3.87$ ,  $SE = 0.367$ ) showed more positive PPP cost efficiency affordability predispositions in comparison to African ( $M = 3.06$ ,  $SE = 0.239$ ) Coloured ( $M = 3.78$ ,  $SE = 0.149$ ), and White ( $M = 2.61$ ,  $SE = 0.199$ ) respondents.

**F11 - PPP cost efficiency sustainability and subsidies ( $p < 0.05$ ):** African respondents ( $M = 4.74$ ,  $SE = 0.290$ ) exhibited more favourable policy/PPP legal framework attitudinal responses than Coloured respondents ( $M = 4.03$ ,  $SE = 0.180$ ).

#### 7.5.2.5 Education

**F1 - Policy/PPP legal framework ( $p < 0.001$ ):** Respondents with Postgraduate Degree (university) ( $M = 4.50$ ,  $SE = 0.108$ ), national diploma (Technikon or university) ( $M = 4.48$ ,  $SE = 0.121$ ) exhibited more favourable Policy/PPP legal framework sentiments than those with undergraduate degree (university) ( $M = 4.08$ ,  $SE = 0.095$ ).

**F2 - Policy/PPP legal framework participation ( $p < 0.05$ ):** Respondents with Certificate (Technikon or university) ( $M = 4.08$ ,  $SE = 0.204$ ) showed a more favourable Policy/PPP legal framework participation attitudinal perceptions that those with national diploma (Technikon or university) ( $M = 3.48$ ,  $SE = 0.167$ ).

**F3 - Socio-economic impact of PPP project contributions ( $p < 0.001$ ):** Respondents with Postgraduate Degree (University) ( $M = 4.69$ ,  $SE = 0.148$ ) exhibited more favourable socio-economic impact of PPP project contributions attitudinal perceptions that those with undergraduate degree (university) ( $M = 4.22$ ,  $SE = 0.131$ ), and those with certificate (Technikon or university) ( $M = 3.70$ ,  $SE = 0.202$ ).

**F4 - PPP cost efficiency affordability ( $p < 0.05$ ):** Respondents with Postgraduate Degree (University) ( $M = 3.65$ ,  $SE = 0.197$ ) exhibited more favourable PPP cost efficiency affordability attitudinal perceptions that those with certificate (Technikon or university) ( $M = 3.11$ ,  $SE = 0.270$ ).

**F7 - Monitoring of PPP projects ( $p < 0.05$ ):** Respondents with Postgraduate Degree (University) (M = 3.85, SE = 0.29), undergraduate degree (university) (M = 3.88, SE = 0.212), and with national diploma (Technikon or university) (M = 3.66, SE = 0.268) displayed more favourable monitoring of PPP project attitudinal responses than those with certificate (Technikon or university) (M = 2.81, SE = 0.328).

**F8 - Socio-economic impact of PPP project benefits ( $p < 0.05$ ):** Respondents with Postgraduate Degree (University) (M = 4.48, SE = 0.138) showed more favourable socio-economic impact of PPP project benefit response than those with national diploma (Technikon or university) (M = 4.16, SE = 0.155).

**F9 - Project management (PPP projects) innovations and constraints ( $p < 0.001$ ):** Respondents with Postgraduate Degree (University) (M = 3.55, SE = 0.265), and undergraduate degree (university) (M = 3.92, Se = 0.235) exhibited more favourable project management (PPP projects) innovations and constraints attitudinal response than those with certificate (Technikon or university) (M = 2.65, SE = 0.363).

**F10 - PPP cost efficiency ( $p < 0.05$ ):** Respondents with undergraduate degree (university) (M = 4.04, SE = 0.175) exhibited more favourable PPP cost efficiency predispositions perceptions than those with certificate (Technikon or university) (M = 3.22, SE = 0.271), and national diploma (Technikon or university) (M = 3.32, SE = 0.221).

**F11 - PPP cost efficiency sustainability and subsidies ( $p < 0.05$ ):** Respondents with postgraduate degree (university) (M = 4.63, SE = 0.239) exhibited more favourable PPP cost efficiency sustainability and subsidies predispositions perceptions than those with undergraduate degree (university) (M = 3.88, SE = 0.211).

**F12 - Project management (PPP projects) quality improvement ( $p < 0.05$ ):** Respondents with postgraduate degree (university) (M = 4.16, Se = 0.212), and certificate (Technikon or university) (M = 4.46, SE = 0.290) exhibited more favourable project management (PPP projects) quality improvement predispositions perceptions than those with national diploma (Technikon or university) (M = 3.64, SE = 0.237).

#### **7.5.2.6 Public-private partnership role players**

**F1 - Policy/PPP legal framework ( $p < 0.001$ ):** Respondents in rural-economic development (M = 4.90, SE = 0.210) displayed more favourable public-private partnership role- players

predispositions perceptions than those in infrastructure (M = 3.81, SE = 0.148), and socio-economic development (M = 4.09, SE = 0.082).

**F4 - PPP cost efficiency affordability ( $p < 0.05$ ):** Respondents in socio-economic development (M = 3.65, SE = 0.150) displayed more favourable PPP cost efficiency affordability predispositions perceptions than those in economic (M = 2.70, SE = 0.263).

**F6 - Socio-economic impact of PPP project on service provision and infrastructure ( $p < 0.05$ ):** Respondents in rural-economic development (M = 4.70, SE = 0.469) displayed more favourable socio-economic impact of PPP project on service provision and infrastructure predispositions perceptions than those in infrastructure (M = 4.34, SE = 0.330), and social (M = 4.16, SE = 0.373).

**F8 - Socio-economic impact of PPP project benefits ( $p < 0.001$ ):** Respondents in economic (M = 4.93, SE = 0.185) displayed more favourable socio-economic impact of PPP project benefits predispositions perceptions than those in infrastructure (M = 4.03, SE = 0.190), Social (M = 4.09, SE = 0.215), and socio-economic development (M = 4.08, SE = 0.105).

**F10 - PPP cost efficiency ( $p < 0.001$ ):** Respondents in social (M = 4.32, SE = 0.306), economic (M = 3.75, SE = 0.263), infrastructure (M = 3.99, SE = 0.270), and socio-economic development (M = 3.70, SE = 0.150) displayed more favourable PPP cost efficiency predispositions perceptions than those in rural-economic development (M = 2.13, SE = 0.384).

**F11 - PPP cost efficiency sustainability and subsidies ( $p < 0.05$ ):** Respondents in social (M = 4.98, SE = 0.370), economic (M = 4.69, SE = 0.318), and socio-economic development (M = 4.10, SE = 0.182) displayed more favourable PPP cost efficiency sustainability and subsidies predispositions perceptions than those in infrastructure (M = 3.202, SE = 0.327).

**F12 - Project management (PPP projects) quality improvement ( $p < 0.05$ ):** Respondents in infrastructure (M = 4.56, SE = 0.290) displayed more favourable project management (PPP projects) quality improvement predispositions perceptions than those in socio-economic development (M = 3.78, SE = 0.161).

### 7.5.2.7 IDZ agreement benefit

**F1 - Policy/PPP legal framework ( $p < 0.001$ ):** Respondents who indicated no ( $M = 4.47$ ,  $SE = 0.092$ ) displayed more favourable policy/PPP legal framework attitudinal responses than those who indicated yes ( $M = 4.23$ ,  $SE = 0.102$ ).

**F4 - PPP cost efficiency affordability ( $p < 0.05$ ): F1 - Policy/PPP legal framework ( $p < 0.001$ ):** Respondents who indicated no ( $M = 3.49$ ,  $SE = 0.168$ ) displayed more favourable PPP cost efficiency affordability attitudinal responses than those who indicated yes ( $M = 3.16$ ,  $SE = 0.187$ ).

**F7 - Monitoring of PPP projects ( $p < 0.001$ ):** Respondents who indicated no ( $M = 3.80$ ,  $SE = 0.205$ ) displayed more favourable monitoring of PPP projects attitudinal responses than those who indicated yes ( $M = 3.30$ ,  $SE = 0.227$ ).

**F8 - Socio-economic impact of PPP project benefits ( $p < 0.05$ ):** Respondents who indicated no ( $M = 4.41$ ,  $SE = 0.118$ ) displayed more favourable socio-economic impact of PPP project benefits attitudinal responses than those who indicated yes ( $M = 4.20$ ,  $SE = 0.131$ ).

**F12 - Project management (PPP projects) quality improvement ( $p < 0.05$ ):** Respondents who indicated yes ( $M = 4.21$ ,  $SE = 0.201$ ) displayed more favourable project management (PPP projects) quality improvement attitudinal responses than those who indicated no ( $M = 3.95$ ,  $SE = 0.181$ ).

### 7.5.2.8 PPP options

**F1 - Policy/PPP legal framework ( $p < 0.05$ ):** Joint venture (JV) ( $M = 4.57$ ,  $SE = 0.121$ ) displayed more favourable policy/PPP legal framework attitudinal responses than leasing ( $M = 4.16$ ,  $SE = 0.101$ ).

**F2 - Policy/PPP legal framework participation ( $p < 0.001$ ):** Joint venture (JV) ( $M = 4.20$ ,  $SE = 0.166$ ), leasing ( $M = 3.95$ ,  $SE = 0.140$ ), build operate and transfer (BOT) ( $M = 3.87$ ,  $SE = 0.134$ ) displayed more favourable policy/PPP legal framework participation attitudinal responses than build own operate (BOO) ( $M = 3.07$ ,  $SE = 0.191$ ).

**F3 - Socio-economic impact of PPP project contributions ( $p < 0.05$ ):** Joint venture (JV) (M = 4.51, SE = 0.165) displayed more favourable socio-economic impact of PPP project contributions attitudinal responses than leasing (M = 4.05, SE = 0.139).

**F4 - PPP cost efficiency affordability ( $p < 0.05$ ):** Build own operate (BOO) (M = 3.77, SE = 0.254) displayed more favourable PPP cost efficiency affordability attitudinal responses than leasing (M = 3.40, SE = 0.186), joint venture (JV) (M = 2.93, SE = 0.220), and build operate and transfer (M = 3.21, SE = 0.177).

**F6 - Socio-economic impact of PPP project on service provision and infrastructure ( $p < 0.001$ ):** Build own operate (BOO) (M = 4.75, SE = 0.310), Joint venture (JV) (M = 4.92, SE = 0.270), and build operate and transfer (BOT) (M = 4.92, SE = 0.217) displayed more favourable socio-economic impact of PPP project on service provision and infrastructure attitudinal responses than leasing (M = 4.08, SE = 0.220).

**F8 - Socio-economic impact of PPP project benefits ( $p < 0.001$ ):** Joint venture (JV) (M = M = 4.55, SE = SE = 0.155), and build operate and transfer (BOT) (M = 4.39, SE = displayed more favourable socio-economic impact of PPP project benefits attitudinal responses than leasing (M = M = 3.91, SE = SE = 0.130).

**F9 - Project management (PPP projects) innovations and constraints ( $p < 0.05$ ):** Build operate and transfer (BOT) (M = 3.56, SE = 0.238) displayed more favourable project management (PPP projects) innovations and constraints attitudinal responses than leasing (M = 3.12, SE = 0.249), build own operate (BOO) (M = 2.95, SE = 0.341).

**F11 - PPP cost efficiency sustainability and subsidies ( $p < 0.05$ ):** Joint venture (M = 4.65, SE = 0.267) displayed more favourable PPP cost efficiency sustainability and subsidies attitudinal responses than build operate and transfer (M = 3.95, SE = 0.215).

**F12 - Project management (PPP projects) quality improvement ( $p < 0.001$ ):** Build own operate (BOO) (M = 4.64, SE = 0.273) displayed more favourable project management (PPP projects) quality improvement attitudinal responses than build operate and transfer (M = 3.92, SE = 0.190), and leasing (M = 3.63, SE = 0.199).



## 7.6 SUMMARY

This chapter presented the data collected via a structured questionnaire. The inadequate development of infrastructure emerged as an overriding factor. Respondents called for improved socio-economic conditions. They agreed on the need for further capital injection around municipal infrastructure development grants. The respondents agreed that PPP partnerships were the most cost-efficient service delivery alternative, in dealing with socio-economic challenges and inadequate infrastructure and under-development.

The maintenance of municipal infrastructure has been a constant challenge leaving many parts of the municipalities under-developed, thus jeopardising efforts towards social and economic development. Local economic development is dependent on sound infrastructure development. The private sector approach to infrastructure maintenance is most effective due to the specific expertise it holds. The private sector has the required skill sets, and the public sector provides the funding. Respondents called for the transfer of technical skills from the private to the public sector.

Depending on the agreed type of PPP, the government often transfers risks to the other partner through its strong financial guarantees, to undertake services on its behalf. Despite the transfer of risk, none of the parties suffers any kind of disadvantage in the process.

PPPs are regarded as a viable solution in the provision of service and infrastructure development. Respondents recommend that more PPP projects aimed at infrastructure development be embarked upon to spark job opportunities and economic growth.

According to the respondents, PPP projects require monitoring in order to measure the socio-economic impact based on predetermined objectives outlined in the PPP agreement. Price regulation was recommended as an appropriate tool to monitor the costs of services delivered through PPPs. Monitoring and evaluation of the service provider's functions and performance is vital to allow the municipality to establish whether the private sector is working according to agreed schedules and whether services are delivered according to agreed service standards.

Most of the respondents agree that South Africa has a credible PPP arrangement policy framework for the implementation of PPP projects. This denotes that more investors will be attracted to the region. The respondents confirm the view that the PPP legislative framework is in line with the socio-economic development requirements of the metropolitan governments in South Africa.

The study showed that IDZ-PPPs projects have a positive socio-economic impact on the municipalities' case study. The respondents confirm that metropolitan municipalities can assist in delivering services by forming structured partnerships (PPPs) with the private sector. This is largely because the private sector possesses technical skills i.e. project planning, management and implementation skills, amongst others. Therefore, organised, structured and functional PPP methods are important for metropolitan municipalities in improving service delivery.

The next chapter proposes a new PPP model for consideration that emanated from this study's empirical and theoretical endeavours.

## CHAPTER EIGHT

### **A SYSTEMIC FRAMEWORK FOR PUBLIC-PRIVATE PARTNERSHIP PLANNING AND IMPLEMENTATION TO IMPROVE SOCIO-ECONOMIC DEVELOPMENT IN A METROPOLITAN MUNICIPALITY IN SOUTH AFRICA**

#### **8.1 INTRODUCTION**

The development of a systemic PPP planning and implementation framework aimed at improving the socio-economic development conditions in a metropolitan municipality in South Africa is underpinned by an extensive discussion around PPPs in this thesis, as well as the empirical data generated. This systemic framework for PPP project implementation and monitoring in South Africa provides an all-inclusive understanding of the PPP project processes and dynamics in the PPP environment.

According to Yin (2009), systemic PPP project planning and procurement is one of the strategic processes aimed at “translating ideas and beliefs into evidence-based policies and implementable projects.” Interestingly, it combines and regards the entire PPP development process and the environmental setting into one system.

Given the primary research question and problem statement of this study, the PPP project procurement, planning and management system allows for continuous iterative examination of the PPP life cycle and its environment. Such analysis helps to detect desired courses of action for realising predetermined goals.

The framework focuses on the development logical framework processes, inputs, outputs, outcomes and ultimately the impact of the PPP project processes. Leedy and Ormrod (2016:37) contend that any study of performance management systems has two important objectives: an analysis of the steps, processes and programmes of the existing operating system, and the design of a ‘new’ system to attain the desired goals with less expenditure of human and material resources. South Africa needs PPP practitioners who are fully equipped with the necessary tools to direct planned activities towards an efficient process that ultimately produces results, and benefits society.

Therefore, performance management is one of the key determinants in measuring the socio-economic development impact of the IDZs–PPPs. This chapter firstly intends to analyse the existing PPP Model and the implementation framework used in the IDZs in the BCMM and

the NMBMM respectively. Secondly, it will attempt to design and introduce an alternative PPP implementation framework for the South African metropolitan municipal context.

When systemic frameworks are formulated at the commencement of project activities, they are considered most useful. They guarantee that resources are coordinated in the best-organised and operational way at the PPP project planning stage or merely within the initial phase of a proposed development. A systemic framework is also beneficial for the establishment of realistic and relevant outlooks for desired outcomes that may result from a PPP project arrangement. They are also suitable for continuing projects, since they can be utilised to elucidate the extent to the project activities are implemented. Systemic frameworks help to achieve particular intentions and to find the sources of data and gathering strategies that could help to achieve the expected outcomes (Nyangwachi, 2008:168).

## **8.2 SYSTEMIC IMPLEMENTATION FRAMEWORK**

According to Senge (2006:12): “A systemic framework is a method that demonstrates graphical relationships between project resources, activities, outputs, and outcomes”. The systemic model’s elements are: project planning and design; implementation; monitoring and evaluation tools; that determine the resources a PPP project will use, to undertake activities that are aimed at producing specific, describable and measurable changes or results in people, organisations, or the broader physical and social environment.

Edward (2011:46) writes, “a framework is a substitute for reality... A representation of reality that is, hopefully, adequate for the problem at hand. It is made up of factors relevant to a particular situation and to the relationship between them”. The above definition of a framework led to the emergence of two dimensions, namely: (a) a framework guide, which enables the production of goods and services as final outputs and the actual provision thereof; and (b) situational (internal and external) factors, which play an important role in determining the nature and place of PPPs.

“The success of a PPP model depends on: the situation; the nature of the PPP contract and task; the composition of the PPP team; the structure of the project team to explain the chain of command; technological capacity; financial viability of the private party and the skills required to begin and maintain the project for the specified duration (Mbanga, 2012:229).”

Ijeoma (2013:1) come to an agreement in that:

“Every PPP is different, and every deal structure must be customised to meet the objectives of the individual municipality and private partner. And the level of responsibility of each partner can be designed to meet their capacity to perform to their desired level of involvement.”

According to Carbonara and Pellegrino (2014: 28), it is essential to deal with PPP's contextual challenges that have to do with design and implementation by considering factors, such as the social, economic, political and constitutional environments. When considering the development of a PPP framework, the interaction between the municipality and the private party, and the situational factors are of great importance in realising value-for-money objectives. The contention is that a PPP framework is dependent on the project environment and the competencies of the parties involved (Nikolaidis & Roumboutsos, 2013:65).

Contingency methods allow for the specification variables, such as leadership of the parties that have direct or indirect influence on the outcomes of the PPP project (Salah & Moselhi, 2015). In this perspective, the National Treasury's PPP Unit, the DPLG, and the metropolitan municipality in question would consider measuring the success or failure of the PPP projects based on the style of motivation, resource dimensions and the level of control of the private party. Situational factors determine the level of control and the contingency approach in determining PPPs' success.

### **8.3 PURPOSE OF SYSTEMIC PUBLIC-PRIVATE PARTNERSHIP IMPLEMENTATION FRAMEWORK**

In this section, a generic PPP framework called the Systemic Implementation Framework (SIF), which is also referred to as the PPP Implementation Framework is constructed. The framework is amalgam in nature. It expresses and aligns the components of public management (public sector-metropolitan municipality in this case) and business management (private sector). The South African government's policies support the country's dual economy elements, such as the National Development Plan 2030, Reconstruction and Development Programme (RDP, 1994); the 1996 Growth Employment and Redistribution (GEAR); the 2005 Accelerated and Shared Growth of South Africa (ASGISA); 2011 Nation Growth Path, and ten-year (2004–2014) Provincial Growth and Development Programme (PGDP); and municipal integrated development plans.

In the context of the framework, social, local and rural economic development is the socio-economic efforts of the people who belong and share a mutual vision arranged by a metropolitan government, in partnership with the private sector.

According to Blakely (2009:223):

“The PPP Model is aimed at improving socio-economic development by generating socially useful and long-term labour-intensive projects that contribute to job creation for the local inhabitants. The PPP projects must be affordable; meet the expenses of the metropolitan municipalities (in other words, the VFM provision); make a profit for the private party or developer; and improve employability of the local communities.”

The purpose of this new Systemic Public-Private Implementation Framework is to introduce a ‘simplified and implementable logical framework’ in the PPP environment:

- State the systemic approaches and procedures that will be employed in the implementation of PPP projects;
- clarify the casual complex elements regarding the implementation of existing PPP models; and
- recommend a course for present and forthcoming researchers into making further improved findings within the PPP environment.

#### **8.4 SCOPE OF THE SYSTEMIC PUBLIC-PRIVATE PARTNERSHIP IMPLEMENTATION FRAMEWORK**

The proposed framework focuses on the processes in the management and implementation of PPP projects over the specified project life cycle. It advocates a systematic implementation of project activities (from inputs to outcomes), whilst simultaneously monitoring and evaluating the projects in order to determine the impact thereof. This framework unpacks the existing Participatory Development Systems Model (PDSM) aimed at improving the local economic development of the metropolitan municipalities. The PDSM is based, among other things on, and is a modification and growth of, the existing PPP Model for national, provincial and local legs of government, as contained in the National Treasury Regulations 16 of 2004. It is compared in this chapter with an alternative Community Cooperative Model (CCM) outlined in the NFLEDSA (DPLG, 2006; Mbanga, 2012:224).

The PDSM prescribes circumstances and procedures for public-private partnership development interventions at metropolitan municipal level that must be well thought out in order for them to contribute successfully and resourcefully to the improvement of the local community socio-economic conditions. The objective is to guarantee that metropolitan municipalities adhere to the MFMA, 2003 (Act No 56 of 2003) with specific focus on Section 120, which makes provision for circumstances and procedures for PPP arrangements to

which all municipalities engaging into PPP arrangements, should observe. Moreover, circumstances for the execution of PDSM must not only adhere to the National Regulations 16 of 2004 and the Municipal Systems Act, 2000 (Act No 32 of 2000), but likewise with the relevant Supply Chain Management (SCM) policy framework and MGMSP of 2006.

## **8.5 RATIONALE FOR A SYSTEMIC PUBLIC-PRIVATE PARTNERSHIP IMPLEMENTATION FRAMEWORK**

A PPP framework in South Africa is development-oriented and stakeholder-driven. Therefore, a systemic, participatory and inclusive method is key for the success of PPP projects in a developmental local government system in order to respond to the basic needs of the communities. The terms 'inclusive', 'systemic' and 'participatory systems' share a common denominator, which is stakeholder involvement in project planning, implementation and monitoring towards sustainable, cost-effective provisioning of metropolitan municipal services.

Systemic frameworks are resource tools to show integrated, logical planning relative to the accomplishment of predetermined goals. PPP project offers may often not stipulate the association among shared resources, scheduled outputs and the expected spinoffs from the PPP projects. In addition, a systemic framework helps to determine the degree to which the PPP projects have made a socio-economic developmental difference (Nyagwachi, 2008:160).

The word 'participatory' comes from the word 'participation', which Davis (2012: 49) considers:

"The involvement by a local population and, at times, additional stakeholders such as the private sector, NGOs and CBOs in the creation, content and conduct of a LED programme or economic policy developed to change people's lives. It is built on a belief that citizens and other stakeholders can be trusted to shape their own future. "

The Asian Development Bank (2005:8) defines participation as:

"The process through which stakeholders influence and share control of development initiatives and decisions and resources that affect them. The process enhances stakeholder ownership and commitment, and helps give a voice to the poor and disadvantaged."

As a result, the suggested framework can be seen as bridging the gap between the formerly destitute persons and business by mainstreaming the local economy by means of promoting Black Equity Empowerment (BEE) programmes (Horwitz & Jain, 2011). For any PPP

arrangement to be successful, it should consider the needs and aspirations of all the stakeholders whose interest is the successful implementation of the PPP project. It is, therefore, important to understand the nature and location of PPP projects that were investigated in this study, the manner in which they unfolded, the primary assumptions related to the main purpose of the PPP project, and the systems that the projects were meant to impact. The systemic framework helps to develop a shared foundation for better unfolding and understanding the PPP projects processes.

According to Mbanga (2012:33):

“The graphic features of a framework serve to depict the relationships among the components of the PPP project. A framework provides a common vocabulary to describe elements of project work in a way that encourages deeper understanding over a variety of projects. Once internalised within the PPP sector, this approach will transform the mindset of PPP managers in the way of solving PPP-related problems systemically.”

The suggested implementation framework will be an efficient and active instrument in sharing the anticipated outcomes, even the prospects of PPP projects, based on the scope of work. It denotes a shared vision of how PPP staff members and shareholders contribute in the designing stages, and propose to meet desired results through resources and activities.

The proposed PPP implementation framework will also be helpful in logically focusing all activities within the parameters of project management methods and will clarify all the responsibilities towards the agreed outcomes. The linkage between the PPP projects' features, resources and activities in an explicit model arrangement will assist PPP role-players to better monitor and evaluate the course of project activities towards predetermined objectives.

Systemic frameworks promote logical, applied project preparation and allow stakeholders to envisage what can realistically be projected from the execution of the scheduled actions and the provision of envisioned results. This implementation framework approach extends to the management of risk particularly in complex and large projects (Arnold, Borio, Ellis & Moshirian, 2012).

Bajgoric (2014: 156) writes that:

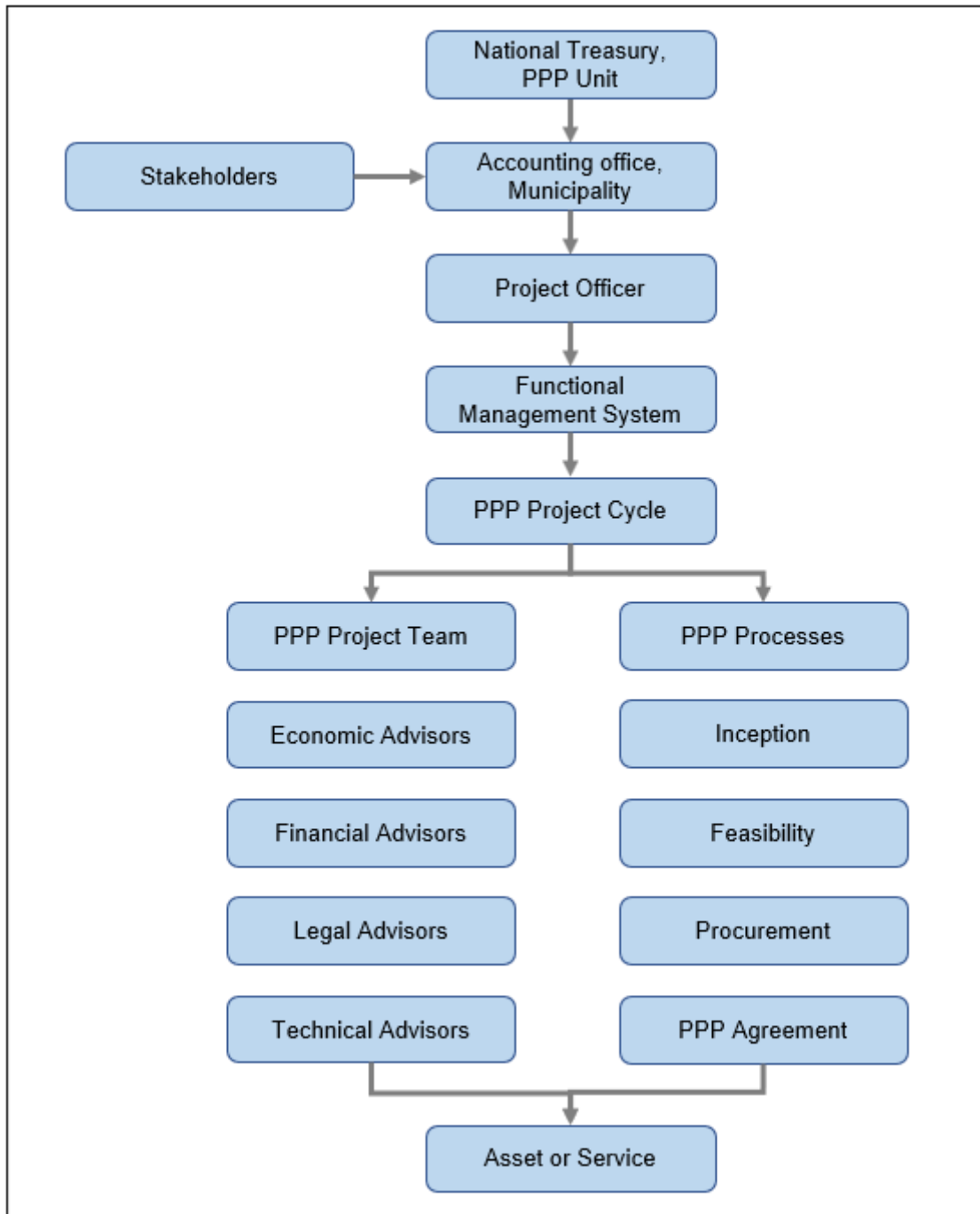
“A systemic implementation framework is a tool that helps to organise key project activities and intended outcomes. It can be more effective in PPP project planning design, the implementation of project activities, and the monitoring and evaluation of project successes.”



It should, however, be noted that although a systemic framework shows the connections shared by PPP project components, such as anticipated outcomes, effects or changes derived through assignment activities, a systemic framework does not replace the performance measures within a PPP project.

Importantly, as in the case of the IDZs, specific, relevant performance measures, or smart principles, should still be formulated, for all PPP projects. Similarly, there should be measurable assessment enquiries, specified and sources of data, and data gathering techniques, which are important components of a PPP project's uninterrupted quality assertion and performance improvement. Implementation frameworks are not stagnant, hence there is a need for constant examination and advancement in accordance with the PPP projects founding objectives.

The aim of the PPP unit is to alter the systemic implementation framework into a participatory and dynamic tool that can be better used in PPP team development, execution and evaluation efforts. The National Treasury's PPP Unit provides the following generic PPP model (see Figure 8.1 below) for government departments and metropolitan municipalities in asserting their service delivery mandates.



Source: National Treasury, PPP Unit (2004)

Figure 8.1: Generic PPP model

## 8.6 THE CURRENT STATUS OF THE PUBLIC-PRIVATE PARTNERSHIP FRAMEWORK

In South Africa, the PPP structure is ruled by the Public Finance Management Act, 1999, and the Municipal Finance Management Act, 2003. In line with these Acts, the National Treasury developed a generic PPP project lifecycle for national, provincial and local legs of

government. For instance, the MFMA's PPP Guidelines state how PPP projects must be implemented.

It is important for PPPs to be discussed in the context of social, economic and political factors. Similarly, when developing and adopting a PPP model, it is imperative to consider the relationship between the municipality and the private party, the situational characteristics or the environment, to ensure that the value-for-money objective is realised (Patil, 2014). Konrad (2018) confirm that a PPP model is dependent on both the environment in which the project will roll out and the qualities of the parties involved. The dependency approach enables the specification of variables, in other words, leadership of the parties or environmental variables that influence the outcome of the project.

Therefore, the National Treasury's PPP Unit, the DPLG, and the metropolitan municipality in question, determine the PPP project successes or failures, founded on the resource capacity, motivational style, and control of the private party. Situational control and the dependency method are key determining factors in the success of a PPP. For example, in the case of the two IDZs, both the metropolitan municipality and the provincial Department of Economic and Environmental Affairs share the responsibility of monitoring, measuring and evaluating the performance of the two IDZs in their unique regions.

Systems Theory is regarded to be in line with what the Public Service desires to become, as the White Paper on a New Employment Policy for the Public Service, 2000, provides for:

“A model of excellence, in which service to society stems from commitment rather than compulsion. The management of resources should be regarded as a significant task for those who have been charged with that responsibility and do so in a professional manner (Fraser-Moleketi, 2007:3).”

## **8.7 THE PUBLIC-PRIVATE PARTNERSHIP: INTERNAL AND EXTERNAL ENVIRONMENTS**

Before any actions are directed at improving socio-economic development and delivery of service in the local government sphere, it is often necessary to begin with understanding the environment within which these actions take place. The reasoning behind this is that socio-economic development, the provision of basic municipal services and PPP processes are not implemented in a vacuum, but occur within a specific environment. Consequently, the environment has either positive or negative influences on service delivery be it around decision-making, planning or implementation.

Positive environmental aspects often lead to the realisation of predetermined objectives of local government enshrined in the Constitution of RSA, 1996. Service delivery may be impacted negatively by natural occurrences or government. A natural incident relates to a flood, a volcanic eruption or drought. High levels of “suspected” corruption at government level, together with incompetent government officials, negatively impacts service delivery endeavours. It is important for metropolitan municipalities to take cognisance of the environment in which they operate, to ensure effective and efficient service delivery.

The Systemic PPP Implementation Framework operates in two unique environments namely: the macro environment (economic, social, political, legal, and technological) and the microenvironment (suppliers in the private sector and government). For example, government has a responsibility to regulate the provision of municipal services to beneficiaries through a participatory approach. The government does this by monitoring, controlling and evaluating the municipal performance and the stakeholders involved through rules, regulations and by-laws. This implies that municipalities engage in partnership with the private sector in order to make PPP procurement more affordable and beneficial. The next section discusses elements pertaining to a logical service delivery approach, linked to a systemic PPP Implementation Framework (Woetzel & Mischke, 2016:47).

### **8.7.1 Inputs**

The provision of economic inputs enhances investments for socio-economic development in the metropolitan municipalities. Local economic development inputs relate to ‘micro impetuses’, because the process is influenced by general environmental specifics. Very often, when preoccupied with inputs, resources will often be limited due to unlimited community needs, which means that resources need to be prioritised. To fund the implementation of the PPP model, metropolitan municipalities require sufficient capital. The Treasury Regulations of the Republic of South Africa, 2011, note that revenues are generated through subsidies and grants, taxes, and service charges from national and provincial governments.

Service delivery partnerships have the potential to minimise inputs and unnecessary wastefulness by municipalities and in turn, maximise service delivery outputs (RSA, 2006: 37). The systemic framework requires every institution, attracted in the improvement of development, to be directly involved in local economic development programmes or processes, such as municipal LED activities.

The most effective strategies for the implementation of LED programs are often executed through special purpose vehicles, corporatisation, build-operate-transfer (BOT), privatisation, – where the service provider constructs the asset, operates it for a given time, and then handovers it to the municipality, build-operate-train-transfer (BOTT), build-own-operate-transfer (BOOT), and the (White Paper on Local Government 1998:100).

### **8.7.2 Outputs and outcomes: A development-oriented aspect**

The development of procedures to evaluate, assess and analyse the overall results of promoting socio-economic development policies must be considered. According to Yong (2010), local governments struggle with local economic growth and social development in their areas of operation. These problems can be better understood, when specific concepts are dealt with, and considered independently.

According to Yescombe (2017:18):

“Growth and development resulted in the development of a pot-pour of defining variables that purport to make the distinction between the two concepts, viz.: quantitative progress of LED versus qualitative progress, expansion of the local economy, versus the distribution of local economic growth outputs, efficiency versus equity, increase in aggregate output versus structural change to accommodate the BEE programmes, income change versus income distribution, number of jobs created versus the quality of jobs, static efficiency versus dynamic efficiency.”

In view of the above, a metropolitan municipality should concentrate mainly on strengthening local economic growth, job creation, poverty reduction and social development. It should also ensure that growth and development occur in their respective areas in order to improve the general welfare of its citizens. Growth and economic development that yield job creation, poverty reduction and development depend largely on the vibrancy and sustainability of local economies.

According to Weinberg (2013:131):

“The challenge is with political practicality, which often dictates the equation of job creation with growth and development. The reason is that there is no assurance that economic growth will occur locally. Even if the effects are felt at a local level there is no guarantee that the ‘right’ sections of the local inhabitants are targeted. Often economic growth in South Africa brings aggregate benefits to those least in need: employment to high skilled individuals who already hold jobs or income increases and economic expansion to those who were previously advantaged in the pre-1994 era.”

Interestingly, all the metropolitan municipalities in South Africa have developed social and local economic development policies. Big cities or towns, such as the City of Cape Town in the Western Cape, the City of Tshwane and the City of Johannesburg in Gauteng have developed and adopted methods to assess, evaluate and analyse the welfare outcomes of their social and local economic development policies. However, it is imperative for municipalities, including the BCMM and NMBMM, to assess and evaluate whether their developmental policies facilitate the enhancement of LED, which provides for job creation, poverty alleviation, reduction of inequality and underdevelopment.

## **8.8 PUBLIC-PRIVATE PARTNERSHIP PROJECT INAUGURATION**

According to the Republic of South Africa, 2005, Gazette Notice No. 27368, the accounting office of the institution, may engage into a PPP procurement arrangement on behalf of the institution, which, in this case, is the metropolitan municipality. Furthermore, Clause 16.3.1 states that:

“As soon as the institution identifies a project that may be concluded as a PPP, the accounting officer or accounting authority must in writing:

- Register the PPP with the relevant treasury;
- Inform the relevant treasury of the expertise within the institution to proceed with a PPP;
- Appoint a project officer from within or outside the institution; and
- Appoint a transaction advisor if the relevant treasury so requests (RSA, 2005). “

However, with the National Treasury Regulations (2014) on PPP implementation, further aspects are highlighted:

- “Project management competency levels required for both the accounting officer, institution, or officer responsible for implementing the PPP project;
- The appointment of the project political champion;
- The appointment of a PPP project manager;
- The appointment of an independent PPP project auditor; and
- The establishment of the project management office and systems, and PPP education and training (RSA, 2014:17).”

In the current PPP structural arrangements, an accounting authority is responsible for arranging the PPP management contract, which ensures that the appointed project manager operates in a ‘systems space’ to bring key projects worth millions of Rands into the

institution. However, PPP project champions and an independent PPP project auditor are absent. The system also lacks a project office and associated systems, as well as an enabling policy environment on PPP training, education, and awareness by all role players of the PPP procurement arrangement. There is a lack of literature around how PPP implementing institutions should deal with the issues, mentioned above. Nonetheless, the MFMA (RSA, 2003) provides for the following:

- Competency levels for financial officials
- Resources or opportunities for training of officials by the municipality
- External intervention by the National Treasury in training of officials

The issues above create a 'gap' in the current model of the PPP project cycle process. Therefore, the new PPP Implementation Framework anticipates closing the identified gap.

## **8.9 PROPOSED SYSTEMIC PUBLIC-PRIVATE PARTNERSHIP IMPLEMENTATION FRAMEWORK**

The generic framework presented in Figure 8.1 gave rise to the proposed PPP Implementation Framework.

### **8.9.1 Political advocacy**

As mentioned earlier in this chapter, every developmental function takes place in a general environment of which the political environment is the most important. This is where policy development and implementation reside. This function resides within the portfolios held by municipal executives, such as Members of the Executive Committee (MEC) or mayors (executive and non-executive mayors). Their primary role is to lobby for political support, and the mobilisation of stakeholders through consultation in relation to PPP procurement arrangements.

### **8.9.2 The strategic public-private partnership project specialist**

PPP procurement is one of the most demanding, technical and complex functions in a developmental local government space. Therefore, it requires a well-rounded, experienced person with a specialised understanding of PPP projects' policy environment, procedures and processes. According to Allison (2012:5):

"The PPP project manager's principal responsibility is to deliver the project end-item. Although responsibilities of a PPP project manager may vary, they largely include: designing, planning, organising, implementing and controlling project resources; selecting and organising the project team; interfacing with stakeholders; monitoring

and evaluating the project status; identifying practical and purposeful problems; solving problems; and closing the project.”

The strategic PPP project specialist should consider establishing a completely useful institutionalised framework comprising of a technical development support office, staff members and the appropriate enabling infrastructure platforms. There should be clearly well defined responsibilities and contingent authority to facilitate, design and administer the PPP Agreements in respect to PPP projects.

### **8.9.3 Public-private partnership project risk champion**

If not well managed, PPP procurement can lead to huge financial losses and, for this reason, this function is necessary. The PPP project risk champion is expected to champion risk management in the PPP Unit through the establishment of technical risk assessment committees to ensure that all possible risks are minimized. Similarly, risk management forms part of the overall strategic thrust of an organisation. This implies that risk management cannot be regarded as separate function from the overall PPP foundational functions of the PPP project agreement (Farquharson, Torres de Mastle, Yescombe & Encinas, 2011:63).

### **8.9.4 Public-private partnership project accountant**

The PPP project accountant is expected to ensure that there are standard project procedures in place, during the PPP contract negotiations. They must further ensure implementation during the operation stages for the fulfilment of quality-related requirements for the service or asset. The overall responsibilities of a project accountant entail being aware of the quality and means of instituting the improvement of PPP operations in order to meet predetermined goals.

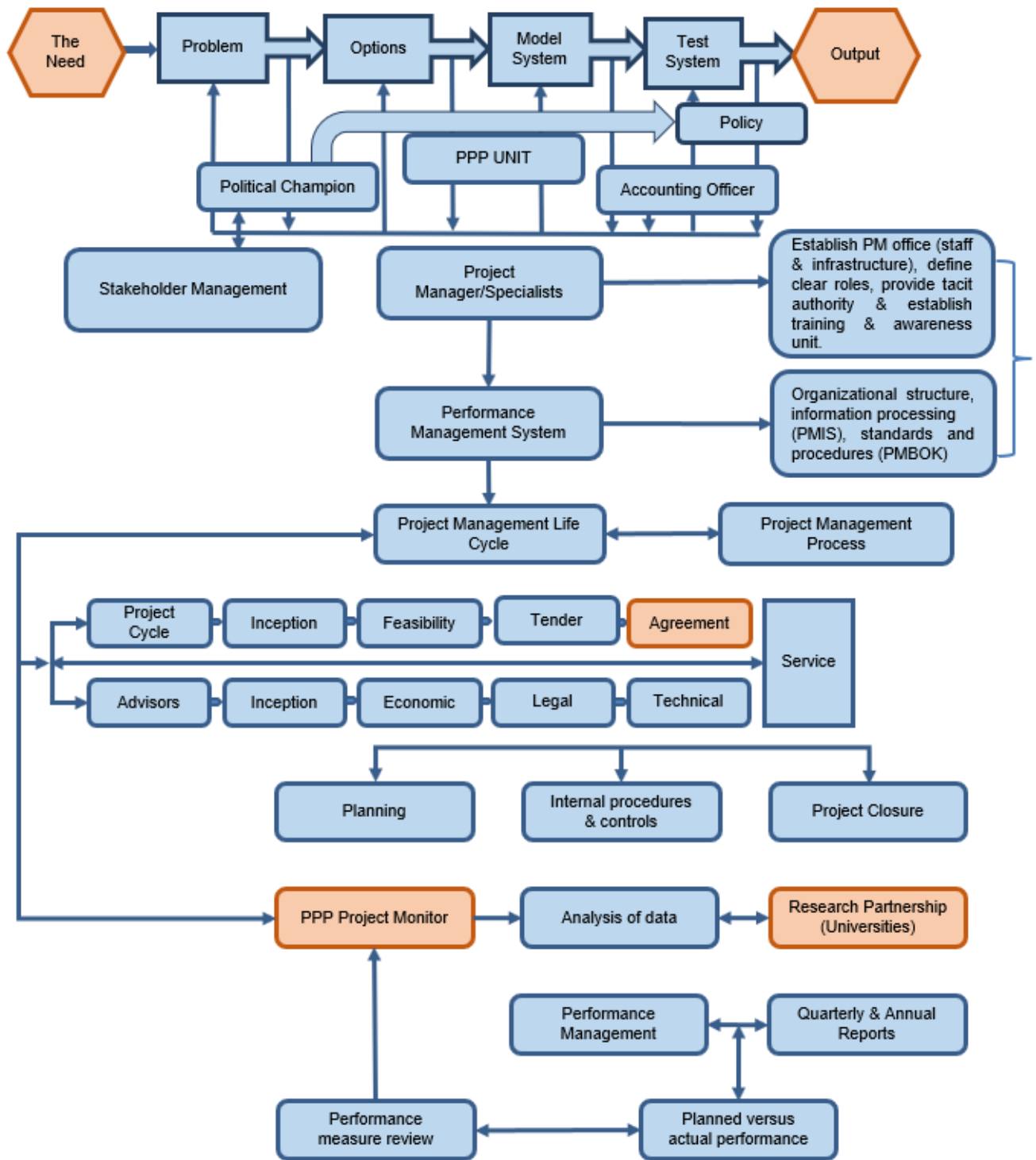
### **8.9.5 Public-private partnership education, training and awareness**

Possible solutions to PPP arrangement problems in South Africa require a paradigm shift by PPP role players, from generic traditional thinking, to a mixed systemic and logical approach. PPP role players must invest in the creation of learning organisations, in order to view challenges from a systemic perspective. The logical thinking concept employs a system that organises all parts that are related to the subject matter. Through continuous training and the creation of PPP awareness, the devised framework will contribute to a PPP-friendly environment that responds to the various aspects pertaining to PPPs.



### **8.9.6 Motivation for a new PPP framework**

The proposed PPP framework is primarily based on 'systems theory', which was developed in the 1950s. The framework adopts the system's way of thinking where actors are expected to see the broader picture of operations and reciprocal relationships which a PPP project may be exhibiting (Delmon, 2011:137). One of the key challenges to a systems thinking method, in relation to PPP approaches, is project management expertise deficiency. In fact, the new proposed framework suggests the encapsulation of a fully-fledged system that talks to delivery processes. Figure 8.2 depicts the proposed task linkage and causal loop diagrams.



**Figure 8.2:** Proposed systemic PPP implementation framework

### **8.9.7 Application of the new Public-Private Partnership implementation framework**

The proposed framework will be appropriate for all PPP projects in the Eastern Cape metropolitan government and national government. It is also anticipated that PPP and non-PPP experts in South Africa will use the framework within the service delivery context.

It is proposed not only for use by the Eastern Cape metropolitan governments as per the study, but by all local government municipalities in South Africa. The framework is most applicable to public policy-makers and the National Treasury's decision-makers, the Department of Cooperative Governance and sector departments, the local sphere of government with particular focus on the metropolitan government and community members involved in community development cooperatives, NGOs and CBOs who have an interest in the implementation of PPPs and the improvement of socio-economic development.

### **8.10 PPP PROJECTS CONSTRUCTS' ANALYSIS DISCUSSION**

This section forwards a discussion of results showed in Chapter 7 (section 7.5) with respect to GLM performance of PPP project constructs' analysis:

- The respondents displayed favourable predispositions to all twelve of the performance of public-private partnership projects constructs.
- There were some significant differences between the cross-analysis of the Biographical and Metropolitan Descriptive Data (independent variables) versus the twelve constructs.
- In all but one instance, it appears that older respondents show the most positive perceptions regarding the twelve constructs except the Policy/PPP legal framework sentiments.
- Municipal/City Managers displayed the more favourable perceptions regarding the twelve constructs except the PPP cost efficiency affordability.
- In terms of monitoring of PPP projects, only the elected representatives/councillors that displayed the less favourable predispositions perceptions.
- In terms of gender, in all but two instances, it appears that female respondents display the most favourable sentiments except the Policy/PPP legal framework participation and Project management (PPP projects) innovations and constraints.
- In terms of population group, the trend seems to be more to favourable sentiments by African respondents (an Indian in one instance) in terms of the constructs except the PPP cost efficiency affordability.

- In terms of qualification level of respondents, in all but three instances, it appears that respondents with postgraduate qualifications show the most positive perceptions regarding the twelve PPP projects constructs.
- In respect to PPP role players, socio-economic development participation by respondents displays the most favourable sentiments in terms of the twelve constructs.
- In terms of IDZ agreement benefit, a majority of respondents displayed a less favourable perception regarding the constructs
- In terms of PPP options, respondents displayed the more favourable perception regarding the Joint Venture in the constructs except: the PPP cost efficiency affordability; Project management (PPP projects) innovations and constraints; and Project management (PPP projects) quality improvement.

Based on the above analysis, the respondents exhibited favourable perceptions in terms of all twelve of the performance of public-private partnership projects constructs. This provided a sound basis for the introduction of the systemic PPP implementation framework for the metropolitan government in South Africa.

## **8.11 SUMMARY**

This chapter has provided a discussion on the proposed systemic PPP implementation framework covering the purpose, rationale and scope. It went further to discuss the status of the PPP framework and the inauguration of PPP in South Africa.

It has also presented the data analysis based on the findings that emanated from the data gathered during the study, covering the biographical and metropolitan descriptive data, performance of public-private partnership projects' constructs, factor analysis using SPSS, and generalised linear model performance of public-private partnerships projects constructs' analysis.

This formed scientific motivation for the proposed systemic PPP Implementation Framework for consideration by BCMM and NMBMM with the intention for improving socio-economic conditions. The framework arranges for each PPP development project to have its own strategic thrust, covering the vision, purpose, strategic goals, strategic objectives and execution plan – all of which must be undertaken within the input phase. Importantly, after the input adaptation stage, which allows the metropolitan municipalities and development partners to formulate development-oriented budgets, decision-making processes must be

geared towards a participatory development approach. For the role-players it is important to note that the economic development and growth process might be subject to internal and external environment influences

The systems thinking method, which has been used over the years and advocated by Senge (2000), makes a provision for a tool used to unpack and understand complex PPP design, management and executive challenges. These methods have been applied for more than 30 years, and are still relevant.

However, these methods need a mind-set change in the way in which PPP participants consider the PPP projects performance. It is essential that PPP and non-PPP administrators move away from watching at remote occasions and their bases, and start observing at the PPP environmental setting as an integrative system encompassed by interaction and interrelated parts. When there is a change in focus from the occasion to the inner PPP system configuration, there is a likelihood of PPP performance improvements. This is because systems configuration is often the fundamental cause of difficulty.

Relying on both literature and results from the findings of the study, the framework was developed to enable the metropolitan municipality to effectively and efficiently deliver on their service delivery mandates through sound PPP procurement arrangements.

## CHAPTER NINE

### CONCLUSIONS AND RECOMMENDATIONS

#### 9.1 INTRODUCTION

In social research sciences, the significance of any scientific investigation ought to be replicated in its conclusions and recommendations. These must be aligned with the research questions, research problem and respond to the principal purpose of the study. For that reason, the purpose of this last chapter of the study is to forward a summary of the conclusions and recommendations based on the literature review and the empirical research findings.

Section 151 of the Constitution of the Republic of South Africa, 1996, outlines the provisions for the establishment of an interdependent, interrelated and distinctive local government sphere, which is the closest leg of government to the people. The local government sphere has been established to constitutionally administer and provide services to the people within its jurisdiction, in association with the provincial and national government spheres, yet interdependently and interrelated.

The Amended Municipal Structures Act, 1998 (Act No 117 of 1998):

“Provides for the creation of local government according to municipal categorical requirements, which must be in line with the developmental local government vision, and equally place contemporary municipalities on a “radar of success to fulfil their constitutional obligations to ensure sustainable, effective and efficient municipal service delivery, promote social and economic development, and encourage community participation in local governance to meet the socio-economic needs of the people” (Mufamadi, 2001:4).”

According to Sorensen and Torfing (2011:220), the primary purpose of the public sector and associated public management is to improve the general welfare of citizens by providing quality public services. Nevertheless, the state is often under serious attack from various angles of the society for many apparent service provision deficiencies. Consequently, Hughes (2003:10) notices that some governments are too large and, therefore, use scarce resources, albeit inefficiently. These governments are too large, because they have too many service delivery commitments. The SA government, similar to any other developing country, is constrained by resources limitations in honouring its statutory obligation, leading to the inadequate or non-delivery of services (Try & Randor, 2007:656).

The perception amongst the citizenry is thus, that their general welfare is jeopardised. The private sector could be called upon to alleviate the service delivery dilemma, in conjunction

with the public sector, as it has the requisite resources and skills (Scharle, 2011:229). This study revolved around PPPs in the metropolitan municipalities in the Eastern Cape Province and their impact on improved socio-economic development.

According to the Municipal Service Partnership Policy (2000), in lieu of improving social and local economic development, municipalities are permitted to engage in collaborations in the form of sustainable development partnerships, with private bodies and civil society, to speed up the provision of public services. In this regard, metropolitan municipalities have the responsibility of ensuring that all partnerships are planned in a way that encourages constant capacitation, mentoring and coaching system for municipal employees in order to create the needed skills capacity.

This above policy is aimed at improving the local sphere of government's human capacity to manage effectively socio-economic development initiatives, and to redistribute local economic resources equally and meaningfully. Consequently, the social and LED of the metropolitan municipality would be upgraded and sustained by means of PPP arrangements. The PPP framework was developed for the purpose of enhancing and sustaining municipal local economic growth and development that contributes to poverty reduction, job creation, reduces inequality, and reduces to zero the binary division between first and second economies in municipal area.

The MFMA (2003) provides circumstances and processes for PPPs to which all-metropolitan municipalities entering into municipal PPP contracts should follow. All PPP arrangements sealed through the implementation of the systemic PPP framework have to adhere to governance principles and conditions. Metropolitan municipalities must undertake a viability study to establish the "nature of the private party's role" and the level to which the private party must carry its attached responsibilities. The study must plainly sketch the PPPs' strategic and operational benefits in terms of the municipality's preselected objectives. It is, therefore, vital for the municipality to solicit comments from the organisations and people in whose interest the PPP project was undertaken. In addition, the National Treasury, DCoGTA and other relevant departments or state organs must provide inputs.

A suitable method to sustainable development partnerships involves partnership arrangements that include the private sector, CBOs, NGOs and local people (Tönnesson & Tönnesson, 2004:4). Pirie (1987) indicates that the public sector needs to engage in partnerships with the private sector, as financial capital is always needed by local authorities.

The most concerning paradox is that governments source their income from taxpayers and are expected to deliver and provide them with the needed services. In most instances, service provision is absent in rural areas, squatter camps and in some urban marginal areas of metropolitan municipalities.

Randor (2012:210) agrees, over the years the quality of public service rendered to the public has declined almost as rapidly as the price of service(s) has gone up. Local authorities tend to be more efficient in providing for the needs of the producers and suppliers, rather than being efficient in responding to the needs of the people.

### **9.1.1 The public and private sectors**

Flynn (2012: 71) regards the public sector as:

“The entirety of institutions that have been established and maintained politically with a mandate of stimulating the quality of life of the citizens by providing public services.” It serves to plan, determine and implement, among others, socio-economic goals with a view to and attempt at developing local economies and social services for the citizens towards sustainable development.”

Scharle (2011:228) believes that the public sector plays a significant role in attending to public interest, stewardship and solidarity. As a result, the public sector seeks to implement and achieve government predetermined objectives that originate from the citizen’s needs, demands and genuine anticipations of the public through the legislative, executive and judicial spheres of government authority (Bouckaert, Peters & Verhoest, 2016).

According to Laffin (2018), modern public sector development programmes are characterised by resource limitations combined with limitless service related demands from the communities. The provision of services occurs within a profoundly legislated local government environment. Similarly, public sector organisations are subject to legislative oversight processes, which are often politically driven (Sedisa 2008:325). All these challenges limit creativity and revolution in the public sector service provision environment.

Trafford and Proctor (2013:120) argue that:

“A modern-day government should pursue a modernising agenda, which aims to ensure that policy-making is coordinated and strategic in nature; ensures that public service users, not providers, are the focus of attention, by matching services closely to people’s lives; and deliver high-quality, efficient public services.”

The core focus of the study was to determine how PPPs in the selected metropolitan municipalities, impact socio-economic development. It was determined that government



needs to use PPP arrangements as an alternative method to service delivery, mainly because current funding, proves insufficient in the delivery of services in general, and infrastructure in particular. Accordingly, the nature of the private sector, and its place in public sector service delivery, will now be summarised.

The private sector organisations, as noted throughout this thesis, are primarily established to serve the interests of the shareholders. The main reason behind this approach of operation is to maximise profits on investment and business expansion its focus is on efficient and effective service delivery (Kerr, 2003:10). Private sector organisations, in striving to realise their objectives, have developed a professionalised body of knowledge, as well as skilled personnel to improve their capability to deliver on their mandates (Steinfeld, McCue & Prier, 2016:97). They also possess the essential capital goods to improve their efficiency, which heightens their returns on investment.

Private sector institutions are often at the forefront of continuous technological advancement. They also boast entrepreneurial development skills. The private body is comprised of multinational companies, major corporations, as well as small, medium and large businesses (Steinfeld, McCue & Prier, 2016: 117). One of the reasons behind engaging in PPPs with international companies, is that they present the host country with foreign direct investments and skills that the host country may require. Importantly, public infrastructure provision often requires several experts to be harnessed towards common predetermined objectives. Consequently, the private sector, in relation to PPPs, often consists of a consortium of different organisations (Tsamboulas, Verma & Moraiti, 2013:131).

According to Officer (2003:14), focus should on mainstreaming government in economic development matters and the private sector on performing some of the traditional functions of government. The role of the local sphere of government is regarded as one of facilitating economic growth and providing an enabling environment for the private sector to create jobs (Nelson Mandela Bay Municipality-IDP, 2013/15:50). The view is that: the metropolitan municipality and the private sector must have a shared responsibility to improve local economies to combat poverty, underdevelopment, and reduce unemployment (Efe, 2014:126).

It is imperative to note that the change by local government from delivering services on their own to linking the private sector has never an easy exercise. The view of challenging communist forces is that PPP arrangements constitute a small-scale version of sale. With privatization, services become expensive, the gap between the rich and the poor widens

further, jobs are lost, and transparency and responsibility turn into mere slogans (Friend & Jessop, 2013: 99).

Michael Watts (2004) in Crush (2005:44) states that:

“To break through the barriers of stagnation and the problems of metropolitan governance is to ignite the imaginations of men, and to place their energies in the service of (local) economic development...a stronger medicine is needed than the promise of better allocation of resources or a lower price for bread [for the poor]. What is needed to remove the mountains of routine involvement of the government in the economy is faith in the partnership between metropolitan government and private sector to bring efficiency in the development of local economies, which will impact on reducing the unemployment rate and combat poverty.”

Rodrigues, Tavares and Araújo (12:2) agree that: metropolitan governments have to work more through a complex network of partnerships, contracts and influence in order to achieve service delivery and local socio-economic development.

The private sector can provide the kind of capital necessary for local development. “PPPs have produced savings and improved efficiency and effectiveness of service delivery” (Josif Efe, 2014:179). It is therefore critical that local government through its council appoint a regulatory body to regulate prices to protect the public and taxpayers from unfair and inefficient private increases, especially where the private role-player supplier has no rivalry (Stoker, 2017).

### **9.1.2 Public-private partnerships**

According to Sharma and Bindal (2014:99):

“Public-private partnerships are often touted as a ‘best-of-both-worlds’ alternative to public provision and privatization. But in practice, they have been dogged by contract design problems, waste, and unrealistic expectations. Governments sometimes opt for a public-private partnership, for example, because they mistakenly believe that it offers a way to finance infrastructure without adding to the public debt. In other cases, contract renegotiations have resulted in excessive costs for taxpayers or losses for private firms.”

PPPs involve the use of private sector capital and expertise in the provision of public infrastructure and/or services through a legal contract in which the private sector works collaboratively with the public sector organization (Nisar, 2007:1148). The need for public services is constantly increasing. The use of PPPs in the provision of public services to citizens can be considered as a viable option.

“PPP refers to a structured contractual agreement between a public sector organisation and one or more private organisations with the view to jointly providing public infrastructure and/or services and sharing the gains, as well as the losses, over a period of time (Demirag, Khadaroo & Stapleton, 2012:126).”

PPPs are the kind of partnerships that presents a prospect for public and private sector institutions to form a beneficial cooperation. This kind of cooperation should be motivated by common opinions of the limits of confrontational associations and virtues of cooperation and coordination in order to attack a major and inseparable problem that is beyond the capability of any institutions to solve in isolation. One of the noticeable elements of PPPs is that risks are strategically and operationally allocated to the institution that is better positioned to manage these (Grimsey & Lewis, 2007:248).

The success of PPP projects depends on the selection of the private sector organisation. The selection should be based on merit, and the private sector organisation, should possess the requisite skills to deliver the required service profitably and efficiently. Furthermore, for a PPP project to be successful, it must be led by a scientific study that takes cognisance of the size and nature of the project and deems it feasible.

The study proposes a PPP framework, which focuses on the processes in the management and implementation of PPP projects over the specified project life cycle. It advocates for a systematic implementation of project activities (from inputs to outcomes), whilst simultaneously monitoring and evaluating projects in order to determine the impact thereof.

## **9.2 CONCLUSIONS**

The conclusions from the examination of the associated literature and questionnaire survey are:

- The existing policy/legal PPP framework adequate in South Africa, and if appropriately understood and used can afford the catalyst for more PPP projects and improve socio-economic benefits for the metropolitan governments;
- The use of PPPs delivers cost efficiency and sustainability spinoffs due to budget constraints in the public sector capital budgets;
- The project management approach on PPP project is sufficient for expanded sustainable infrastructure planning and development projects;
- The level of investment in PPP projects depends on the public sector’s marketing strategy participation and enticements to the private sector;

- Ineffective risk distribution can lead to huge monetary losses and renegotiation of PPP agreements; and
- PPP awareness, training and skilling is essential to the mainstreaming and success of the PPP sector in South Africa

Chapter 8 focused on the evolution of a systemic framework for the implementation, monitoring and evaluation of the performance of PPP projects in South Africa in line with the research findings. This method affords an all-inclusive understanding of PPP procedures and the difficulty of the interrelationships within the PPP environmental setting. Systemic PPP designing, planning and procurement is a sound course of converting beliefs or ideas into policies and ultimately to projects. It creates the total PPP arrangement process and the environment as one inclusive system.

Given the problem statement, systemic PPP designing, executive and administration deliver an opportunity for a continuous interactive analysis of the PPP life cycle and the environment. A systemic framework identifies preferred courses of action to achieve a given set of goals.

### **9.3 RECOMMENDATIONS**

It is crucial to adopt a complete project management model towards the effective execution of PPP projects in metropolitan municipalities and the rest of government and state owned enterprises at large. The following recommendations are forwarded:

- For the implementation of development projects emanating from PPP arrangements, it is vital to adopt a sustainable project management method at all levels in South Africa.
- Depending on the suitability, the utilisation of PPP arrangements should be adopted as one of the modern and sustainable alternative strategy for efficient procurement, considering the research findings, which indicate that it provides benefits due to budget limitations in public sector capital budgets.
- There is a great need for capacitation through training of accounting officers and other staff member in project management skills to be able to better conceptualise PPP projects, towards increased PPP project throughput.
- The research findings show that the existing policy/legal PPP framework in South Africa is adequate, and if appropriately understood and used can stimulate more PPP projects and improve socio-economic development. PPP implementation guidelines should be standardised and applied by various PPP development agencies.

- A clear marketing plan should be developed and executed by all PPP agencies. The degree of investment in PPP projects relies on public sector's marketing plan, participation and spinoffs for the private agency.
- PPP role-players ensure reasonable and suitable risk distribution. Ineffectual risk sharing can result to massive financial losses and renegotiation of PPP agreements.
- There is a constant desire for PPP training and community education, and awareness for the community, as one key fundamentals for the institutionalisation and success of the PPP sector.
- PPP training materials/courses should be developed at various levels for the officers that are responsible for PPP projects, and based on the findings, capacity and financial constrains are the main contributors to the slow implementation of infrastructure development project and the entire delivery of goods and services in SA, resulting from insufficient application of the PPP model in the development, management and procurement of government projects.
- The different agencies should embrace a PPP methodology, where feasible, in infrastructure delivery.

#### **9.4 FUTURE RESEARCH**

The following session forwards research recommendations are based on the findings and conclusions of this study for future research studies:

- A trend analysis on PPP performance should be undertaken.
- The PPP execution framework developed by the researcher can be enriched by undertaking further research around areas, which could be augmented.
- A comparative analysis study on PPP deal costs between South Africa and other developing countries should be undertaken.
- National Treasury should develop a PPP risk-based management framework, which directly aligns with PPP arrangement, monitoring and evaluation in order to measure the extent of PPP impact in the society.
- Both government institutions and municipalities should capitalize in capacitating PPP specialists to keep up with the service provision environment dynamic forces.

## **9.5 CONCLUSION**

The last chapter has forwarded a summary of the thesis in terms of the nature and scope of the study, and the public and private sector institutions. The crucial facts about the two PPPs in question, namely the East London IDZ and the Coega IDZ have also been summarised in this chapter. The summary further embraces how the metropolitan governments can work jointly in terms of the PPP arrangements, in the provision of socio-economic and rural services in their particular areas.

In addition, recommendations and proposals for municipalities and future research have been made as to improve local economic development through PPP arrangements. It is, therefore, possible for the BCMM and the NMBM to have more skilled personnel to implement PPP projects in socio-economic development.

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**ANNEXURE A: CONSENT LETTERS/AND REQUESTS**

**BUFFALO CITY METROPOLITAN  
MUNICIPALITY**



**MEMORANDUM**

Date: 02 OCTOBER 2014

From: **MANAGER: KNOWLEDGE To: MR SIVIWE MDITSHWA**  
**MANAGEMENT, RESEARCH**  
**AND POLICY**

Our ref:	Please ask for	Your ref:
	<b>MR J. FINE</b>	
	<b>(043) 705 9742</b>	

**RE: REQUEST FOR PERMISSION TO CONDUCT RESEARCH IN BCMM:  
MR SIVIWE MDITSHWA**

It is hereby acknowledged that **Mr. Siviwe Mditshwa**, a **DTech (Public Management) Candidate at Cape Peninsula University of Technology (CPUT)**, has met the prerequisites for conducting research at Buffalo City Metropolitan Municipality (BCMM) for his degree. He has provided us with all the necessary documentation as per the BCMM Policy on External Students conducting research at the institution. With reference to the letter to the City Manager, permission was requested to conduct research at BCMM for his Dissertation, entitled **"Public-Private Partnerships within Metropolitan Municipalities in the Eastern Cape Province (South Africa)."** This request was acknowledged by the Office of the City Manager, and forwarded to the Knowledge Management and Research Unit for further assistance. Mr. Mditshwa was asked to provide the Unit with the necessary documentation, which he subsequently did.

The relevant Officials to assist in the research were identified and duly informed about the research, and the fact that Mr. Mditshwa has met all the prerequisites. Their contact details have also been provided to Mr. Mditshwa and he was informed to contact them directly for assistance.

Wishing you good luck in your studies.

**DR T F NORUSHE**  
**MANAGER: KNOWLEDGE MANAGEMENT, RESEARCH AND POLICY**

**CONSENT REQUEST LETTER**

R/No. 

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MR. A. QABA  
Executive Director, EDTA  
Nelson Mandela Metropolitan Municipality  
Port Elizabeth  
6001

**PUBLIC-PRIVATE PARTNERSHIPS WITHIN METROPOLITAN MUNICIPALITIES IN THE  
EASTERN CAPE PROVINCE (SOUTH AFRICA)**

Dear

**MR. A. QABA**

**SUBJECT: CONSENT REQUEST TO CONDUCT RESEARCH ON PUBLIC-PRIVATE PARTNERSHIPS  
WITHIN METROPOLITAN MUNICIPALITIES.**

I am a PhD (Public Management) candidate in the Department of Public Management, Faculty of Business, Cape Peninsula University of Technology. As part of my degree I am conducting a research study on the Implementation of Public- Private Partnership (PPP) projects in Eastern Cape Metropolitans.

The purpose of this study is to contribute to the existing body of knowledge on South African PPPs, with specific reference to the Eastern Cape Province Metropolitan Municipalities and PPP projects organisations, gain in depth understanding of the implementation and performance of the Metropolitan Municipal (Buffalo City and Nelson Mandela) PPP projects and provide suggestion possible solutions to the challenges experienced by the Metros for a sustainable PPP system in the Eastern Cape Metropolitans.

In the extreme, this to humbly request your consent as executive head of EDTA to allow me to conduct this study which will target some high and middle officials for data collection. The data collection from the officials will take approximately 15minutes to complete the simple and brief questionnaire which relates only to PPP projects.

The participation of the officials in this study is completely voluntary. However, it will be important to glean their opinions and perceptions relating to the project(s) included in the study and the PPP sector in general.

The responses to the survey will be treated in the strictest confidence and data from this research will be reported on in aggregate format. Therefore, the information will remain confidential and used for academic purposes only. You will be notified of the findings of the survey through e-mail.

I hope this will find your considerable attention.

The consent is kindly requested to be forwarded to Siviwe Mditshwa by postal, fax or e-mail at the following addresses:

[Siviwe.mditshwa@ecigta.gov.za](mailto:Siviwe.mditshwa@ecigta.gov.za) / Email: [Yomelelam@gmail.com](mailto:Yomelelam@gmail.com)

If you have questions at any time about the survey or procedures, please contact me at:

**083 595 0426** or my e-mail: **Fax +27 (0) 86 245 1191**

Thank you very much for your support



S. MDITSHWA

APPROVED/~~NOT APPROVED~~



MR. A. QABA

**PROMOTORS:**

**PROF SHAKES BINZA: DEAN BUSINESS (CPUT)**

**Tel: 021 460 3929**

**Fax: 021 460 3716**

**[binzam@cput.ac.za](mailto:binzam@cput.ac.za)**

**DR HENDRICKSE: SENIOR LECTURER (CPUT)**

**Email: [hendrickser@cput.ac.za](mailto:hendrickser@cput.ac.za)**





**LETTER OF CONSENT**

R/No. 

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MR. A FANI  
CITY MANAGER  
BUFFALO CITY METROPOLITAN MUNICIPALITY  
EAST LONDON  
5201

**PUBLIC-PRIVATE PARTNERSHIPS WITHIN METROPOLITAN  
MUNICIPALITIES IN THE EASTERN CAPE PROVINCE (SOUTH AFRICA)**

Dear

**MR A. FANI**

**SUBJECT: CONSENT TO CONDUCT RESEARCH ON PUBLIC-PRIVATE  
PARTNERSHIPS IN THE BUFFALO CITY METROPOLITAN**

I am a PhD (Public Management) candidate in the Department of Public Management, Faculty of Business, Cape Peninsula University of Technology. As part of my degree I am conducting a research study on the Implementation of Public- Private Partnership (PPP) projects in Eastern Cape Metropolitans.

The purpose of this study is to contribute to the existing body of knowledge on South African PPPs, with specific reference to the Eastern Cape Province Metropolitan Municipalities, gain in depth understanding of the implementation and performance of the Metropolitan Municipal (Buffalo City and Nelson Mandela) PPP projects and provide suggestion possible solutions to the challenges experienced by the Metros for a sustainable PPP system in the Eastern Cape Metropolitans.

In the extreme, this to humbly request your consent as the City Manager of BCM to allow me to conduct this study which will target some high and middle BCM officials for data collection. The data collection from the officials will take approximately 15minutes to complete the simple and brief questionnaire which relates only to PPP projects in the Buffalo City Metropolitan Municipality. The participation of the officials in this study is completely voluntary. However, it will be important to glean their opinions and perceptions relating to the project(s) included in the study and the PPP sector in general.

The responses to the survey will be treated in the strictest of confidence and the data from this research will be reported in aggregate format. Therefore, the information will remain confidential and used for academic purposes only. You will be notified of the findings of the survey per e-mail.

The consent is kindly requested to be forwarded to Siviwe Mditshwa by postal, fax or e-mail at the following addresses:

**Siviwe.mditshwa@eccogta.gov.za**

**Email: Yomelelam@gmail.com**

If you have questions at any time about the survey or procedures, please contact me at: 0736238436 or my e-mail: **Fax +27 (0) 86 245 1191**

Thank you very much for your support

**PROMOTORS:**

**PROF HENDRICKSE: SENIOR LECTURER (CPUT)**

**Email: hendrickser@cput.ac.za**



**LETTER OF CONSENT**

R/No. 

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**MR M. MBAMBISA**  
City Manager  
Nelson Mandela Bay Metropolitan  
Private Bag 16  
City Hall, Port Elizabeth  
6001

**PUBLIC-PRIVATE PARTNERSHIPS WITHIN METROPOLITAN  
MUNICIPALITIES IN THE EASTERN CAPE PROVINCE (SOUTH AFRICA)**

Dear

**MR MBAMBISA**

**SUBJECT: CONSENT TO CONDUCT RESEARCH ON PUBLIC-PRIVATE  
PARTNERSHIPS IN THE NELSON MANDELA BAY METROPOLITAN**

I am a PhD (Public Management) candidate in the Department of Public Management, Faculty of Business, Cape Peninsula University of Technology. As part of my degree I am conducting a research study on the Implementation of Public- Private Partnership (PPP) projects in Eastern Cape Metropolitans.

The purpose of this study is to contribute to the existing body of knowledge on South African PPPs, with specific reference to the Eastern Cape Province Metropolitan Municipalities, gain in depth understanding of the implementation and performance of the Metropolitan Municipal (Buffalo City and Nelson Mandela) PPP projects and provide suggestion possible solutions to the challenges experienced by the Metros for a sustainable PPP system in the Eastern Cape Metropolitans.

In the extreme, this to humbly request your consent as the City Manager of NMBM to allow me to conduct this study which will target some high and middle NMBM officials for data collection. The data collection from the officials will take approximately 15minutes to complete the simple and brief questionnaire which relates only to PPP projects in the Nelson Mandela Bay.

The participation of the officials in this study is completely voluntary. However, it will be important to glean their opinions and perceptions relating to the project(s) included in the study and the PPP sector in general.

The responses to the survey will be treated in the strictest of confidence and the data from this research will be reported in aggregate format. Therefore, the information will remain confidential and used for academic purposes only. You will be notified of the findings of the survey per e-mail.

The consent is kindly requested to be forwarded to Siviwe Mditshwa by postal, fax or e-mail at the following addresses:

**Siviwe.mditshwa@eclgta.gov.za**

**Email: Yomelelam@gmail.com**

If you have questions at any time about the survey or procedures, please contact me at: 083 595 0426 or my e-mail: Fax +27 (0) 86 245 1191

Thank you very much for your support

**PROMOTORS:**

**PROF HENDRICKSE: SENIOR LECTURER (CPUT)**

**Email: hendrickser@cput.ac.za**

## ANNEXURE B: QUESTIONNAIRE



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R/No.

**PUBLIC-PRIVATE PARTNERSHIPS WITHIN THE METROPOLITAN MUNICIPALITIES IN  
THE EASTERN CAPE PROVINCE, SOUTH AFRICA  
QUESTIONNAIRE**

**PART I: GENERAL**

**A. DEMOGRAPHIC INFORMATION (Quantitative data)**

1. What office/post do you hold?	
An elected representative/Councillor	1
Municipal/City Manager	2
Business Unit Manager	3
Executive Director	4
Manager	5
LED Specialist/ practitioner	6
Labour Union Rep	7
Other? Specify	8

2. Please indicate the age group you fall into?	
18-30	1
31- 35	2
36 – 40	3
41- 45	4
46 – 50	5
51 – 55	6
56 – 60	7
61- 65	8
Above 65	9

3. Please Indicate your Gender	
Male	1
Female	2

4. Indicate your Race group	
African	1
Coloured	2
Indian	3
White	4
Other	5

5. Academic Qualification: Please indicate your highest qualification:		
Grade 10/ Standard 8	1	
Grade 12/ Matric	2	
National Diploma (Technikon or University)	3	
Certificate (s) (Technikon or University )	4	
Undergraduate Degree (University)	5	
Postgraduate Degree (University)	6	
Other.....	7	

**B. Public-Private Partnership ROLE-PLAYERS**

1. Which of the following best describes your role in the Development Agenda?	Tick one	B1
Social		
Economic		
Infrastructure		
Socio-economic development		
Rural-economic development		

**PART II: PERFORMANCE OF PPP PROJECTS IN DEVELOPMENT ZONES [EL-IDZ AND COEGA IDZ]**

Use the scale 1 (never) to 5 (always) and put a check ( X ) to indicate the extent to which each of the following statements apply to PPP projects in the built environment.

SCALE				
1=Never	2=Rarely	3=Sometimes	4=Often	5=Always

C	THEORETICAL PROPOSITION 1: PPP COST EFFICIENCY	1	2	3	4	5	Code
2	PPP procurement provides overall cost savings (fair, equitable, competitive and transparent) for the role players compared to traditional procurement.						C2
3	Cost-effectiveness can be measured in terms of outputs and outcomes instead of the actual financial commitment by the Public Sector.						C3
4	The various PPP implementing agencies are able to afford project transaction costs.						C4
5	The various PPP implementing agencies are able to afford project business costs.						C5

6	The IDZ PPP contributed in bridging the gap between the cost of infrastructure needed and the resources available.							C6
7	Cost savings can be assessed with reference to factual data, rather than through comparisons with the assumptions used in the Public Sector Comparators.							C7
8	The use of PPPs delivers benefits due to budget restrictions in the Public sector capital budgets.							C8
9	PPP procurement guarantees and brings forward investment and ensures sustainability.							C9
10	In South Africa PPP transaction costs are subsidised to faster the deal.							C10
<b>SCALE</b>								
1=Strongly Disagree		2=Disagree		3=Neutral		4=Agree		5=Strongly Disagree
<b>D</b>	<b>THEORETICAL PROPOSITION 2: PROJECT MANAGEMENT-{PPP PROJECTS}</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Code</b>	
11	The Metropolitan IDZ- PPP maintained and enhanced the quality of the socio-economic related projects.							D11
12	The application of Design-Build type of PPP by government on IDZs provided improved project through construction techniques application.							D12
13	The IDZ PPP brought specialised resources to infrastructure development and industrialization services that significantly leveraged the resources and capabilities of the metropolitan government.							D13
14	The slow PPP deal flow in South Africa is due to capacity constraints at provincial government and municipalities.							D14
15	IDZs ensured integrated project development and delivery by maximising on private innovations.							D15
16	The PPPs offered the opportunity for the private sector to apply its expertise to bring technical innovation to complex projects.							D16
17	Lack of or inadequate provision of PPP awareness and training (Capacity development) hinders the intended development and growth.							D17
18	The existence of the PPP in the metropolitan municipality provided skills development opportunities for the metro.							D18
19	The IDZs as a PPP implementing institutions have enough skills to implement all PPP projects and meet the predetermined objectives.							D19



SCALE									
1=Strongly Disagree		2=Disagree		3=Neutral		4=Agree		5=Strongly Disagree	
<b>E</b>	<b>THEORETICAL PROPOSITION 4: RISK SHARING/TRANSFER</b>	1	2	3	4	5	Code		
20	In practice, government transferred and shared the risks associated with economic development projects with the private sector.						E20		
21	PPP arrangement clearly shows where risk lies and guarantees risk burden.						E21		
<b>F</b>	<b>THEORETICAL PROPOSITION 5: MONITORING OF PPP PROJECTS</b>	1	2	3	4	5	Code		
22	Efficient monitoring of PPP projects means good implementation of the PPP project, accordingly.						F22		
23	The metropolitan IDZs have functional monitoring and evaluation systems.						F23		
<b>G</b>	<b>THEORETICAL PROPOSITION 6: POLICY/PPP LEGAL FRAMEWORK</b>	1	2	3	4	5	Code		
24	South Africa has a credible legal PPP framework for the implementation of PPP projects.						G24		
25	The existing investment climate in South Africa promotes a viable and sustainable PPP project system.						H25		
26	The current government is committed to private sector participation in infrastructure development and service delivery.						G26		
27	The PPP framework allows private sector to participate in infrastructure development and delivery of services.						G27		
28	Policies relative to PPPs are consistent with socio-economic development policies of government.						G28		
29	There is sufficient legislative authority for entering into PPP agreement by government in South Africa.						G29		
30	The existing PPP regulations, frameworks and guidelines are sufficient mechanism for PPP business and auditing in South Africa.						G30		
31	PPP regulations protect public interest and maximise value for money.						G31		
32	The existing policy framework environment supports open market access and fair PPP competition.						G32		
33	The PPP guidelines in South Africa by National Treasury provide adequate opportunity to assess the most effective type of PPP for a given project						G33		
34	The policy environment favours PPP growth in South Africa.						G34		



H	THEORETICAL PROPOSITION 7: SOCIO-ECONOMIC IMPACT OF PPP PROJECT	1	2	3	4	5	Code
35	A Public-private partnership procurement between government and private sector leads to effective and efficient service delivery						H35
36	PPP-IDZ management and operations is linked to socio-economic service delivery model of the metropolitan.						H36
37	The IDZ PPP undoubtedly and reasonably accelerated service provision in a most effective and efficient manner.						H37
38	Public capital injection provided sufficient infrastructure investments in the IDZs leading to increase economic growth of the metropolitan governments.						H38
39	The IDZ-PPP projects implementation assisted the Metropolitan Municipality to realise its immediate and medium service delivery interventions.						H39
40	The IDZs PPPs expedited the delivery of infrastructure and industrial facilities and services to reduce capital and operating costs.						H40
41	The IDZ PPP procurement has made a meaningful social impact to the communities within the metropolitan government space.						H41
42	The IDZ PPP procurement has contributed to Local Economic Development of the Metropolitan						H42
43	The IDZ has contributed greatly in the GDP of the Metropolitan and of the province at large.						H43
44	The PPP project implementation contributed to metropolitan unemployment and poverty reduction.						H44
45	The development of an alternative public-private partnership model would benefit both the metropolitan government and the society at large.						H45
46	Has the metropolitan municipality benefited from the IDZ agreement, if yes briefly explain..... ..... ..... .....					Yes	No

47	Which of the following PPP options has the metropolitan municipality has used?	
	1	Build Own Operate (BOO)
	2	Leasing
	3	Joint Ventures (JV)
	4	Cooperative arrangements
	5	Build Operate and Transfer (BOT)
48	<p>Please provide any suggestion that you might have of how the IDZs can best benefit the municipality and the community in terms of socio-economic development?</p> <p>-----</p> <p>-----</p> <p>-----</p> <p>-----</p>	

THANK YOU FOR COMPLETING AND RETURNING THE QUESTIONNAIRE

## ANNEXURE C: COPY EDITOR CERTIFICATE



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### TO WHOM IT MAY CONCERN

I, Maureen Kios, declare that I have done the language and technical editing for the thesis of

**SIVIWE MDITSHWA (212304429)**

Entitled:

**SOCIO-ECONOMIC IMPACT OF PUBLIC-PRIVATE PARTNERSHIPS ON RURAL DEVELOPMENT IN THE EASTERN CAPE PROVINCE: SELECTED CASES**

Submitted in fulfilment of the requirements for the degree of Doctor in Public Management in the Department of Public Administration and Governance in the Faculty of Business and Management Sciences at the Cape Peninsula University of Technology.

I cannot guarantee that the changes that I have suggested have been implemented nor do I take responsibility for any other changes or additions that may have been made subsequently.

Any other queries related to the language and technical editing of this thesis may be directed to me at 066 382 0716.

Dated at Port Elizabeth on 26 February 2020.

  
\_\_\_\_\_  
Dr. M.L. Kios

## ANNEXURE D: TURNITIN ORIGINALITY REPORT

### SOCIO-ECONOMIC IMPACT OF PUBLIC-PRIVATE PARTNERSHIPS ON RURAL DEVELOPMENT IN THE EASTERN CAPE PROVINCE: SELECTED CASES

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