

CHAPTER 2

THE ROLE OF PUBLIC ADMINISTRATION IN THE STUDY OF PUBLIC-PRIVATE PARTNERHIP IN SOUTH AFRICA

2.1 INTRODUCTION

Public-private partnership in South Africa with reference to the realisation of BEE was discussed in chapter 1. For PPPs to be realised, it is essential that a variety of factors ranging from the policy implementation to the environment are taken into consideration. Chapter 2 is discussed with specific reference to the conceptual analysis of Public Administration. The work the officials do is closely looked at in the context of the Public Administration framework. The availability of legislations and policies responsible for the realisation of PPPs and how these policies are implemented by the officials in the public service are discussed. The generic functions of Public Administration are referred to in the paragraphs that follow, with specific reference to their functions in relation to PPPs. The discussion of the environment of Public Administration forms part of this study in that for PPPs to succeed or fail, a number of environmental factors will have to be taken into consideration. It will be difficult to determine the role that Public Administration plays in the study of PPPs in South Africa without considering the importance of the environment within which this initiative is implemented.

The perspective of Public Administration under review in this chapter applies to Public Finance in general and PPPs in particular. Mention will also be made that the state comprises policy makers and the executive authority, whose role is to implement the policies of the state. At the level where policies are implemented, one can as well speak of the functional part of Public Administration (discipline), which can be referred to as public administration (practice). Public Administration as a discipline and public administration as a practice will be analysed.

Having referred to policy and environment in the foregoing paragraph, it is equally imperative to highlight other aspects of Public Administration, which are discussed in this chapter, such as conceptual analysis of Public Administration as well as Public Administration and its generic principles such as policy, finance and organisation among others. The use of technology in the implementation of administrative mandates is referred to in the paragraphs that follow.

The state has over the years used policy as an administrative measure to enforce a particular political position. The political position may entail allowing bias to operate in a particular area of decision making. The decision in question may entail the introduction of a particular exclusionary practice and using organs of state to enforce it. The foregoing factors presuppose the importance of policy development as a way towards creating an enabling environment for the implementation of BEE and other relative pieces of legislation.

2.2 CONCEPTUAL ANALYSIS OF PUBLIC ADMINISTRATION

Coetzee (1991:42) distinguishes between Public Administration as an academic pursuit and public administration as a profession. *Public Administration* refers to the discipline or branch of instruction in regard to the process or function normally assigned to the public administration, civil servants or public official. Kent-Brown (2002:44) maintains one teaches Public Administration but one performs or carries out public administration.

Botes *et al.* (1997:257) assert that *Public Administration* is concerned with the study of all the scientific disciplines that have a bearing on the contemporary administrative and managerial practices that are presently found in public institutions. The subject in which the intrinsic and interdependent aspects of state institutions are studied exclusively is referred to as Public Administration. Public Administration is a science that continues to produce knowledge that can be analysed and applied universally to the content of enhancing theories and knowledge.

Botes *et al.* (1997:259) state that Public Administration as a science can be considered to be an embodied *corpus* of knowledge or a body of knowledge which fulfills the demands of retesting, systematisation and universal applicability. They continue stating that as a science, it is an academic discipline which can be dissected in systematic steps of study and research. Public Administration finds a field of application in the public administration.

Coetzee (1991:96-98) elicits aspects which include Public Administration as an academic discipline, an activity, a subject for teaching at University level, an applied science to be taught at academic level and an opportunity to educate and train civil servants. On the contrary, public administration as an activity refers to those activities public officials perform on behalf of the public. De Vries in Gildenhuis (1988:5) states that public administration is not in conflict but in harmony with the community and that public administration ensures effective administration, an approach that respects the values of all people.

Public Administration, as a discipline needs to be viewed from multidimensional perspectives. Du Toit and Van der Waldt (1999:9) maintain that *public administration*, as an activity, refers to the work the officials do within the total spectrum of government institution to enable different government institutions to achieve their objectives. Kuye *et al.* (2002:5) agree with Du Toit and Van der Waldt above by stating that Public Administration could mean the organisation and management of individuals and other stakeholders to achieve the agenda of government. Kuye *et al.* (2002:5) further state that Public Administration could be classified as the art and science of the management of the affairs of government as applied within the confines of the bureaucracy.

Public Administration played a role in managing and implementing the policies of the previous government. In the main, the foregoing led to the introduction of redress mechanisms intended to level disparities in the acquisition of wealth and attainment of a better life for all in the Republic of South Africa. Through PPP as policy of the current government and the introduction of BEE as a vehicle for the implementation of PPP

policy, it is hoped this rationale would be realised. Wilson in (Gildenhuis, 1987:13) posits that administrative questions are not political questions, although politics sets the tasks for administration.

The government is dependent on its administrative arm; this may as well be referred to as the Public Sector. The responsibility of the Public Sector is to implement policies of the government. Roux *et al.* (1999:21) make reference to Fayol's formalistic approach to management, which is not unique from the way management operates in South African bureaucracy. A few of the fourteen principles of management in the formalistic setup are mentioned as follows:

- i. distribution of work;
- ii. authority and responsibility;
- iii. discipline;
- iv. scalar hierarchical authority; and
- v. orderly hierarchical structure.

The above principles resonate the structure within which the executive authority operates. Supply Chain Management (SCM) is an example of this structure. The *Supply Chain Management Manual* (2004:23) outlines the hierarchy in respect of accounting and reporting, where individuals and organisations are answerable for their plans, actions and outcomes. Within the procurement framework, heads of departments (HODs) are accountable to their members of the executive council (MECs) for the overall management of procurement activities, whereas senior procurement managers would be accountable to HODs for various high level management and co-ordination of activities.

Drawing a parallel between politics and administration within the context of this study remains a daunting task as over the years, administrative functionaries have remained responsible for the implementation of political mandates. Wilson in (Gildenhuis, 1987:14) postulates that public administration is the detailed and systematic execution of public law. The role the administration has always played and continues to play in the

implementation of the policies of government does not need to be overemphasised. The implementation of policies such as PPP through BEE remains the responsibility of the administrative arm of government. Wilson in (Gildenhuis, 1987:11) maintains that administration is the most obvious part of government and that it is government in action. Without administration, policy remains dormant. Wilson in (Gildenhuis, 1987:13) states that policy does nothing without the aid of administration. Notwithstanding this interconnectness, administration remains what it is, not politics.

Du Toit and Van der Waldt (1999:22) postulate that wherever people formed communities, there were certain common needs, which by implication makes administration as old as humankind itself. Later on in this chapter, a closer look will be had on the role government plays in meeting the needs of its populace. The following main factors contributed to the origins and further development of the discipline of Public Administration:

- i. human needs;
- ii. common needs;
- iii. increasing need for services; and
- iv. need for better distribution of services.

This study is about the need for the betterment of the socio-economic conditions of the previously disadvantaged. BEE could be seen as a vehicle to realise this objective. Muller in (Gildenhuis, 1987:223) highlights the most important challenges and opportunities for the manager in the private and Public Sector, considered vital in the context of this study; as follows:

- i. the conflict between haves and have nots; and between whites, the more educated, vs blacks, the more uneducated;
- ii. third World leaders supporting a new international morality based on a redistribution of wealth to the developing countries vs the supporters of a free enterprise system and the maximisation of profits; and

- iii. limited local resources, shifting intragovernmental relations and a deterioration of the government's public image.

The introduction of PPP through BEE is aimed at the creation of wealth for the poor. Du Toit and Van der Waldt (1999:22-23) resonates a variety of challenges in the implementation of BEE, from a lack of resources to the level of education of blacks in general.

The state cannot become functional without its executive branch. Cloete (1991:3) mentioned that the state is made up of departments, which would also be considered to constitute the bureaucracy. These departments work interdependently for the betterment of the living standards of the citizenry. Dobson (2002:24-23) maintains that it is the function of the state to ensure the successful implementation of policies such as a micro-economic reform strategy in order to attain its vision and to among other things, attain the following priority actions:

- i. promoting coherent policy across government *i.e.* policies that promote growth and employment;
- ii. ensuring that all legislations and regulations promote growth and employment;
- iii. narrowing the gap between financial and operational planning with spending and identification of priorities;
- iv. restructuring government budgets to better reflect and measure the new coordinated approach;
- v. managing the mandates of parastatals and public entities in promoting growth and employment;
- vi. improve knowledge management and information sharing;
- vii. more effective management of intergovernmental relations;
- viii. improved communications, branding and marketing to build policy certainty and confidence; and
- ix. increasing the capacity of the government to spend effectively.

Though different organisations and state functionaries play important roles in ensuring that the goals of BEE are achieved, these bodies at times do have differing views in terms of how these goals should be achieved. It is common for business to consider issues of risk before releasing resources to the poverty-stricken communities. Labour organisations would be interested in ensuring that the conditions of service of their members are safe-guarded.

Above all, the rights of citizens should be respected at all costs. These include the right to access to information, the right to security, the right to education, the right to dignity, the right to good health and the right to services. It is for this reason that the *Constitution* has pointed out the importance of a variety of bodies that are responsible to play a protective role in the event an individual's rights are violated.

2.3 PUBLIC ADMINISTRATION AND ITS GENERIC FUNCTIONS

For the purpose of this study, attention is on the Public Administration and its generic function as indicated below (Cloete, 1991:78):

- i. policy;
- ii. organising;
- iii. financing;
- iv. staffing;
- v. control;
- vi. procedures; and
- vii. management.

The above concepts find relevance in the study of PPP as it relates to its structure, control and management. In other words, these concepts play a role in creating an environment for the implementation of BEE through PPP.

2.3.1 POLICY

Public Administration has evolved over the years, from being an accomplishing side of government to being an active partner in the carrying out of the policies of elected officials and some activities associated with the development of those policies. Younis (1990:3) maintains that the inability of a government to successfully implement its policies will be poorly received at a subsequent election. Stevenson has been quoted by Shafritz and Hyde (1991:1) appropriately when he pointed out that public administration is all that comes after the last campaign promise and the election night cheer. The latter suggests that public administration is indeed encompassing all that happens within the bureaucracy.

Cloete (1991:79) asserts that in public administration the policy will always predominate and continues to state that the constitution is the first policy statement of the state and usually the most difficult one on which to reach agreement. The conversion of policy into an act is an act of public administration. Du Toit and Van der Waldt (1999:17) identify four administrative regulators, namely:

- i. administrative processes;
- ii. management processes;
- iii. administrators; and
- iv. output.

The implementation of policies on BEE is an administrative process that requires involvement of all the above. It remains the responsibility of administrators to manage and account for the success or failure of the implementation process.

Policy-making forms part of the administrative function. Policy formulation as pointed out below presents a succinct example of an administrative process. Kuye *et al.* (2002:5) posit that *Public Administration* is a term used to mean the study of selective practice of the tasks associated with the behaviour, conduct and protocol of the affairs of the

administrative state. Kuye *et al.* (2002:71) maintain that administrative action cannot take place if specific goals and objectives have not been set.

The determination of goals and objectives are determined on the basis of particular policy options that must be realised. What could be brought to bear here may be areas in which the government is not rendering service as it is expected of it to by its populace, e.g. providing for the socio-economic needs of its citizens. It is vital for checks and balances to be put in place to ensure that the populace is treated fairly without undue bias. The *Draft Interim Procurement Framework Manual* (2002:8), points out that in the Gauteng Provincial Government, the GSSC will ensure that a framework of procurement laws, policies, practices and procedures will be transparent and accessible to all parties; that GSSC will ensure openness in the procurement process and that effective competition will be encouraged. The departments are urged to eliminate bias and favouritism and to ensure that potential vendors have reasonable access to procurement opportunities.

De Greene (1993:176) submits that the adoption of a policy should presuppose that viable plans have been made to enable bias to operate in relevant areas of decision-making. De Greene (1993:176) states that for policy not to be wishful thinking, ways should be found for agents to make choices to conform to organisational policy through inspection and follow-ups. Anderson (2000:5) takes this debate further by stating that policies must be purposive or goal-oriented and that they should consist of the following: patterns of action taken over time by governmental officials rather than their separate discrete decisions, they emerge in response to policy demands, involve what governments actually do and that public policies can either be negative or positive. It is against this background that a discussion on policy related practices, whether negative or positive, becomes vital.

Of importance in this chapter is the role of politics in policy development on economic development and the responsibility of the bureaucracy in implementing them. The latter is the cog in the wheel of the service delivery machinery. King *et al.* (2004: 851) posit that both administrative teams and individual ministers matter to policy output. This

statement rules out the notion that administrators should be seen as observers in matters of policy, more so that their performance would be evaluated on the basis of policy outputs.

2.3.2 ORGANISING

Cloete (1991:112 -114) refers to *organising* as the function involved in creating and maintaining organisational units called institutions. The state is manifested by a multitude of public institutions known as organisations. Organising consists of classifying and grouping functions for workers to achieve a particular objective. Attendant to organising is the fact that a specific organisational arrangement will always have to be made to meet the peculiar needs of particular fields of work. Simply put, this postulate finds expression in the role that a variety of governmental departments at national, provincial and local spheres play in meeting the particular needs of the populace. According to *GSSC: Procurement Migration* (2002:7), the reporting structure, role design and team design for the procurement process are divided according to the following:

- i. Chief finance officer as head of finances;
- ii. Asset controller, whose role is to focus on overall asset management, reporting and control;
- iii. Procurement co-ordinator, whose duty is to process data into the System Application Process (SAP), controls budgets and authenticity; and
- iv. Liaison role and co-ordination; and
- v. End user, whose role is needs identification.

The PPPs thrive in an environment where *roles* and *responsibilities* are defined. Van Niekerk *et al.* (2002:66-67) make mention of the principle of the separation of powers, which is referred to as *trias politica*. What appears to be problematic is the presentation of these spheres of government in hierarchical order. The separation of power as referred in Section 40 (1) of the *Constitution* (1996) states that in the Republic of South Africa,

the Government is constituted as national, provincial and local spheres of Government which are distinctive, yet interdependent and interrelated. The implementation of the PPPs through BEE to create wealth for the Republic of South Africa will be effective if all spheres of Government take responsibility.

The accounting officers at all spheres will have to be held accountable by their immediate supervisors, in this case, the executing authority or the mayors in respect of the local government. In the absence of well organised reporting structures at all the spheres, it will be difficult to measure and evaluate the levels of success. A well organised structure is the one that makes it clear for the accounting officers to report directly to their supervisors. This is the structure where the head of the Department of Public Works for instance, would not be accounting to the minister of the Department Public Works at national level but to the MEC.

The executive branch of government is faced with the challenge of making the objectives of government realisable, *viz.* that of rendering service to the citizens. The Government of South Africa is faced with the responsibility of ensuring that the poverty scales are halved and unemployment rate is dropped in line with *Vision 2014* as referred to by Dobson (2002:24). This is in line with the international obligation of poverty alleviation as addressed in this study. The introduction of PPP through BEE is intended to achieve broad goals of poverty alleviation. For the Public Service to manage the introduction of BEE, it has to be structured in the manner that complies with the principles of management.

Van Niekerk *et al.* (2002: 65) state that the capacity of Government to act and deliver a good service is dependent on its structures. The structures of government, if well organised, as mentioned in the previous paragraph, would make it possible for Government to reach its target goals. Though it may have been the case in earlier years, the current *Constitution* (1996) stipulates that in the Republic the Government is constituted as national, provincial and local spheres, which presupposes that every sphere though independent from another, may coexist not in a hierarchical order. BEE may as a

result be implemented at all spheres of government, with the responsibility put on the shoulder of an accounting officer in each sphere who is accountable for the procurement processes.

The Republic of South Africa introduced BEE as a way of redressing the imbalances of the past discriminatory economic policies. The enforcement of the laws responsible for the implementation of the BEE strategy is done with the help of the courts of law and other related structures such as the Public Protector, more especially in case of disputes pertinent to allocation of tenders. In Gauteng Provincial Government (GPG), the governance of procurement, according to *Draft Interim Procurement Framework Manual* (2002:8), is done on the basis of a number of structures that take account of procurement processes, these are: Departmental Acquisition Council (DAC), Accredited Procurement Units (APU) and GSSC Acquisition Council. These structures ensure that procurement at all levels within GPG is streamlined.

The *Draft Interim Procurement Framework Manual* (2002:9) stipulates that all government staff associated with procurement, particularly those dealing directly with vendors or potential vendors are required to:

- i. recognise and deal with conflict of interests or the potential therefore;
- ii. deal with vendors even-handedly;
- iii. ensure they do not compromise the standing of the state through acceptance of gifts or hospitality;
- iv. be scrupulous in their use of public property;
- v. provide all assistance in the elimination of fraud and corruption;
- vi. keep open, honest and co-operative business relations with colleagues and vendors;
- vii. ensure confidentiality of both government and commercial information;
- viii. avoid conflict of interest or a perception of bias;
- ix. disclose possible conflict of interests;

- x. ensure fair dealing and impartiality in the conduct of tender evaluation;
and
- xi. the highest possible standard of professional competence and encourage similar standards among all staff.

The above requirements are important in that all officials responsible for procurement would be expected to comply with the stipulated procedures. These requirements make it easier for the line managers to hold officials accountable in case they have violated procurement procedures. The GSSC as procurement service is analysed in Chapter 6.

2.3.3 FINANCING

Cloete (1991:133) posits that as much as it is difficult for a person to initiate business without money, similarly a public institution requires money to operate. The functionality of institutions depends on checks and balances. Section 188 (1) - (4) of the *Constitution* (1996) stipulates that the Auditor-General must audit and report on the accounts, financial statements and financial management of all national and provincial departments and administrations; all municipalities and any other institution or accounting entity required by national or provincial legislation be audited by the Auditor-General. The duties and powers of the Auditor-General, according to *PFMA*, (1999) are as follows:

- i. to investigate any public entity or audit the financial statements of any public entity;
- ii. to recover the cost of the investigation or audit from the public entity;
- iii. to claim the reasonable cost of performing the duties and exercising the powers from the public entity concerned; and
- iv. to annually report to parliament on specific and general findings regarding the accountability of public entities.

As stated in the previous paragraph, the public entities require money to operate. In carrying out their operations, it is essential for the public entities to handle public money accountably. It is for this reason that the Auditor-General plays an essential role in accordance with legislated financial policies such as the *PFMA*, (1999).

Section 216 (1)-(5) of the *Constitution* (1996) states that national legislation must establish a national treasury and prescribe measures to ensure both transparency and expenditure control in each sphere of Government. The foregoing could be done by introducing generally recognised accounting practice, uniform expenditure classification and uniform treasury norms and standards. Paragraph 2.3.2 above makes reference to structures that are responsible to ensure the observance of norms and standards in the entire Public Service. Van Niekerk *et al.* (2002:126-127) posit that an effective system of accountability is at the very heart of an open and transparent democracy. Through the standing committees of Government, Parliament may demand accountability of the executive in financial matters.

Fourie in (Kuye *et al.* 2002:101-102) states that in the past, financial processes were controlled centrally by prescribed rules. The financial processes were further centralised within departments, in terms of financial components managing the budgets for line managers. The system in use today in the Public Service is the zero-based budgeting system, which aids effective prioritisation of objectives, programmes and activities. Various other functions were in the past seen in isolation, which today are considered part of financial management. Examples of other financially related functions as stated by Fourie in (Kuye *et al.*, 2002:102) are:

- i. personnel management – Public Service Regulations;
- ii. provisioning – management and control of movable assets;
- iii. procurement – requiring goods and services;
- iv. computerised accounting and management system – financial accounting, stock control, personnel control systems and management information systems;

- v. strategic planning – setting missions, visions and objectives;
- vi. auditing and accountability – reports of the Auditor-General;
- vii. constitutional aspects – requirements influencing finance;
- viii. government structures – central, provincial and local government and
- ix. parliamentary processes – working of the Standing Committee on Public Accounts.

The above functions play a role in ensuring the proper management of public finances in that all procurement processes in pursuit of BEE through PPP require accountability and skill on the part of personnel and other relative formations such as the Standing Committee on Public Accounts (SCOPA). The challenge with the departments in the Gauteng Provincial Government is that, GSSC remains the buyer. According to *Gauteng Provincial Government Supply Chain Management Manual* (2004:16), one component of the GSSC was the creation of a procurement organisation for the Gauteng Provincial Government and that it will be the responsibility of the GSSC to procure goods and services for all Gauteng Provincial Government departments. The challenge here is that the accounting officers of various departments in the Gauteng Provincial Government may not be completely held accountable for whatever goes wrong at the level of procurement, though they remain in charge of the budgets allocated to them.

The sections following deal with a number of areas mentioned in the previous paragraph. BEE thrives in the environment of sound controls and measures. Where all these are lacking, corruption sets in as accountability on the part of personnel remains key to sound financial management.

2.3.4 STAFFING

Staffing depends on the availability of money and the strategic thrust of the organisation. Like any other organisation, the government uses its administrative functionary to achieve its political mandate. The challenge is whether the officials in the Public Service are well trained to carry out the task. The role of consultants in building capacity of the

officials remains crucial in the Public Service. In the previous paragraphs, a discussion on structure and organising was given. The organisational structure requires money to function optimally. Cloete (1991:151) posits that once legislation has been passed to give effect to a specific policy, the organisational arrangements have been completed and money has been made available, the officials can be appointed to make the institution operational. Cloete (1991:151) further states that staffing function is also a personnel function, personnel administration and personnel work. For the proper implementation of a PPP policy, staffing becomes crucial in that it is the responsibility of personnel to manage, monitor and control the PPP programmes.

When policy has been provided and objectives declared, the other generic administrative functions can commence with the managerial, auxiliary, instrumental functions and functional activities. Of note is the fact that administrative functions work in co-operation with one another. The GSSC is a case in point where managers manage the budgets and the GSSC carries out the procurement task. In addition to the foregoing, the proverbial cogwheel, which fits in the analogy of interdependency of state functionaries, would appropriately feed the analogy of the state bureaucracy (Cloete, 1991:151).

The officials in the Public Sector require training to carry out tasks that have been designed for service delivery. The state often relies on service providers from outside the Public Service for skills transfer. The identification of service providers has never been an easy task, more especially if the rationale for procuring the service has not been outlined. The paragraph below outlines how the BEE goals are realisable through the use of consultants. The use of consultants in the Public Sector often poses a serious challenge when quality rather than quantity is to be pursued. The partnership between consultants and governmental departments should be that of capacity building and acquisition of skills. Dobson (2002:17) alludes to the cross-cutting issues that need to be taken into consideration for the future competitiveness of the country's economy. These are:

- i. appropriate and efficient economic and social infrastructure;

- ii. access to finance for productive activities;
- iii. investment in research and development;
- iv. innovation and the take-up of new technologies; and
- v. investment in human capital and an adaptive, flexible workforce.

Public servants are expected to be well capacitated to be held accountable for the management of financial and personnel resources. It is for this reason that reputable and renowned service providers should be considered for the task of building capacity in the Public Service. The equitable implementation of PPP through BEE is dependent on knowledge and skill on the part of public servants. For example, if the Department of Public Works begins the process of building a bridge for instance, as part of the Expanded Public Works Programme, it will be necessary for a procurement process to be followed, not only to hire consultants with the knowledge of project management, but also to hire engineers to ascertain the appropriateness of the soil and the materials to be used for instance. The same applies to the process of procurement in the Department of Education where training would be required for specific training needs. The National Department of Education has introduced a new curriculum referred to as National Curriculum Statement (NCS), 2002. It is incumbent upon all provinces, including Gauteng to implement the new Curriculum. The challenges experienced are associated with the level of competence among the educators. It is the responsibility of the GSSC to procure service providers who are able to train the educators in this regard.

2.3.5 CONTROL

Roux *et al.* (1999:75) posit that one of the characteristics of organising is the establishment of a hierarchical or pyramidal structure of positions. The pyramidal structure presupposes a span of control for each layer of the pyramid. The span of control refers to the limitations in the psychological and physical abilities of the individual to supervise a given number of subordinates. The previous section on staffing is inextricably linked to span of control in that it is the personnel at a particular level who are in control of processes and procedures of procurement, for instance.

Roux *et al.* (1999:272) maintain that the delegation of authority and functions still remain one of the complex problems requiring control in order to prevent the abuse of authority and functions and illegal execution of state functions. Though the authority may not be centralised in one person for fear of abuse, similarly the authority need not be centralised in one office to avoid corruption and abuse of power.

For PPP to be implemented in a manner that realises the objectives of BEE such as poverty alleviation, it is expected of all levels of the hierarchy to be capable of executing the administration duties required for that particular level. Personnel in managerial positions are expected to be well qualified to be able to control and guide their subordinates. At the level of subordinates there are supervisors who also are expected to possess a particular skill to be able to lead and control. It is equally unimaginable how a finance manager without knowledge of finances can be in control of budgets of a particular department and control income and expenditure in line with the acceptable accounting procedures.

The implementation of BEE through PPP may be made easier if the focus is not only given on supplementing the skill of officials in the Public Sector but also on holding the departmental officials accountable to their actions in the use of public budgets. It is for this reason that the independent and unbiased opinion of the Auditor-General would be welcomed. The bias referred to above may include giving tenders to members of a particular organisation, where membership would be considered a criterion for allocation of tenders. The duties of the Auditor-General as highlighted in paragraph 2.3.3 play an important control functions in that accounting officers and the personnel responsible to dispense tenders are being held accountable for their actions.

The *PFMA*, (1999) stipulates that the accounting authority of a public entity must ensure that the public entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control. Attendant to the foregoing, the *PFMA*, (1999) states that the accounting authority should have to maintain a system of internal audit under the control and direction of an audit committee complying with and

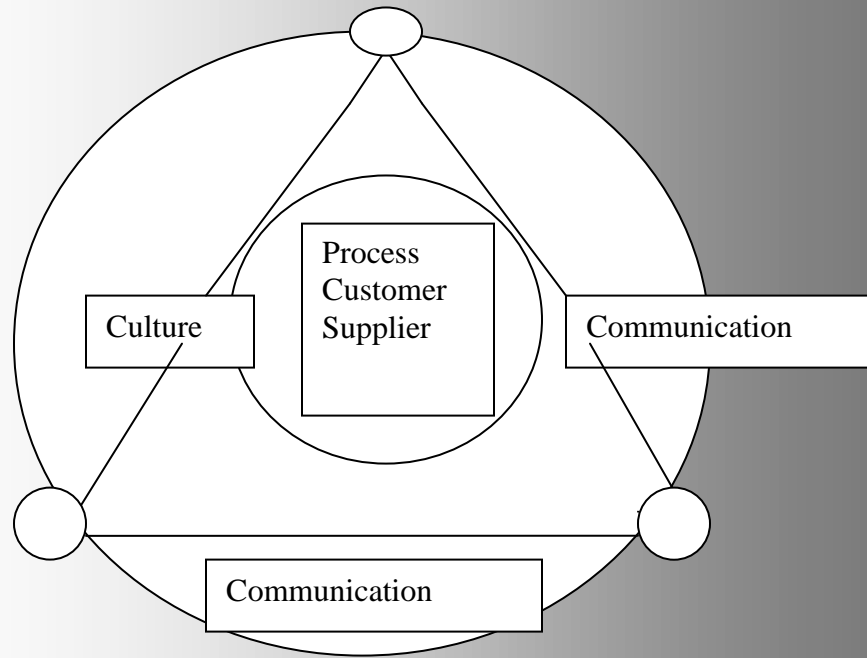
operating in accordance with the regulations and instructions prescribed in terms of the *PFMA*, (1999).

Quality processes should entail aspects of communication, culture and commitment. The need to observe the principles of *Batho Pele* (People first), which should permeate the entire work environment, cannot be undermined. The permeation of *Batho Pele* forms a culture of work that takes as its point of departure the notion of customer being important. It is the culture that calls for commitment on the part of the supplier and the customer, with effective communication underlying this interface.

Figure 2.1 provides a summary of Total Quality Management (TQM) model which is important in this study as far as it demonstrates quality processes relevant in the process of customer-supplier interaction. The implementation of PPP through BEE calls for customers-supplier interface. It is expected of the buyer of service to have mechanisms in place to process the payments of the service providers on time and in the right accounts. The customer-supplier interaction presupposes aspects of ethical behaviour. The aspect of communication is vital in as far as it is expected of customers (potential service providers) to be conversant with the language used in the tendering processes.

PPP is about customer- supplier interaction, whether it is internal as with subcontractors or external as it relates to vendor/client, namely service provider and a department that has commissioned a service. The model in figure 2.1 seeks to expand on this interaction, without which it will be difficult to understand what is at play in this interaction. The implementation of BEE through PPP requires the involvement of legal experts in drawing contracts. The role of banks is critical in this area more especially for small business enterprises that may not have sufficient funds.

Figure 2.1 -The foundations: a model for total quality management



Source: Oakland, JS 1996 Total Quality Management. Johannesburg: Butterworth Heinemann: p1.

The aspects of this model are discussed in paragraph 2.4. BEE through PPP thrives in an atmosphere that is supported by the mutual relationship between the customer being, the citizens and the supplier, in this case the supplier being the government. This relationship is not static as the government can as well assume the role of customer where members of the public supplies the service the government requires. The interface between the public and the government should be underpinned by a culture of mutual respect.

The question can be asked: what is bureaucracy? Osmani (2005:140) provides the definition of what bureaucracy is. He posits that the term *bureaucracy* emerged from the

18th century, where the French referred to the cloth covering desks of French government officials. The term in broader sense means large formal structure consisting of procedural arrangements. The term may of necessity not be confined to government as it may include the private sector or non-governmental organisation. The term *bureaucracy* is in the main, used in connection with government. Reference has been made in paragraph 2.2 on how the formal structures operate.

When a consultant is commissioned, emphasis does not need to center around poverty alleviation through empowerment, what has to be a driving force should be quality. Oakland and Porter (1996:4) define *quality* as meeting the customer requirements. They further posit that quality goes with reliability. The importance of this definition goes as far as the need to procure goods and services. The question could be asked whether this procurement should be concerned about reliability and quality at all or should it only meet one requirement, namely black empowerment. It is for this reason that quality assurance measures as control mechanism come in handy. This can take the form of assessment questionnaires, thorough quality checks and availability of delivery documents.

Procurement Migration (2002:31) stipulates the risk control process. The risk control process starts with the remaining line structure (RLS) clarifying needs and submitting a requisition to the GSSC using the system application process (SAP). The process of need clarification serves the purpose of limiting the risk where items that have not been identified are not sent through to the GSSC for procurement. The items that are procured should be the ones on the GSSC catalogues. The GSSC then compiles quotes from roster (QFR) and later sends the same through to the Departmental Acquisition Council (DAC) for approval and awarding the tender (*GSSC: Procurement Migration*, 2002:31-33). The control measures outlined above are essential for the realisation of transparency in the awarding of tenders. The BEE mandate should be carried out in line with the needs and specifications of the service required by the departments.

2.3.6 PROCEDURES

Roux *et al.* (1999:184) postulate that the completion of any activity in any governmental institution in all spheres of government demands orderly and systematic work procedures. Roux *et al.* (1999:124) define *procedure* as a series of consecutive steps created for the realisation of a particular task. The implementation of procedures depends on a variety of factors such as the intellectual abilities of individuals, complexity of the matter to be understood, the patience of individuals, stress levels to be borne by subordinates and the physical condition.

The introduction of a number of pieces of legislation to regulate the implementation of BEE through PPP as well as the new procurement procedures such as supply chain management may create problems if not well understood by officials. Some of the challenges that are likely to be experienced in implementing BEE may be attributed to a lack of capacity among officials. Compounding these challenges may be when the budgets allocated for the implementation of BEE to various departments do not get spent. The introduction of complex procedures may result in high levels of doubt and fear on the part of personnel who may choose rather not to spend the budget, lest they be guilty of flouting the procedures and regulations.

The procedures for the completion of work may differ from one institution to another within the same governmental unit. Often-times these procedures are laborious and frustrating to the point where small business enterprises that depend on government payout for the service rendered may end up losing other opening opportunities for lack of resources. The GSSC as the procurement organisation of the Gauteng Provincial Government often finds it difficult to process all requisitions on time. From the point of sending out tenders for a bridge to be built to adjudication of the same, may take no less than three months. The BEE processes often get frustrated by the lengthy waiting period, which go as far as affecting the payment for the work rendered. All these delays often happen under the guise of risk control. The *Draft Interim Procurement Framework Manual* (2002:84) stipulates other processes which if not properly managed may cause

delays that may be costly for small businesses. These include cases where the South African Bureau of Standards (SABS), for example, would be asked to draw specifications in order to test the product prior to either the continuation of the production or the approval of the quality of the product for payment to be finalised.

At times, procedures for service procurement are so complex that it may require capacity building on the part of personnel to be able to make sense of what is required. For lack of time and sufficient skill in the Public Sector, the use of consultants becomes an alternative. In a PPP arrangement, the private sector comes with the necessary equipment and skills, while the government provides other resources such as infrastructure and finances.

The change from tender boards to supply chain management as well as the use of the Basic Accounting System (BAS) and SAP to process payments for the service rendered require meticulous expertise, which may not necessarily be obtainable in the Public Sector. All the foregoing factors play an important role in the implementation of BEE through PPP as far as dispensing financial resources for empowerment.

Procedures regarding the procurement of goods and services would encapsulate a number of processes. The (*Procurement Migration, 2002:5*) stipulates the following:

- i. developing sourcing strategies;
- ii. vendor pre-qualification and vendor and contract management;
- iii. product cataloguing;
- iv. tender processing and management;
- v. market research;
- vi. BEE development and BEE accreditation; and
- vii. fixed asset administration.

All the above play an important role in managing PPP and BEE processes in that they presuppose a required level of planning, organising and control. These procedures are

linked to the generic functions as discussed in this paragraph and they give meaning to the role that Public Administration plays in the PPPs. Issues of reporting as important factors are discussed in paragraph 6.4. The next paragraph focuses on the environment within which Public Administration operates.

2.4 THE ENVIRONMENT OF PUBLIC ADMINISTRATION

Du Toit and Van der Waldt (1999:118-131) define *environment* as synonymous to surroundings, neighbourhood, vicinity or precinct and that it influences the availability of resources needed by an organisation. The *environment* is described as consisting of the entire phenomenon surrounding people and influencing people's actions. The environment can be social, economic, political or statutory. Of importance is the fact environmental factors are not always the same in the different areas in which, for instance, the national government, provincial and local perform their functions. Roux *et al.* (1999:177) maintain that when a community is established and requests an own municipal authority, the development potential of the community should be considered. A community with a low development potential will not be self-sustained and will find it difficult to cater for the social needs of the poor in terms of creating wealth. The creation of wealth should not be associated with giving alms, but enabling the community to stand on its own and contribute to the economy. The PPPs through BEE are made possible where the spheres of government contribute towards the envisaged projects.

The above postulate lends credence to the fact that even the implementation of BEE through PPP should take into consideration the level of readiness for various communities to benefit from it. It is for this reason that the environment of Public Administration is discussed on the basis of the political, economic, social/ cultural and technological factors.

2.4.1 POLITICAL FACTORS

Political factors play a significant role in determining the environment in which the citizens live. These factors have over the years played an important role, even as far as directing the economy of this country is concerned. Reference will be made to how these factors determined and ordered the context of the political landscape of the Republic of South Africa.

Van Niekerk *et al.* (2002:15) maintain that as an ideology, liberalism supports the view that the state should interfere minimally with the freedom of the individual. The use of political power invariably implies infringement on the rights of individuals. It will be difficult to rule out the use of political power in the allocation of resources in South Africa; now and in the past, notwithstanding that the Republic of South Africa is not a liberal state.

Apartheid systematically and purposefully restricted the majority of South Africans from meaningfully participating in the economy (*South Africa's Economic Transformation: A strategy for Broad-Based Black Economic Empowerment*, 2003). The assets of millions of people were directly and indirectly destroyed and access to skills and to self-employment was racially restricted. The strategy asserts that the period since 1994 has seen the South African economy undergo profound restructuring.

The historical perspective on the BEE formation has attempted to shed some light on the direction in which the new Government is heading in terms of the need to correct the ills of the past Government, which can be blamed for the seed of underdevelopment of blacks in South Africa. In view of the fact that the underdevelopment of blacks in South Africa was a result of the policies of the past, it will take new and democratic corrective measures to rectify this situation. The entrenchment of policies of separate development found their roots even in clandestine structures such as the Broederbond. An inference can therefore be made that had it not been for the historical inequalities, which were

informed politically by policies of separate development, there would not have been any need for BEE, which can, on the other hand, be seen as a redress mechanism.

It can be argued that the introduction of BEE is as a result of the historical ills of the past, which could be said to be responsible for the social inequalities as spelt out in the foregoing paragraphs. The impact of politics on society manifests itself in the policies of the government of the day. These policies may include poverty alleviation, subsidies and aid. The ills of the past may not be reversed by a mere introduction of laws and regulations. What is of administrative essence remains how those laws and statutes are interpreted and translated into reality. The following sections discuss the rationale for PPP through BEE. It is advisable to read this paragraph in juxtaposition with the historical background as discussed above.

2.4.2 ECONOMIC FACTORS

Van Niekerk *et al.* (2002:16) maintain that liberal thought includes the belief that a market economy exhibits a powerful tendency towards equilibrium and stability over the long term. Present-day liberal economists believe in *progress*, which is defined as an increase in wealth per capita. The rationale for BEE has been for poverty alleviation among blacks. This can be said to have a bearing on economic development in general. Mohr *et al.* (2001:641) posit that economic development is not simply an increase in real gross domestic product (GDP) or real GDP per capita. It is a process whereby countries or societies are transformed and this process involves the interaction of economic, social and political change.

Economic development policy consists of a wide range of policy measures. In South Africa, the Reconstruction and Development Programme (RDP) could be regarded as development policy. Development policy includes measures aimed at achieving industrial development, agricultural development and human development (Mohr *et al.*, 2001:642).

BEE is a government-initiated programme and has been defined in *Broad Based Black*

Economic Empowerment Act, 2003 (Act 53 of 2003) as meaning the economic empowerment of all black people, including women, workers, youth, people with disabilities and people living in rural areas. This empowerment is envisaged to be supported by a variety of strategies such as the procurement strategy. In order to understand the role that government plays or should play, a broader understanding of poverty and economics is essential.

Parkin (1998:8-11) posits that economics is a science of choice. It is the science that explains the choices made and how those choices change as consumers cope with scarcity. Parkin (1998:11) further postulates that the market does not always work efficiently and sometimes government action is necessary to overcome market failure and lead to a more efficient use of resources. Market failure can also arise when producers don not take into account the costs they impose on other people. To overcome market failure, government regulates markets with antitrust laws and environmental protection laws (Parkin, 1998:15).

Discussion paper entitled *A Nation in the Making*, released by the Presidency shows there was a marked improvement in access to basic services by 10% of the poorest household. Changes in access to basic services by poverty group have been represented diagrammatically as follows (*A Nation in the Making*, 2006:13):

Table 2.1 - Changes in access to basic services

Basic Service	% poor households		% of non-poor households	
	1995	2000	1995	2000
Public electricity	34,9	58,4	79,8	85,6
Piped water	59,3	77,2	88,7	94,0
Sanitation facility	74,6	71,7	93,7	91,3
Telecommunication	5,9	16,1	41,8	52,2

Source: Presidency, 2006. *A Nation in the Making*, Pretoria: Government Printers. p13.

The share of households with access to electricity for lighting and cooking has shown spectacular gains (*A Nation in the Making*, 2006:14). For the poorest in decile 1, access to electricity for lighting grew by 57, 8%. The study shows that access to housing grew by 42% and 34% for the first and second decile between 1993 and 2004, and 21% and 16% for deciles 3 and 4.

Poverty, housing and land reform programmes have played an important role. The Report points out indirectly that, mobility resulting from the advent of democracy, Broad Based Black Economic Empowerment (BBBEE) and assistance to small medium micro enterprises (SMMEs) as well as changes in the tax structure have improved the asset profile of black South Africans (*A Nation in the Making*, 2006:14).

The discussion of poverty levels covers a wide range of pertinent factors, ranging from employment to gender preferences of the employers. This should be seen as a challenge rooted in the history of biases and stereotypes. The issue of skills and gender biased empowerment will be discussed later in this study. The following statistics of major trends have emerged over the years:

- i. the proportion of skilled categories among the employed increased from about 40% in 1996 to 46% in 2001;
- ii. there is a reduction in craft and related trades – reflecting in part the restructuring of the economy, but also a weakness in the training of artisans – and this trend is more pronounced among africans;
- iii. there has been a slight increase in the proportion of africans in the category of legislators, senior officials and managers, from 1,7% in 1996 to 2,3% in 2001; and given the massive increase in the legislators’ category, the trend in other categories should be dismal; and
- iv. by far the most significant proportion of african employees remain in elementary occupations, with a disproportionate large percentage made up of women (*A Nation in the Making*, 2006:19).

The statistical representation above might have changed from the time the research was first conducted. It will be necessary to refer to the socio-economic report from the Human Rights Commission (2006:5) to determine the extent of poverty in South Africa presently. Economists at times link poverty to economic growth, rather than economic development; these concepts are defined in this study.

After 12 years of democracy in South Africa, the struggle still continues for the poor. The report reveals that the depth of poverty for those households living in poverty has increased and that the gap between the rich and the poor has widened (6th *Economic and Social Rights Report*, 2003 -2006:65). In 2002, approximately 19,5 million people lived below the poverty line, which shows an increase of 2, 2 million from the reported 17,2 lived below the poverty line in 1997. Of those living below the poverty line, between 7 and 15 million people lived in utter destitution. The United Nations Development Programme (2004:6) states that the poverty rate in South Africa stood at 48%.

The foregoing statistics contradicts the assertion by Erwin (1999), former minister of the Department of Trade and Industry when he stated that:

There has been consistent improvement in the South African manufacturing sector since 1999. At the same time, also experiencing a steady increase in the share of exports in manufacturing outputs.

In the same vein, Erwin provides the following summary (*South African provinces, cities and towns*, 2003/4: 4):

Table 2.2 - South African manufacturing sector

	2001	2002	2003
Production volume	3,5%	4, 4%	5, 5%
Export volume	3, 6%	6, 6%	10, 5%
Fixed investment	3, 1%	7, 2%	10, 2%
Employment	-2, 5%	-0, 4%	0, 9%

Source: Republic of South Africa 2003/4:4 *South African provinces, cities and towns*, RSA.

The high poverty rate in South Africa is a direct consequence of the high unemployment rate, with analysis describing the labour market situation in South Africa as chronic and structural. Unemployment was recorded at 31% in 2003. The figure may even be higher with the expanded unemployment figure for males being 46, 6% and that for females being 53, 4% (The Republic of South Africa: *South African provinces, cities and towns*, 2003/4:4).

The above debate lends credence to the view of Osmani (2005:9) in as far as the one-to-one relationship between growth and employment is concerned. The evidence shows that the extent to which poverty responds to growth varies enormously across time and place. The latter explicitly puts the challenge at the doorstep of administration in that time and space need to be taken seriously in this study. A classic example is the economic demise in Zimbabwe where land seizure was probably not mindful of the repercussions that would have to be visited on the populace, bearing in mind that land could have been used to create wealth for the entire populace. The relevance of the foregoing to the topic under discussion is that policies are created for among other things, to redress and to create equity. BEE in South Africa is meant to correct policies that could have been

discriminatory. It could be argued that this might have been the result of poor governance and ill-perceived administrative intervention. These are the lessons that have to be learnt when crafting the policies that seek to empower the populace. The implementation of BEE needs to be done with a broader perspective of alleviating poverty for now and in future.

Osmani (2005:9) introduces an analytical framework for the study of poverty. Two sets of factors determine the responsiveness to growth. These are the elasticity factor and the integrability factor. The elasticity factor determines the extent to which the employment nexus between growth and poverty is strengthened. The integrability factor determines the extent to which the poor are actually able to seize the employment opportunities opened up by the growth process, for example, by acquiring the skills or assets required to undertake a productive job.

Osmani (2005:9) postulates that for growth to reduce poverty fast, it is important not only that the rate of growth should be high but also that the elasticity and integrability factors should be favourable. On poverty reduction versus growth, Osmani (2005:9) argues as follows:

The evidence also confirms, however, that there is no one-to-one relationship between the rate of growth and rate of poverty reduction. The responsiveness of poverty to growth varies enormously between countries and within the same country at different periods of time.

The above argument has resonance to Mohr *et al.* (2001:642) in their discussion of economic development versus economic growth. They argued that after World War II much happened which stimulated interest in the less-developed countries (LDCs) and in economic development as a sub-discipline of economics, these included the following:

- i. the rapid growth of the developed countries (DCs) after the war and a concomitant improvement in the living conditions of the majority of

- inhabitants of these countries, which increased the gap in average living standards between LDCs and DCs;
- ii. the communication revolution, which made people in the DCs more aware of the poverty in the LDCs and which also made people in the LDCs more aware of the affluence of the inhabitants of the DCs and the gap in living standards;
 - iii. the Cold War, which led to competition between the United States and the Soviet Union to find favour among the LDCs;
 - iv. the growing international awareness of the consequences of the population explosion in LDCs; and
 - v. decolonisation and the consequent political independence of the former colonies, which resulted in an upsurge in nationalism and the establishment of a new power bloc in international policies (Mohr *et al.*, 2001:635).

This study is about BEE as an instrument aimed at poverty reduction and economic growth through the use of PPP. In order to realise this objective, the Government has put in place a number of laws and regulations such as the *Preferential Procurement Policy Framework Act 2000* (Act 5 of 2000). This debate on growth versus poverty reduction is pertinent to the study in particular and the study of Public Administration in general.

The question of economic development is portrayed as touching the core of poverty elimination and provision of jobs to the jobless. The question that has not been raised though is gross domestic product (GDP) as a measurement of growth. Marsh and Stoker (2002:259) argue that the reliability of some data may be misleading. Pivotal to this skepticism is the use of per capita GDP as a measurement of economic success. This postulate touches on the problem statement that seeks to determine whether BEE through PPP achieves the objective of poverty alleviation.

Per capita GDP measures the market value of the total goods and services produced in a given economy over a given period, which is normally used by economists and political

scientists as well as politicians as an indicator of wealth. Marsh and Stoker (2002:259) argue that the use of GDP as a measure is deceptive in terms of its precision as it fails to capture economic production which is not monetarised, such as housework, the black economy and agricultural work in some countries. It is often calculated in dollars and it is therefore distorted by the fluctuation of foreign exchange markets. GDP is often accorded a reliability it does not deserve. Thus it becomes difficult to determine with certainty by the use of GDP whether indeed progress has been made in empowering the populace economically.

2.4.3 SOCIAL FACTORS

The role of the government may be considered to be multifaceted. *Environment* should therefore be discussed in relation to people and their condition of life. BEE is for people and therefore the government is responsible for ensuring that the environment exists for its implementation. BEE should be implemented to promote people's living standards by alleviating poverty. The last chapters of this study will evaluate whether this rationale has been achieved. Dobson (2002:23-24) states that a four pronged BEE approach has been adopted, these entail the following:

- i. the provision of an enhanced environment for BEE;
- ii. the introduction of new products by the government to promote BEE including the proposed integrated financing mechanism, further procurement reforms, opportunities created through the restructuring of state-owned enterprises, land reforms, support to co-operatives, the development and implementation of sectoral BEE strategies and business development support;
- iii. the introduction of a partnership programme with private sector; and
- iv. the establishment of a non-statutory BEE advisory council.

Discussing the social factors without reference to a particular ideology remains a daunting task. Discussing the social factors in the context of South African society

compounds this challenge even further. South Africa is largely characterised by liberalistic ideology. Van Niekerk *et al.* (2002:14) maintain that the liberal tradition in politics has centred on religious toleration, government by consent, personal and economic freedom. The *Constitution* (1996) promotes human rights. In order to promote humanness and alleviate poverty, the present Government has introduced BEE. Whether BEE has achieved the objectives for which it has been introduced, will only be determined later on in this study.

Du Toit and Van der Waldt (1999:122) define *social factor* as human coexistence and how people benefit from a particular association with one another. Human beings are in association with one another because they are social beings. Examples of other associations are cultural groups, church groups, employee and employer interest groups.

Former deputy president Mlambo-Ngcuka (2006) stated that the core objective of the government is to halve poverty and unemployment by 2014. A gloomy picture of literacy in South Africa has been painted. Some 32% of the adult population of about 30,5 million may be regarded as functionally illiterate and the functional literacy rate, with grade 7 as criterion of functional literacy has accordingly remained at 32% since 1996. There has been a very slight decrease in the proportion of no-schooling illiterates, though their raw number has increased (*The Ministerial Committee on Literacy Report*, 2006:8). All provinces, except the Northern Cape have increasing number of adults with no schooling. In the event where levels of illiteracy are high, the implementation of BEE through PPP will always remain a challenge as this will require a basic skill. When the social conditions have improved, the service providers who stand to benefit from PPP programmes will be able to complete forms and enter into contracts with government institutions. They will be able to have the minimum knowledge of project management, as far as the life cycle of a project is concerned and they will be able to open an account at the bank.

The statistics provided above show that there is still a long way to traverse to reach the target of 2014. BEE as an instrument for wealth creation is likely to continue posing

serious challenges. BEE programmes are supported by subsidiary programmes such as the *Joint Initiative on Priority Skills Acquisition* (JIPSA) and the *Accelerated Shared Growth Initiative of South Africa* (AsgiSA). It is essential that education should form the cornerstone of empowerment. Active participation in the economy requires some level of literacy. While these empowerment programmes are laudable for sustainability, the education sector needs to be reinforced, given the high levels of university dropouts, compounded by the fact that only a few of the Grade 12 candidates coming from a previously disadvantaged background obtain a pass with endorsement. BEE through PPPs thrives where the populace has acquired a minimum skill for self-sustenance. As BEE target the youth, semi-skilled or under qualified youth among others, may not benefit where a particular skill would be required, e.g. building a bridge, constructing a road or providing sanitation.

Poverty manifests itself in a variety of ways. The poor are often vulnerable as they do not have the means for survival. Poverty among the South African society could be considered self-inflicted. The policies of the past contributed to a greater extent towards poverty and degradation, which are now a challenge to the entire society. The introduction of BEE through PPP is a governmental strategy to redress the disparities of the past. Former president Mbeki condemned the ideals of rampant self-enrichment. The former president expressed his fear about what the country had become and was sliding towards when he said (4th Annual Mandela Lecture, 29 July 2006):

Thus, everyday, and during every hour of our time beyond sleep, the demons embedded in our society, that stalk us at every minute, seem always to beckon each one of us towards a realisable dream and nightmare. With rhythmic and hypnotic regularity – get rich! Get rich! Get rich! And thus has it come about that many of us accept that our common natural instinct to escape from poverty is but the other side of the same coin on whose reverse side is written the words, at all costs, get rich.

The speech seemed to have struck a cord in various quarters of society. In the interview (Anon, 2006:4) Nzimande of the South African Communist Party remarked that: *It is not easy to build a society where social solidarity trumps private profit.*

Macozoma remarked that:

We must change our value system and put humanity, ubuntu, at the centre of our society (Anon, 2006:4).

The president's speech echoed the fears of greed that was referred earlier in this study by the National Union of Mine-workers, that the quest for riches has now created a class of black capitalists. Within the context of this study, it has been stated that it is still to be determined whether the BEE in its present form benefit the intended beneficiaries or only serves to make the rich more rich.

The good policies are likely to fall prey of rampant greed as referred to by the former president (Mbeki 2006). It appears new measures will have to be put in place to curb the scourge of greed currently experienced, often masqueraded under affirmative action, affirmative acquisition or even affirmative discrimination or discrimination against the poor. This indeed feeds into the re-emergence of a new class struggle and sows the destructive seeds of interracial conflict and disharmony.

BEE as being experienced seems to be epitomising the dissipation of human solidarity against poverty and job creation, and invariably beckoning new privileges for *the connected* few, all under the guise of *blackness*. This needs to be highlighted so that the society does not get overwhelmed by materialistic aspirations, masqueraded in the previously disadvantaged mentality and entitlement to wealth.

2.4.4 TECHNOLOGICAL FACTORS

Cloete (1991:179) posits that a feature of the 20th century is the rapid progress being made in the technological field. The Public Sector use technology for the appointments of personnel and payment of salaries, in the form of the personnel and salary (PERSAL) system. The use of technology forms an integral part of public administration. Though PERSAL is not an accounting system, it nevertheless provides information on human resource expenditure (Fourie in Kuye *et al.*, 2002:119). Human resource expenditure forms part of budget allocations. It is vital to know how much of the budget goes towards personnel and how much goes toward capital works. Capital works budget plays an important role in the implementation of PPP.

Fourie (in Kuye *et al.*, 2002:118) refers to the use of BAS (Basic Accounting System) as a system that captures payment transactions. Payments to creditors are made on a regular basis by means of electronic banking. The use of technology plays a role in the processing of payments for service providers. The service providers in order to participate in the PPP deals, need to be registered as taxpayers and be placed on the data system of the accredited vendors. The role of technology in this regard is important. The system plays an important role in ensuring that service providers get paid on time and electronically, which makes it possible for wrong payments to be reversed.

In addition to the above systems, the Logistical Information System (LOGIS) enables departments to control and regulate stock levels and movable assets. The effective management of stock forms an integral part of the financial management of the government and of any line function manager's responsibility (Fourie in Kuye *et al.*, 2002:119). The management of the asset register is important in that the ordering of stock from service providers should depend on the need for such stock to avoid oversupply. Managing assets on a regular basis provides required information on the durability of stock provided. It is for this reason that reputable and accredited suppliers should be used.

2.5 GOVERNMENTAL FUNCTIONS

It has been mentioned that the government is responsible for formulating laws and developing policies. It will be the responsibility of the Public Service to implement the policies of the government of the day. It has been the Government's responsibility to reduce poverty, specifically prevalent among blacks, due to the legacy of segregation. It is against this background that *Broad Based Black Economic Empowerment Act, 2003* (Act 53 of 2003) was promulgated.

The reason government should not be detached from the responsibility of providing for its citizens is that it has been voted for and it is supposed to respect the aspirations of taxpayers who pay its salaries. Government should have the capacity to provide for the needs of its citizens.

In its preamble, the *Broad Based Black Economic Empowerment Act, 2003* (Act 53 of 2003); states that it hopes to achieve the constitutional right to equality, increase broad based and effective participation of black people in the economy, promote a higher growth rate, increase employment and more equitable distribution of wealth. The *Broad Based Black Economic Empowerment Act, 2003* (Act 53 of 2003) hopes to establish a national policy on broad based black economic empowerment to promote the economic unity of the nation, protect the common market and promote equal opportunity and equal access to government services.

Schneider and Ingram (1997:13) posit that the appropriate role of government in society is to produce public policies that represent the interests of the electorate, resolve conflicts, reflect reasonable compromises among competing perspectives, and cultural characteristics. Whenever policy gaps become identifiable, for fear of losing the votes the next time round, the political party in government would try to pass laws that would make it possible for those gaps to be filled. Where the *Broad Based Black Economic Empowerment Act, 2003* (Act 53 of 2003) alone would not be able to address the poverty

alleviation strategy of the government, the *Preferential Procurement Policy Framework Act, 2000* (Act 5 of 2000) for instance would be introduced or *vice versa*.

Whenever a particular policy is to be introduced, it has to be open for debate by the general public. It is through this process that compromises are negotiated to achieve consensus. As mentioned earlier on, these debates should be considered enrichment to the study of Public Administration in respect of how mutual decisions are arrived at and the processes that ensue to promulgate policies intended to help the populace. The study, among other things, focuses on the timing of the unfolding of events and processes leading towards wealth distribution through BEE and how the citizens of South Africa have conceptualised BEE either as equitable strategy or discrimination in reverse.

Parkin (1998:1) makes an observation that may be found relevant to the current situation of striving toward the attainment of equality in South Africa, as a matter of policy by stating that:

In contrast to structural reformers, the so-called social reformers, whose public philosophy encompassed strong communitarian elements, mechanisms of direct democracy and a deep suspicion of business interests, are relatively ignored as a source of public administration theory and practice. Yet the original rationale for many of modern public administration's intrinsic features, including nonpartisanship in appointments, public ownership of utilities, administrative oversight by a strong executive, specialised educational programs in administration, and the belief that government can and should ameliorate the hardships suffered by the citizenry, can be traced to the ideas and actions of both social and structural reformers. This neglect of social reform may have originated because post-progressive scholars considered social reform ideas discordant with their representation of a professional and technocratic public administration. Thus they tended to diminish or ignore social reform contributions to the discipline.

The intention of this research is to study poverty alleviation through the BEE practice. It is against this background that the Government has promulgated laws such as *Preferential Procurement Policy Framework Act 2000*, (Act 5 of 2000) and other related Acts referred to in this chapter in order to alleviate poverty. The Government has to grow its economy to meet the demands of the citizenry. These demands may include demand for employment.

The question as to how people become unemployed differs from nation to nation and from country to country. It should however be mentioned that there still exist some elements of communalities among nations and countries as to the cause of unemployment, which is common among developing countries. Parkin (1998:551-553) classifies unemployment into the following three categories:

- i. frictional;
- ii. structural; and
- iii. cyclical.

Frictional unemployment is the unemployment that arises from normal labour turnover. This is when people enter and leave the labour force and from the ongoing creation and destruction of jobs. This type of unemployment is considered normal and healthy in a dynamic, growing economy. Structural unemployment is the unemployment that arises when changes in technology or international competition change the skills needed to perform jobs or change the location of jobs.

Structural unemployment normally lasts longer than frictional unemployment. Cyclical unemployment is the fluctuating unemployment over the business cycle, according to Parkin (1998:551-553). Cyclical unemployment increases during recession and decreases during an expansion. An industry worker gets laid off because the economy is in recession and gets rehired when the expansion begins. What has to be borne in mind is the fact that unemployment remains unemployment and continues to have debilitating effect on the economy. BEE through PPP has the potential to reduce poverty through

retraining of officials who have been laid off. The retraining of retrenched employees should be geared towards making them self-employed and providing an environment for them to be considered for contracts such as painting, renovation of workshops, fixing or servicing of machines and cleaning.

The introduction of BEE across public and private sectors will help alleviate unemployment in South Africa. BEE is intended to create jobs even for the unemployed through the establishment of small business initiatives. The role the private sector plays need not be underestimated, more especially during recession. The recession period should in fact be used to expand the economy through encouraging workers facing retrenchments to consider partnering with big or small business enterprises.

Economic development and economic growth will be difficult in an environment that does not allow growth to happen. South Africa as member of the global village has to do business in a manner that is globally acceptable. The International Monetary Fund (IMF, 2006) has declared South Africa a country with a potential for sustainable economic growth. The introduction of BEE through PPP has its purpose as wealth creation and poverty alleviation. Sustainable growth can be achieved in an environment where the majority of the populace does not live below the breadline.

Each government is responsible for its citizens and in this regard, Roth (1987: 5) argues that the role of government is not limited to direct production. The supply of goods and services in economic markets is motivated by the prospect of private gain, whereas under government administration, the supply is guided by what the government regards as the social good. Governments are also engaged in financing and regulating production by the private sector. Even where private markets are predominant, it remains the responsibility of the government to restrain monopoly, protect competition, establish and enforce property rights.

The relevance to the topic of research comes where decisions pertaining to the awarding of contracts for BEE to small businesses get delayed as a result of either the

unavailability of officials in the hierarchy or junior officials not having the delegated powers to authorise certain expenditures.

While the government through its structured organisations, which can also be called institutions or departments, focuses on a better life for all its citizens, it has to do so in line with the prescripts of the international norms of good practice. It is against this background that the section following deals with the government and its commitment to international laws and conventions.

2.6 GLOBAL ENVIRONMENT

The research on BEE through PPP is aimed at achieving some of the governmental goals analysed in this chapter. The governmental goals regarding poverty alleviation are informed by the eight millennium goals initiated by the United Nations (UN), (United Nations Millennium Goal, 2007) these are:

- i. eradicate extreme poverty and hunger;
- ii. achieve universal primary education;
- iii. promote gender equality and empower women;
- iv. reduce child mortality;
- v. improve maternal health;
- vi. combat HIV/AIDS, malaria and other diseases;
- vii. ensure environmental sustainability; and
- viii. develop a global partnership for development.

South Africa is part of the global village. As part of the global village it is obligatory for the country to abide by international protocols, such as the Millennium Development Goals. Having been signatory to a number of international conventions such as Child Rights Convention (CRC), South Africa is expected to respect these agreements. Most of the conventions South Africa is signatory to, promote human rights and eradication of poverty. The introduction of BEE through PPP is an attempt of the Government to

resolve socio-economic difficulties faced by the majority of the populace. The PPP initiative has also been used since 1997 in the East Asian financial crisis, where the government of the Republic of Korea introduced the Private Participation in Infrastructure (PPI) Act to provide investment in infrastructure (World Bank, 2009). Paragraph 7.3 refers to suggested models of investment in infrastructure. The introduction of the Act was said to have been followed by a steady increase in the number of PPI projects (World Bank, 2009).

Annan as former United Nations secretary general states the following (United Nations Millennium Goals, 2007):

We will have time to reach the Millennium Development Goals – worldwide and in most, or even all, individual countries – but only if we break with business as usual. We cannot win overnight. Success will require sustainable action across the entire decade between now and the deadline. It takes time to train the teachers, nurses and engineers; to build the roads, schools and hospitals; to grow the small and large businesses able to create the jobs and income needed. So we must start now. And we must more than double global development assistance over the next few years. Nothing less will help to achieve the goals.

The above quotation resonates the Government's quest for poverty alleviation through BEE. In spite of the challenges the South African Government is facing *en route* towards poverty eradication through BEE, there seems to be some semblance of goodwill in that policies have been developed to resolve poverty in this country.

The South African Government is committed to realising the Millennium Development Goals. In pursuing these goals, priority has to be given to the most vulnerable, namely women, youth and the disabled. Barlow and Wastl-Walker (2004:74) state that the urban population is increasing rapidly, with more than half of the world's inhabitants now living in urban areas, creating new challenges for the management of cities. The urban problems have become so complex that probably they will not be solved solely by

government policies in the coming years. The challenge now is the creation of new concepts and instruments in order to articulate economic objectives along with social inclusion, environmental sustainability and public participation in local political decisions. The increase in urban population should be seen as opportunity as this may translate into a better gross domestic product when job opportunities open up. The need for provision of infrastructure such as roads and bridges, as well as the provision of basic facilities such as water and electricity may require PPP, which may contribute towards poverty alleviation. The same goes for the upkeep of the infrastructure, which would be difficult to maintain without the use of PPP programmes.

2.7 CONCLUSION

Chapter 2 focused on the role that Public Administration plays in public-private partnership. In discussing this role, the conceptual analysis of Public Administration and its generic functions were highlighted. The environment of Public Administration in respect of its factors was discussed, with a view to determine how PPPs through BEE would be implemented. A number of pieces of legislation and literature were referred to in order to make a case for the role which Public Administration plays currently and the role it played in the past. The reason for the introduction of BEE, the goal it has to achieve and the role that the Public Service should play in achieving this goal were referred to in this chapter.

The need for BEE in South Africa for the purposes of poverty reduction and economic development is incontrovertible. The role played by Public Administration in the realisation of poverty reduction ideals cannot be overemphasised. The Government in line with the universal conventions has embarked on a number of initiatives to ensure that the goals set out for the reduction of poverty by 2014 are achieved. The realisation of poverty alleviation programmes depends on the environment, which is characterised by a variety of factors referred to in this chapter, namely the political, the economic, the social and the technological factors.

The responsibility of the Government is to create conducive environment for PPP to thrive. This the Government should do through developing policies and regulations such as *Broad Based Black Economic Empowerment Act, 2003* (Act 53 of 2003), *Preferential Procurement Policy Framework Act, 2000* (Act 5 of 2000) *PFMA, (1999)* and the *Constitution (1996)*. Critical is the implementation of policies of government in an environment where the organisational structure does not allow for speedy delivery of service by virtue of the level of literacy of the target group. It is not only the level of literacy that is at times a hindrance, but also the need for capacity in the Public Service.

The chapter following focuses on the contextualisation of procurement strategy for PPPs and the supply chain management practice, which will take into consideration, the management of finances by the Government. It remains the responsibility of the Government to ensure that a conducive environment is created for the implementation of BEE through PPP. The role of administration in evaluating the success or failure of BEE is critical as this role will be measured against the available Acts and regulations.