

## CHAPTER 4

### THE CONSTRUCT OF A PUBLIC- PRIVATE PARTNERSHIP

#### 4.1 INTRODUCTION

Chapter 3 highlighted procurement strategy for PPP and the chapter made reference to supply chain management (SCM) and how SCM is put into practice. Equitable procurement procedures that seek to fulfil the requirements of BEE were analysed. Chapter 4 provides an analysis of the utilisation of public-private partnership (PPP) to create wealth. The establishment of PPP is meant to mitigate risk, which would usually be carried by the Government alone. The utilisation of PPP in wealth creation is discussed on the basis of legislation. In this case, reference will be made to the *Broad Based Black Economic Empowerment Act, 2003* (Act 53 of 2003) as well as the *Preferential Procurement Policy Framework Act, 2000* (Act 5 of 2000). This chapter will among other things, address the construct of *PPP* and its implication, the economic positives of BEE through PPP, PPP procurement, Equity and accounting mechanisms.

In paragraph 4.2, PPP's intention is among other things, to minimise risk for the Government so that whatever loss is incurred on the project the government is exonerated as these costs would be borne by the private sector. It is essential to understand what *PPP* has been defined as, in the literature and other pieces of legislations. The requirements for PPP are explained as substantial risk transfer, value for money and affordability (*National Treasury: Standardised PPP Provisions section (A1), 2004:1*).

The use of PPP in the creation of wealth will not only be latched on the positive contributions that PPP made, but also on the negative perceptions. It could be that the private sector is not always as efficient as it is portrayed to be, to act as arbiter of good practice. The potential for PPP initiatives to translate into full privatisation are discussed in this chapter.

## 4.2 CONTEXUALISATION OF PPPs

Public-private partnership is a commercial transaction between an institution and a private party in terms of the private party either performing an institutional function on behalf of the institution for a specified or indefinite period (*Treasury Regulations*, 2005 section 16.1). This transaction may involve the use of the state property by the private party for its own commercial purposes for a specified or indefinite period. In this transaction, the private party receives a benefit for performing the function or by utilising state property either by way of compensation from a revenue fund, charges or fees collected by the private party from users or customers of a service provided to them or a combination of such compensation and such charges or fees. In relation to this regulation, an institution is a department, constitutional institution, and public entity.

Farlam (2005:1) defines *PPP* as a contract between a Public Sector institution and private party where the private party assumes substantial financial, technical and operational risk of the project. The definition of *PPP* leads to the identification of a number of PPP initiatives in South Africa and how these initiatives are being financed. In scrutinising the PPP initiatives, consideration is given to their functionality and effectiveness in meeting their objectives, being, among other things wealth creation, cost reduction on the part of the Government, shifting risk to the private sector and indeed whether there is a particular business case for their establishment.

Fourie and Burger (2000:1) posit that some confusion may arise in the definition of *PPPs* as far as it is at times confused with privatisation or subsidisation and that a *PPP* is defined as an institutional and contractual partnership arrangement between government and a private operator to deliver a good or service to the public, with as distinctive elements of true partnership relationship and a sufficient amount of risk transfer to the private operator. Fourie and Burger (2000:1) further state that the lack of understanding can lead to the concept of *PPP* being put in a negative light. Other negatives such as fiscas dumping may pose serious challenges as the quest for the maintenance of fiscal discipline and generally acceptable accounting principles is compromised. Fourie

(2006:925) maintains that there is a potential for budgetary problems to emerge if PPP spending is not sufficiently controlled as the government departments encourage managers to conceive PPP as an add-on to their capital programmes. The arrangement of PPPs should not imply that managers should abdicate their responsibility of ensuring quality service delivery.

The overarching rationale for a successful PPP is when both public and private sector pursue common goals, which are determined jointly by the two sectors. The common goal referred to above is to deliver high quality basic service to the historically underserved areas (United States Agency for International Development, 2005:10). The underserved areas in this study refer to the areas where empowerment is in dire need such as women, the youth and rural communities.

Gqoli (2004:12) defines *PPP* as a contract between a government institution and a private party, where a private party performs an institutional function using state property in terms of output specifications. In this contract, substantial project risk is transferred to the private party, and the private party benefits from government budget or user fees. Developed PPP structures should seek to achieve a BEE effect (National Treasury: PPP Unit, 2004:9). The broader goal for the introduction of PPP in the context of this study should be that of seeking to achieve BEE effect.

There are a number of PPP examples in South Africa, such as the construction of the Department of Trade and Industry, the Inkosi Albert Luthuli Central Hospital, Chapman Peak Drive Road Construction, training offered for government officials and private sector partners and the current social grants payment system for the poor (United States Agency for International Development, 2005:20). In the Gauteng Provincial Government, the Gauteng Shared Service Centre (GSSC) plays a role in facilitating purchases for institutions or departments. For example, a number of schools in the Gauteng provincial area have been built through PPP initiatives. This discussion is taken further in Chapter 5 of this study. The more direct form of private sector participation is the provision of text books, computers, science and vocational training equipment as well as other educational

and teaching aids (World Economic Forum, 2004:4). The current learning and teaching support materials (LTSM) supply has been given to private entity referred to as Edu-Solution. Through this entity the risk of failure to provide LTSM to schools in Gauteng has now been transferred to Edu-Solution. Though schools in the province have been given budgets, it is the responsibility of Edu-Solution to procure and approach manufacturers on behalf of these schools using the budgets allocated to schools. Every school in Gauteng has been given the budget, 60% of which ring-fenced for LTSM. Edu-Solution is using its IT systems and personnel to procure LTSM for schools in Gauteng Department of Education (Governing our Schools Series, 16:2005).

### **4.3 THE CONSTRUCT OF A PPP AND ITS IMPLICATIONS**

In order to address the problem of insufficient infrastructure and poor service delivery in South Africa, perhaps PPPs should play a strategic role to address both infrastructural and other needs for the Government. The existing PPP body of language asserts that though PPP has been identified as a vehicle for service delivery, it however has both the positives and the negatives. The negatives of PPP are that it is viewed as a form privatisation by unions opposed to privatisation as a means of enhancing capacity and efficient service delivery. The unions have been mainly concerned about the erosion of job security and the acquired rights for their members (World Economic Forum, 2005:1). The other challenge is Public Service personnel who use their own companies or that of relatives to provide service. If PPP is not well managed, the consequences hereof are the mismanagement of finances through unauthorised, fruitless or wasteful expenditure practice. The aforementioned could be regarded as a reason for the accounting officer not to be divested of the responsibility to manage the procurement of goods and services.

Tarhan (2009:9) presents a gateway process in South Africa for PPP, which encapsulates the following phases:

- i. inception;
- ii. feasibility study;

- iii. procurement;
- iv. development;
- v. delivery; and
- vi. exit.

The importance of each phase rests in the evaluator being able to ensure that BEE through PPP is applied in each phase. The inception phase is the first phase of the PPP project cycle. During this phase, the institution registers the project with the relevant treasury, appoints a project officer and signs a contract with the transaction advisor (*National Treasury: Private Partnership Manual, 2004:6*).

The second phase is feasibility study, which is a preparation phase for a PPP project cycle discussed in paragraph 4.3.3. The phase that follows feasibility study is procurement which includes prequalification, request for proposals and the final offer. Phase 4 of the PPP cycle encapsulates managing the PPP agreement, which is discussed in 4.3.2 of this study (*National Treasury: Private Partnership Manual, 2004:7*).

Tarhan (2009:11-12) maintains that development as phase 4 is measuring outputs, monitoring and regulating performance and settling disputes; while delivery as phase five reports progress. Exit is the final phase which requires the Auditor-General to scrutinise the project.

#### **4.3.1 ESTABLISHMENT OF A PPP**

There are two basic kinds of PPPs. The one kind of PPP involves performance by the private party of an institution and the other involves some form of the utilisation of state property by a private party for its own commercial purpose. The institutional function performed by the private party may include any service, task, assignment or other function that an institution generally performs on behalf of the Public Service (*National Treasury: Standardised PPP Provisions (Section D), 2004:8*). The foregoing statement does not necessarily give the institutions unfettered powers to go as far as outsourcing

exclusive functions to the private entity. The difficulty in as far as this limitation is concerned is that there is no legislative or legal guidance provided within which the institution should operate.

Section D1.3 states that the responsibility for determining whether an institutional function resides with an institution and whether that institutional function may be outsourced to the private sector pursuant to PPP lies with the institution. Section D2.1 points out that the utilisation of state property may broadly be pursuant to the utilisation of all movable or immovable property belonging to the state (*National Treasury: Standardised PPP Provisions*, 2004:9). This may include intellectual property rights. A postulate can be made, flowing from the above statement, that outsourcing of goods and services forms an integral part of PPP. This argument remains a subject for debate in the PPP discourse.

#### **4.3.2 AGREEMENTS**

Of vital importance is the agreement that should be obtained by the parties concerned with PPP before signing the contract. This applies to all corporate approvals and resolutions of the board of directors and shareholders of the private party. It is not appropriate for the PPP agreement's enforceability to be suspended pending the incorporation of the private party and the taking of all corporate action necessary to authorise the execution and performance of the PPP agreement (*The National Treasury: Standardised PPP Provisions* (Section 3.4), 2004:31). The foregoing presupposes the need to conduct the feasibility study, which forms part of the vital processes that lead towards the finalisation of the PPP agreement. The PPP agreement should clearly mention the events that would constitute an institution default and which would entitle the private party to terminate the PPP agreement (*National Treasury: Standardised PPP Provisions*, 2004:248). The more serious breaches that render continuation of the project impossible constitute events of default.

Having referred to the finalisation of PPP agreement, the question can be raised who is responsible to finalise this agreement? The accounting officer or the accounting authority of an institution may enter into a PPP agreement on behalf of that institution. As soon as the institution identifies a project that may be concluded as a PPP, the accounting officer or accounting authority in writing, registers the PPP with the relevant treasury, informs the relevant treasury of the expertise within that institution to proceed with a PPP, appoints a project officer from within or outside the institution and appoints a transaction advisor if the relevant treasury so requests (*The National Treasury Regulations* Section 16.2 of 2005).

### **4.3.3 FEASIBILITY STUDY**

Fourie (2006:925) asserts that in the utilisation of a PPP, it is assumed that the private sector will carry the risks and that the government should take the responsibility in monitoring, evaluating and managing such risks. For the risk of the project to be evaluated, it is essential that the feasibility study is conducted. The feasibility study is vital as far as ensuring that the preferred bidder has the necessary capabilities to execute the task at hand, on time and in accordance with the agreed quality requirements. The feasibility study enables the government not to choose wrong projects which do not resonate what is contained in the operational plan, for instance.

The feasibility study can form part of risk management. During the project term, it is essential to involve the expertise of the qualified professionals in the determination of the viability to use land and the putting up of infrastructure (*National Treasury: Standardised PPP Provisions*, Section (11.1.3), 2004:65). There are legal implications that have to be taken into consideration before construction resumes. The project should not be jeopardised by the late discovery of a third party land claim, for instance. The *Public Private Partnership Manual* (National Treasury, 2004:7) outlines the legal basis for PPP/BEE policy. The development of PPP /BEE policy is done with consideration to the following pieces of legislations:

- i. the *Constitution* (1996);
- ii. Treasury Regulation 16, issued in terms of the *PFMA*, (1999);
- iii. the *Preferential Procurement Policy Framework Act*, 2000;
- iv. the *Broad Based Black Economic Empowerment Act*, 2003; and
- v. the *Employment Equity Act*, 1998.

Having made reference to the importance of a feasibility study and the importance thereof to the benefit of a private party and the Government, it is vital to note that the risks that may otherwise be obviated will increase with the features that are likely to hamper the success of the project. The question can be asked: what does a feasibility study entail? Feyzioglu (2009:7) recognises the following features that must be taken into consideration when conducting a feasibility study:

- i. needs analysis;
- ii. option analysis;
- iii. project due diligence;
- iv. value assessment;
- v. economic valuation; and
- vi. procurement plan.

Fourie (2006:929) adds another aspect of importance such as, a sector needs analysis. The needs for Gauteng Department of Education, for example; are varied and numerous. Prioritising these needs according to what is possible and in line with the medium term expenditure framework (MTEF) is paramount. It may not be expected of the department for instance, to consider building more schools than the budget allocated in that particular financial year, rather than renovating the existing schools with more or less half the amount. The same principle applies for output specification. For example, the area which poses a challenge in Gauteng Department of Education is that schools built in Olievenhoutbosch and Lotus Gardens through a PPP initiative, happened to have not met the minimum requirement standards. According to Sebeho (2007), it seems that there was not sufficient output analysis conducted.



The success story in Gauteng according to Rantsedi (2005) is the school in Mamelodi which was built through the Zenex foundation in partnership with Gauteng Provincial Government. The two schools, which seem to have been a failure were built by IDT, a conglomerate that seems to have enjoyed higher rating by BEE standard. A number of other schools, according to communication by Sebeho (2008), were built on dolomite ground, an indication that a sufficient survey was never conducted. A number of these schools were built in the Ekurhuleni municipal area. The failure of delivery of quality school buildings could be attributed to a lack of sufficient feasibility study or just poor workmanship. The PPP unit is poised to respond by encouraging education accommodation through PPPs to finance the building and maintenance of schools (United States Agency for International Development, 2005:39).

Paragraph 4.2 highlighted that PPPs form an important component of BEE as they serve as a vehicle for wealth creation. (*The National Treasury: Standardised PPP Provision* Section (55.2), 2004:234). It is the government's intention that PPPs provide a showcase for its strategy for Broad Based Black Economic Empowerment (BBBEE). The *Broad Based Black Economic Empowerment Act, 2003* (Act 53 of 2003) provides the following policy objectives:

- i. direct beneficial ownership by black people of equity in the private party;
- ii. direct participation by black people (especially black women) in the management control of the private party and the subcontractors and in the day-to-day management and operation of the project;
- iii. direct participation by black people and black enterprises in the subcontracting arrangements and the procurement requirements of the private party and the subcontractors;
- iv. skills development opportunities for black people employed in connection with the project whether at private party or subcontractor level and the realisation of employment equity targets; and
- v. beneficial socio-economic impacts at local community level (for the benefit of SMMEs, the youth, the disabled and non-profit organisations).

Pursuant to the above objectives, there seems to be the potential for the PPP to make contribution towards wealth building. Features that make PPPs inherently suitable for achieving BEE objectives are as follows:

- i. the long-term nature of PPPs provides an opportune instrument to grow black equity and black management over time;
- ii. risk is clearly identified in PPPs;
- iii. the formation of private consortia in the form of special purpose vehicles (SPVs);
- iv. PPPs provide significant subcontracting opportunities for black enterprises;
- v. PPPs create jobs;
- vi. where the Government is the buyer of a service, and insofar as the service is provided to the agreed standards, there is a steady revenue stream to the private party, reducing the risk to new black enterprises;
- vii. principal equity sponsors in a PPP are often also first-tier subcontractors, building incentives for optimal risk management;
- viii. PPPs have far-reaching broad-based BEE potential: through subcontracting and procurement mechanisms they can involve a full spectrum of large, medium and small enterprises, and bring tangible, local, economic development benefits to targeted groups of people; and
- ix. return on equity to the private party is competitive where risk is properly assumed (Public Private Partnership Manual, 2004:7).

In spite of the above features of PPP making the achievement of BEE possible, there remain challenges to achieve sustainable BEE in PPPs. These are listed as follows:

- i. there is a small pool of black equity in South Africa as blacks historically have not accumulated capital and it is a challenge for black enterprises to raise required levels of equity at reasonable prices;
- ii. the sources of BEE funding are generally expensive, reflecting lenders' assessment of risk associated with new enterprises whose balance sheets may be relatively small, or whose experience may be relatively limited;

- iii. the costs of independent financial and legal advice to black enterprises are an inhibiting factor in the preparation of bids, during contract negotiation and during start-up, often leaving black partners in a consortium vulnerable to concluding disadvantageous arrangements;
- iv. there are limited black experience and skill in PPPs, resulting in an uneven playing field in relation to partners that are established companies;
- v. established companies in the consortia often become obliged to provide sponsor security for the committed BEE capital and to guarantee the performance of the black partners, contributing further to the uneven playing field for consortium members;
- vi. dividend distributions typically do not occur in the earlier years of a PPP, which is hard for new black enterprises participating as shareholders in the private party; and
- vii. there are few experienced black South African PPP transaction advisors (The *National Treasury PPP Unit*, 2004:8).

Though the above challenges are not exhaustive of all relative PPP challenges, they nevertheless remain worthwhile to reckon with. Other challenges range from the complexities of registering a company and the time it takes to have a company registered to having to understand the tax implications. These may pose further challenges to aspiring entrepreneurs from the previously disadvantaged communities.

#### **4.4 CRITICAL FACTORS TO ENSURE PPP SUCCESS**

Several factors that are critical to ensuring the success of PPPs in South Africa are referred to (United States Agency for International Development, 2005:34). The critical factor worth mentioning is the commitment at the highest level to create an environment where the provinces have strong support from the national government through the National Treasury's PPP Unit. The other critical factors are:

- i. creating a sound financial management structure;
- ii. establishing a solid regulatory framework;
- iii. creating a dedicated PPP unit, which drafts and updates guidelines, screens projects and carries out regular training of Public Sector officials;
- iv. placing strong, visionary personnel in key government departments, who understand the critical role of the private sector in promoting economic development;
- v. promoting access to international expertise, particularly in the early stages of the project; and
- vi. putting into place an effective communication strategy and providing on-going outreach to the private and Public Sector beneficiaries.

In spite of these successes, the challenge that remains is the legislative constraints to implementing municipal PPPs, for instance. The United States Agency for International Development (2005:35) states that municipalities in South Africa must comply with more requirements than national and provincial bodies. Banks, for instance, will not lend money to a municipality where the national government can intervene through a veto or impose a tariff or rate increase cap, thus putting at risk the revenues required to service debt.

Though women form a greater part of the designated groupings that stand to benefit out of PPP/BEE initiatives, other youth-based initiatives such as *Umsombomvu* will assist in ensuring that the youth in South Africa do not only become job seekers but also job creators. The following section discusses the PPP initiatives for women development, the youth and people living in rural areas.

#### **4.5 THE ECONOMIC POSITIVES OF PPP THROUGH BEE AND BBBEE**

In order for the economic positives to be realised, it is critical that pieces legislations are in place, implemented and monitored. The economic positives of BEE/BBBEE are realisable through PPPs. Of importance is the availability of human capital and

commensurate skills to implement the policies of the Government, which seek to advance the reduction of poverty among the previously disadvantaged communities. It is important to take into consideration a number of factors ranging from the provincial readiness to implement PPPs to the availability of resources. To measure the success or failures without taking into consideration the material challenges faced by provinces may not be advisable. Central to this study is not only the availability of finances but also human resource. The state of readiness in terms of human resource depends on the availability of skills to implement government policies.

The BBBEE is enshrined in the *Broad Based Black Economic Empowerment Act, 2003* (Act 53 of 2003), which as a feature of BEE seeks to expand the empowerment to cover the broader sector of the previously disadvantaged groups which are women, workers, youth, people with disabilities and people living in rural areas. These groups are expounded on in the paragraphs that follow. The *Broad Based Black Economic Empowerment Act, 2003* (Act 53 of 2003), outlines integrated socio-economic strategies through which these groups can be empowered, being:

- i. increasing the number of black people that manage, own and control enterprises and productive assets;
- ii. facilitating ownership and management of enterprises and productive assets by communities, workers, co-operatives and other collective enterprises;
- iii. human resource and skills development;
- iv. achieving equitable representation in all occupational categories and levels in the workforce;
- v. preferential procurement; and
- vi. investment in enterprises that are owned or managed by black people.

With reference to the above, socio-economic strategies lend credence to the Government's quest for socio-economic transformation in South Africa, where the previously disadvantaged groups benefit from the BEE initiatives. The *Broad Based*

*Black Economic Empowerment Act, 2003* (Act 53 of 2003), refers to the establishment of a BEE advisory council, which must report directly to the President of the Republic of South Africa. The role of the council will be to report and advise on the direction that BEE takes. Reference is further made to a regulation document referred to as the *Codes of Good Practice*, which seeks to put BEE into effect.

The *Broad Based Black Economic Empowerment Act, 2003* (Act 53 of 2003) empowers the *Codes of Good Practice* to deal with the following:

- i. interpretation and definition of BEE and BEE entities;
- ii. qualification requirements for preferential procurement;
- iii. measurement indicators and weighting compliance for broad-based BEE;  
and
- iv. guidelines for the various economic sectors to comply with the requirements of the Act or Codes of Good Practice.

The *Codes of Good Practice* may also determine the targets necessary to achieve BEE and stipulate the time frames within which these targets should be reached. The preparedness across the country to adopt the principles of BEE through public-private partnership is encouraging. The *Broad Based Black Economic Empowerment Act, 2003* (Act 53 of 2003) binds the organs of state and public entities to determine qualification criteria for the issuing of licenses, procurement policy, the sale of state owned assets and entering into partnership with private sector entities.

The availability of a legal framework has come in handy and has created the much-needed political will to put mechanisms in place for the much needed economic growth. This alone may not be enough given the high level of challenges ahead. These challenges include bringing rural communities on board through local government; community-based organisations (CBOs), non-governmental organisations (NGOs), business sector and provincial governments.

Having referred to the enabling environment that has been created by the available legislation, it is necessary to highlight the objectives of *Broad Based Black Economic Empowerment Act, 2003* (Act 53 of 2003). The entire exercise should be seen to be based on these objectives. The study focuses on the application of these pieces of legislation. It is in the interest of this study to assess the success and the failures of this endeavour.

The objectives of the *Broad Based Black Economic Empowerment Act, 2003* (Act 53 of 2003), are listed below. Section 2 (a) – (g) points out that the objectives of this Act are to facilitate broad-based black economic empowerment by:

- i. promoting economic transformation in order to enable meaningful participation of black people in the economy;
- ii. achieving a substantial change in the racial composition of ownership and management structures and in the skilled occupation of existing and new enterprises;
- iii. increasing the extent to which communities, workers, co-operatives and other collective enterprises own and manage existing and new enterprises and increasing their access to economic activities, infrastructure and skills training;
- iv. increasing the extent to which black women own existing and new enterprises, and increasing their access to economic activities, infrastructure and skills training;
- v. promoting investment programmes that lead to broad-based and meaningful participation in the economy by black people in order to achieve sustainable development and general prosperity;
- vi. empowering rural and local communities by enabling access to economic activities, land, infrastructure, ownership and skills; and
- vii. promoting access to finance for black economic empowerment.

The above objectives bear relevance to what the study seeks to realise, namely, highlighting the concept of *BEE*. For the above objectives to be realisable, there has to be a reasonable state of readiness on the part of all government structures and spheres of government. This may take the form of the establishment of a council or setting up of codes, as referred to earlier, to the benefit of the previously disadvantaged sectors of the community namely: women, the youth and rural communities. The following section focuses on the readiness in respect of provinces to meet the challenges attendant to lending a helping hand to these sectors.

#### **4.5.1 WOMEN EMPOWERMENT**

The women form part of the study in respect of them falling within the category of the previously disadvantaged. Jack and Harris (2007:159) assert that the inclusion of broad based schemes makes women relevant to accelerating BBBEE. The *Employment Equity Act*, 1998 (Act 55 of 1998) includes in its category women, including White women. It is against this backdrop that the discussion of BBBEE will include this category as well. The linkage between women as beneficiaries of BEE and BBBEE remains relevant in this study. The reason for this is that the current category of some successful BEE beneficiaries who are known to have political links remain male dominated. It is vital to isolate the empowerment of women to identify those areas in which women stand to benefit such, as the building sector and engineering, which appear to be dominated by males. The same applies to rural development and the need for it, given the unique environment in which rural areas are located.

The Department of Trade and Industry (DTI), (2006) has released a document titled South African Women Entrepreneurs' Network (SAWEN), which seeks to bring women on board the business sector. The organisation has the following objectives:

- i. to provide a national vehicle that brings women together and addresses the challenges faced by them;
- ii. to lobby the Government, public and private institutions on such issues;



- iii. to align SAWEN with other bodies or organisations with similar business at national and international level, and to leverage the relationships arising out of these alignments for the benefit of its members;
- iv. to facilitate access to business resources, information and opportunities for african women entrepreneurs in a way that promotes their effective participation in the global economy; and
- v. to profile and affirm women in business leadership positions in both the private and Public Sector.

The importance that the above initiative has in empowering women within the context of BEE cannot be reputed. The achievements of SAWEN are listed as follows:

- i. registered as a Section 21 company;
- ii. established and staffed the national SAWEN head office, based in Bryanston;
- iii. secured R2, 000 000 per annum operating budget;
- iv. established provincial chapters in eight provinces, with Mpumalanga yet to be launched;
- v. recruited 2 000 potential members who own small to medium enterprises countrywide;
- vi. organised international educational and empowerment trade missions with Beijing, Morocco, India, New York, etc.;
- vii. ensured gender-sensitive BEE strategy;
- viii. facilitated business linkages between SA women entrepreneurs;
- ix. facilitated business linkages between SA women and those from United Kingdom; and
- x. exposed more women to various local and international business forums (DTI, 2006).

The fact that women have been singled out for empowerment in the area of business for the purposes of poverty alleviation is appreciated, though it remains to be seen as indicated in Chapter 6 of this study whether this goal has been sufficiently achieved.

The challenge remains how to reach out to women in rural areas, though this will be discussed in the following section. Critical to this establishment will be for example, the language barrier. The identification of target groups may pose a challenge if focus would only be on women who are already in business to the exclusion of those who need to be in business. The vision of SAWEN as indicated below, poses a challenge as it appears that women entrepreneurs are the only beneficiaries. The organisation's vision states that:

*SAWEN will represent and articulate the aspiration of all women entrepreneurs that operate within the South African SMME sector.*

The mission statement of the organisation states that:

*SAWEN is a South African national network that facilitates and monitors the socio-economic advancement of women entrepreneurs and their positive impact on the country's economy (DTI, 2006).*

Both the vision and mission statements above point to women who are already entrepreneurs. The vision/mission statement poses a challenge as it cannot be assumed that all women are entrepreneurs. This being the case, the majority of women are likely to be excluded from participation in these economic initiatives. Gauteng News (2008), states that women are given preference in employment opportunities and in this case women should benefit directly from the Gauteng Provincial Government (GPG) preferential procurement policy, which is being implemented by all GPG departments and agencies when buying goods and services.

The challenge ahead is of greater magnitude given the fact that the world is not static. Magau (2006) states that young women need to redefine the work culture since the social culture is changing while the board room management style will take a while. The challenge of representivity needs to be met with rigour in order to redress inequalities. Women form 52,1% of South Africa population. The total percentage of employed

women is 42,3%, women executive managers form 19,8%, women directors 10,7% and only a poultry 6,2% women are CEOs and board chairs.

Skill acquisition poses a challenge as the level of illiteracy is much higher among women. According to Statistics South Africa (1996) 36% of the population aged 20 years and older was illiterate. *Illiteracy* here is defined as fewer than seven years of formal schooling. Comparatively more women (55%) than men (45%) were illiterate, Forgey *et al.* (1999/2000:112). The picture above is likely to thwart every effort to make the government-identified goals on poverty possible. Perhaps a comparative study with China has to be conducted, as it said to have consistently made significant inroads in matters of poverty alleviation, for example.

The main challenge in the BEE initiatives remains women that may be seen around the corner selling vegetables and snacks. How do these women get assisted to be able to compete productively in the open market? The issue that these women may not be sufficiently trained in the basic business practice remains a worrying factor. The role of the municipalities in this sector is critical in as far as building stores and other form of shelter for these women to effectively participate in the free market economy. The foregoing initiative should include other women development programmes initiated by the municipalities. PPPs would come in handy where the women are trained for example, on how to grow vegetable gardens, understanding the seasons and climate required for the particular kinds of vegetables as well as how to market their produce. The Government should identify the underutilised pieces of arable land and lease it out for a period of time to the business sector where women with an interest in farming could be afforded opportunity to be trained in a variety of business ventures including marketing and leadership.

#### **4.5.2 RURAL DEVELOPMENT**

Cash injection for rural development increased, by opening new funds and committing to make available as much money in the next five years as it had previously. The previously

disadvantaged entrepreneurs benefit from change in banks' approach. Financial institutions such as Amalgamated Banks of South Africa (ABSA) are steadily moving into the small to medium and micro enterprise (SMME) space focusing exclusively on the historically disadvantaged, to enable them to meet their enterprise development targets within the financial sector charter (Anon, 2006:5).

The shift in attitude by the financial institutions should be applauded as a progressive move forward to assist those who are in dire need of this assistance. It may however, be problematic for banks to simply give the money away without first training the recipients on the basis of conducting banking transactions and budgeting processes. The drive towards banking the *unbankable* has been broadly supported. Financial assistance provided to aspirant business entrepreneurs should be purposeful and be guided by the need to achieve a particular goal. It however, needs to be borne in mind that the financing of activities of one sector by another does not constitute a PPP according to Fourie and Burger (2000:3). What constitutes a PPP is when the risk is transferred to the private operator, in this case, the financial institution. A possibility may arise where a subsidiary takes over the responsibility to empower the poor in the rural areas. In this case, the risk assessment would be vital in as far as ensuring that the subsidiary has a favourable capital structure in terms of equity/debt ratio to be able to continue with the task at hand, as the government cannot afford to see the empowerment project fall through. The following quotation propagates the transfer of resources into the second economy:

*Overcoming the two - economy divide requires us to transfer vast resources into the second economy. Wherever possible these resources must take the form of productive assets that enable our people to empower themselves in order to reverse the legacy of apartheid expropriation. This in turn requires that we transform the economic institutions that were constructed on the basis of apartheid fragmentation, and also create new institutions that are capable of meeting the urgent challenges of development (Micro-Finance for Poverty Alleviation February, 2005).*

The urgent needs in the developing economies remain job creation and reduction of poverty. PPPs should be harnessed to advance development objectives (World Economic Forum, 2004:1). Enhancing policy dialogue and advocacy through business coalition is one of the most effective models. This model entails domestic corporations, industry associations and foreign investors and operators engaging in basic education through coalitions working in partnership with the government with the overall goal of enhancing policy and endorsement to shape basic education that will in turn create a better workforce. It will be most critical to align PPP programmes with national and international development goals and targets for basic education, which guide the allocation of medium-term funding for education and ongoing national and local plans (World Economic Forum, 2004:1-8). Targets in this regard include enrolment, completion rates, gender parity and equality, assistance to vulnerable groups, attendance rates, repetition rates and various institutional, teacher and student performance requirements. Education plays a major role in achieving the Millennium Development Goals. The development of rural communities through education forms an integral part of poverty alleviation.

Former president Mbeki (2006) in his address at the second joint sitting of the third democratic Parliament states the need for improvement of the management, organisational, technical and other capacities to meet government objectives. These objectives are hampered by weaknesses in the implementation of, among other things, urban and rural development programmes. Mbeki (2006) posits that success in the growth of the economy should be measured not merely in terms of the return that accrues to investors or the job opportunities to those with skills. It should also manifest itself to cater for the marginalised of the Second Economy.

The South African Government in consultation with a wide range of key stakeholders has from 2000, been trying to intensify efforts to improve opportunities for and the well-being of the rural poor (From Action to Impact, 2002:15). The South African Communist Party raised critical concerns about the rural poor in South Africa. The national democratic revolution had to remain biased towards the rural masses (*Umsebenzi* Online,

15 March 2006). The challenges that go with this have been cited in the following paragraph. Suggestions in terms of how to address them are stated in chapter 5 of this research.

Former president Mbeki in his address to Parliament on 3 February 2006 (Mbeki, 2006) states that in order to implement AsgiSA, the state working through PPP will make large investments in various sectors to achieve the following:

- i. meet the demand for electricity;
- ii. provide an efficient and competitive logistic infrastructure;
- iii. expand and modernise the telecommunications infrastructure; and
- iv. satisfy the demand for water.

In line with the above, it is stated that the Public Sector will also have to accelerate infrastructure investment in the underdeveloped urban and rural areas of the country through the Municipal Infrastructure Grant, Expanded Public Works Programme and other infrastructure funds to improve service delivery in the area of the Second Economy. These are:

- i. road and rail;
- ii. water;
- iii. energy;
- iv. housing, schools and business support centres;
- v. sports facilities; and
- vi. multi-purpose government service centres, including police stations and courts.

Noting the challenge that goes with the implementation of these deliverables, former president Mbeki declared the following administrative measures that were put in place:

- i. better supervision of infrastructure projects undertaken by government;

- ii. ensuring that capital budgets are spent without roll-overs;
- iii. labour intensive methods were to be prioritised; and
- iv. the necessary training of workers to provide them with skills.

These initiatives are supported by the fact that AsgiSA has also identified sectors in the economy for accelerated growth, building on the work already done within the context of the existing Micro-Economic Reform Programme. These initiatives are:

- i. business process outsourcing;
- ii. tourism;
- iii. chemicals;
- iv. bio-fuels;
- v. metals and metallurgy;
- vi. wood, pulp and paper;
- vii. agriculture;
- viii. the creative industry; and
- ix. clothing and textiles.

Having identified these areas may not of necessity be an answer on its own. The challenge will be how these sectors would benefit the poorest of the poor out in the wilderness, to whom South Africa also belong. The following paragraph discusses these challenges in a nutshell.

Addressing the difficulty faced by the rural poor is not an easy task given the multiplicity of challenges the rural poor face. It has been stated in this study that corporate approach in addressing these challenges remains a desirable option. Education should provide curriculum that caters for the rural or farm needs. This should be done with the understanding that these children can as well enjoy to study in any other field of interest after completing grade 12. A more direct form of private sector participation in basic education is the provision of text books, computers, science and vocational training equipment and other educational and teaching aids (The World Economic Forum,

2004:5). Given the need for most schools to generate their income, even schools in the rural areas, it is imperative to remove some of the obstacles such as assuring priority for education over income generation, potential for mismanagement revenues due to the inexperience of teachers and governors in financial management and the temptation to reinvest school income to expand the income-earning venture rather than for educational purposes (World Economic Forum, 2004:6).

### **4.5.3 YOUTH DEVELOPMENT**

Gura (Gautalk, June 2006) states the following:

*Young people needed to play a bigger role in society, the economy and the province and understand their role in society.*

In supporting the statement above Creecy (Gautalk, 2006) points out that the Gauteng Department of Education will also work with the provincial government departments to ensure the effective implementation of the provincial youth development strategy. In order to realise the above, Gauteng has set up the Gauteng Youth Commission, which advise the Gauteng Provincial Government on youth development matters.

Among others, it is through sport and recreation programmes that the historically disadvantaged young people get developed to participate in competitive sport (Pahad, 2006). The development of the youth can happen in the area of venture initiatives, for financial independence.

The World Economic Forum (2004:3-6) states that it is difficult to generalise about the impact of PPPs on jobs. The trend in mature economies is that PPPs are less likely to create jobs. In developing economies however, where populations are still experiencing rapid growth rates and severe backlogs, PPPs result in further recruitment in the long-term to keep up with the demand for services and the expansion of infrastructure.



Farlam (2005:46) maintains that PPPs offer opportunities for the transfer of economic power to the local population through greater participation in and ownership of businesses. The youth as part of the population need to be given preference in this regard. PPPs can be good for the local people in the following ways:

- i. the long-term nature of contracts allows the growth of local equity and management over time;
- ii. risks are clearly identified in PPPs, clearly costed and appropriately allocated, so that black participants know in advance what they are committing to; and
- iii. the utilisation of a range of large, medium and small enterprises, through subcontracting and procurement, can bring tangible local economic development benefits to targeted groups.

The involvement of local communities in capital works has always been a challenge in as far as shortage of skills is concerned. There have been sporadic reports of discomfort from local communities whenever building contractors bring along their own workforce when contracted to build schools, for instance. The youth should form part of the targeted group in the establishment of medium and small enterprises, more especially the youth that has just left school or completed tertiary education. The next paragraph addresses PPP procurement.

#### **4.6 PPP PROCUREMENT**

In the Gauteng Provincial Government, the GSSC procures both capital work-related services and any other service for all line departments such as Health, Education, Social Welfare and Roads and Public Works. The (National Treasury, 2002:7) stipulates that the purchase of goods and services includes the following:

- i. general procurement of goods;
- ii. specialised goods and equipment;
- iii. consultancies and professional services;

- iv. capital projects; and
- v. hiring, letting or disposal of goods and assets.

The process of procurement is based on five pillars of procurement. The (National Treasury, 2002:8) enumerates the pillars as value for money, open and effective competition, ethics and fair dealing, accountability and reporting and equity.

#### **4.6.1 VALUE FOR MONEY**

Value for money remains an essential test against which procurement outcome must be justified. The procurement function must provide value for money by ensuring that all the unnecessary costs and delays for the government and the vendors are eliminated (*National Treasury, 2002:8*). The supply arrangements must be monitored with the view to reconsider them if they cease to provide the expected benefits. The value for money is an essential test against which a department must justify a procurement outcome and that price alone cannot be a reliable indicator as it may not necessarily be the lowest price that meets the mandatory requirements (*General Procurement Guidelines, 2006:3*). The PPP project that has been allocated on the basis of lower price may fail to deliver the expected outcomes within the stipulated period. It is for this purpose that a feasibility study becomes a vital process. Though the risk has been transferred to the private company to build a prison for instance, if the completion period is extended or the funds depleted, the need for a prison may not dissipate given the number of convictions the courts make. A lack of sufficient accommodation for prisoners will as a result have a debilitating effect on the justice system.

#### **4.6.2 OPEN AND EFFECTIVE COMPETITION**

Open and effective competition requires a transparent framework of procurement laws, policies, practices and procedures. This pillar encourages openness in the procurement process and effective competition through procurement methods suited to market circumstances. Departments need to research to get the best possible outcome from the

market. In order to get the best possible outcome, potential vendors should be allowed access to procurement opportunities, which are notified in the Government Tender Bulletin (*Draft Interim Procurement Framework Manual*, 2002:9). Adequate and timely information must be provided to vendors to enable them to bid in an environment where there will be no bias or favouritism. Fourie and Burger (2000:29) posit that PPPs do have the potential to improve the efficiency and effectiveness of delivery of certain government services. The selection of private operator should be guided by the ability to deliver service efficiently and effectively. Fourie and Burger (2000:22-23) maintain that when a PPP partner is regulated in the absence of competition, the likelihood is that there will be ineffective risk transfer, since the single supplier retains the contract irrespective of his or her performance level, which at the end may defeat the very purpose of PPP.

The departments should ensure that the bidding costs do not deter the open process as the outcome is commensurate with the benefits received. The barriers of language competence of potential bidders need to be taken into consideration when drafting the Government Tender Bulletin. With costs implication in mind when compiling the bulletin, the most-spoken languages in the province should be used as a means to communicate this vital information. In so doing a wider pool of participants will be drawn. Departments need to apply effort and research to get the best possible outcome from the market by ensuring that potential suppliers have reasonable access to procurement opportunities and that available opportunities are notified at least in the Government Tender Bulletin and that the costs of bidding for opportunities do not deter competent suppliers (*General Procurement Guidelines*, 2006:5).

#### **4.6.3 ETHICS AND FAIR DEALING**

All partners participating in procurement need to comply with the ethical standards. The identified qualities of ethical compliance require of participants to deal with each other on a basis of mutual trust and conduct the business in a fair and reasonable manner (*Draft Interim Procurement Framework Manual*, 2002:9). All government personnel associated with procurement are required to recognise and deal with matters of interest of conflict.

The personnel in the public sector are further required to conduct business with integrity. In conducting business with integrity, officials are required not to compromise the good standing of government through accepting gifts or hospitality. Disclosure of possible conflict of interest to the executive authority is of great of importance. Fourie and Burger (2000:24) state that the government bureaucrat as an agent of government may face an incentive to manage the PPP contract in a way which serves his or her own interests rather than the stated objective of the project.

The question of acceptance of gifts and hospitality poses historical challenges, though it seems as one of the ways of protecting the integrity of both the government and staff. This is the challenge that expresses the value systems that influence the belief systems of people and nationalities. The issue of ethics predicts, by its definition, that all people share common values and therefore common beliefs across the board. Internationally, there are countries where it is not acceptable, for instance, to give tips; these are countries such as Japan, while in India, South Africa and the United Kingdom, this is a common and acceptable practice. The cultural practices often affect how the populace gives meaning to their relationship with others. If for instance, a vendor is awarded a tender worth several thousands of rand and of the opinion it would be humane and appropriate to express the gratitude by giving officials gifts, it would be difficult for the giver to think he or she is breaking the law. The same applies to the recipients of those gifts.

#### **4.6.4 ACCOUNTABILITY AND REPORTING**

Accountability and reporting involve ensuring that individuals and organisations are answerable for their plans, actions and outcomes (*The Draft Interim Procurement Framework Manual*, 2002:9). Transparency and openness, which allow external scrutiny through public reporting, are essential for a sound and accountable administration. Line managers must adhere to the line of reporting, *i.e.* HODs are accountable to MEC and directors general to ministers.

The role of Auditor-General is critical as far as providing an objective audit report is concerned. It is expected of various departments to compile reports on their financial expenditures on regular basis. Through regular reporting, challenges get highlighted and addressed expeditiously. In the Gauteng Department of Education, for instance, all units and districts do submit quarterly reports to their various heads of office. The question is whether those challenges relating to procurement and budgeting for example, as identified in those reports, have been resolved and the necessary feedback provided for the districts to improve on their management thereof.

In the Gauteng Department of Education, for instance, it is vital for the districts to include in their reports, the state of procurement management for the schools under their jurisdiction. The reports will provide an indication of compliance with regard to procurement policies for the achievement of BEE.

Kroukamp (2005) maintains that a large number of features are needed for accountability to be rendered. In most of the BEE entities this appears to be a problem. The features needed for accountability are:

- i. clear rules and responsibilities: sorting out the roles and responsibilities of each of the parties involved in relation to government and legislatures is critical for good accountability;
- ii. performance expectations that are balanced with capabilities;
- iii. well-defined management structures: this goes with managing public monies, assets, etc. It must have well-defined management structure such as corporate boards, professional management and financial controls in order to fulfil its public obligations;
- iv. appropriate management regime: the Government needs to have an adequate monitoring regime in place to know whether the arrangement is accomplishing what is expected;
- v. partner dispute resolution mechanisms: if the arrangement involves partners, there needs to be agreement on how disputes among partners are to be settled;

- vi. procedures to deal with non-performance: some thought should be given to how to deal with non-performance;
- vii. specific evaluation provision: accountability mechanisms that need to be in place are appropriate evaluation and audit provisions; and
- viii. appropriate audit regime: the nature and extent of an audit regime is also an important matter. In collaborative arrangements, there is no easy way for legislatures to have a single audit undertaken of the whole arrangement.

Kroukamp (2005) assertion of accounting mechanisms finds resonance in a number of legislative measures encapsulated in *PFMA*, (1999). These are outlined in the paragraphs that follow. The clarity that was referred to by Kroukamp (2005) in the previous paragraph plays a significant role in the attempt to make those responsible for the achievement of the core business of poverty alleviation through BEE be held accountable.

Section 51(1) of *PFMA*, (1999) provides succinct responsibilities of accounting authorities for a public entity. These are that the accounting authorities must ensure that the public entity has and maintains:

- i. effective, efficient and transparent systems of financial and risk management and internal control;
- ii. a system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of Sections 76 and 77;
- iii. an appropriate procurement and provisioning system, which is fair, equitable, transparent, competitive and cost-effective; and
- iv. a system of property evaluating all major capital projects prior to a final decision on the project.

In addition to the functions above, the *PFMA*, (1999) stipulates that it is the responsibility of the accounting authority to execute the following functions:

- i. collect all revenue due to the public entity concerned;
- ii. prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct and expenditure not complying with the operational policies of the public entity; and
- iii. manage available working capital efficiently and economically.

The success of BEE programmes should not only be measured on the basis of the number of available policies without considering if these policies are implemented to the benefit of all whom they are intended for.

#### **4.6.5 EQUITY**

*Equity* has been defined as the application and observance of government policies, which are designed to advance persons or categories of persons disadvantaged by unfair discrimination (*Draft Interim Procurement Framework Manual*, 2002:9-10). This pillar ensures that the Government is committed to economic growth by implementing measures to support industry generally and specifically to advance the development of small, medium and micro enterprises (SMMEs) and historically disadvantaged individuals. The development of the historically disadvantaged individuals is driven by the quest to ensure greater participation of black people and women in the economy. This rationale is made achievable through the implementation of *Preferential Procurement Policy Framework Act*, 2000 (Act 5 of 2000).

The PPP procurement as outlined above seeks to bring to light the effect of the procurement system in poverty reduction and the creation of wealth. This system, notwithstanding its challenges, seeks to create an environment where the previously disadvantaged members of the society are accommodated in the economic mainstream. The potential outcome of this practice has been acknowledged in various ways by various politicians. The management of PPPs without leadership and management acumen would make it difficult for those charged with the responsibility to execute this function

to do so effectively and efficiently. The paragraph that follows discusses leadership for economic growth.

#### **4.7 LEADERSHIP FOR ECONOMIC DEVELOPMENT**

Cronje (2004) posits that most attempts at local economic development have failed and argues that there has to be a need to develop a different understanding of the reality and nature of poverty and development. The foregoing goes with an understanding of micro-development as it refers to community economies and the Second Economy. In the community economies, general trends seem to take on an exaggerated format. The community economies are more needs than demands driven. The asset base of communities is defined in four broad categories. These are:

- i. human capital such as labour, education, health;
- ii. social and institutional assets (household relations, trust, access to decision-making) *i.e.* in local governance;
- iii. natural resources (land, water, common property) and
- iv. human-made assets (housing, productive infrastructure, social infrastructure).

Cronje (2004) argues that poverty and vulnerability to poverty are closely linked to asset ownership. The ability to make good use of these assets and making them sustainable remains a challenge. Critical to the foregoing is the understanding by the community that these assets exist, hence the following quotation from Conje:

*When, however, there is little realisation amongst the community that these assets exist, or how they can be utilised, or when there exists little energy in the community to turn the negative aspects of the current situation into a better future, then there will not be a change in the community's vulnerability to poverty. In other words, poverty is characterised not only by lack of assets and the inability of the poor and underprivileged to build up an appropriate asset*



*portfolio, but often also by an inability to devise an appropriate coping and development strategy.*

The question could then be what the role of leadership should be in this regard. Cronje (2004) maintains that, *leadership* is a relationship between people. Leadership takes place within a cultural context. Cultural practices change with time. In changing times cultural practices and values must be subject to open examination, rather than being adopted blindly. Harris *et al.* (2004:116) posit that cultural conditioning affects attitudes towards the phenomenon of change and the concepts of leadership. They further posit that just as there are some cultural differences between American and European concepts of leadership, greater is the difference between European and Eastern cultures.

Harris *et al.* (2004:116) portrays the Asian culture as influenced by Confucianism, which seek stable society through the hierarchy of five unequal relationships extending from ruler and father to older brother, husband and senior friend. This factor will be addressed in full later in this chapter as it takes into cognisance issues of language and ethnicity. It seems as if ethnicity and language may form part of stereotypical attitudes toward those who may be at a lesser advantage if not kept under check. A stereotypical approach to doing business in South Africa will be influenced by language and ethnicity if no proper checks and balances are in place given the heterogeneity of the society in South Africa.

The implementation of BEE should happen in the context of a sound leadership that understands cultural dynamics. It is of interest to note that Cronje (2004) describes *leadership* as consisting of the time competence, inclusive, value based and transformational characteristics. He further states:

*Effective contemporary African leaders understand with their minds and hearts that they are part of a 'community of leaders. They allow others space to contribute and celebrate collective rather than individual successes. The being, thinking and doing of truly authentic leaders express simultaneously a part and the whole of our African existence.*

The question that needs to be raised further is whether those in authority in the public sector have really internalised the features of success as alluded to by Cronje. The challenge of creating space for others to contribute and celebrate collective success under the current system of evaluation for pay progression also raises serious questions that need to be answered with vigour. Though feedback remains an important feature in service delivery for employees to know how they are performing, it remains a challenge not to tie those achievements to an individual for the purposes of incentives and corrosion of social cohesion and human solidarity.

Certain qualities remain sacrosanct as far as leadership is concerned. Among these qualities is leading by example. Leaders at all levels should walk the talk, which makes it easier for followers to emulate and follow in their footsteps. The legitimacy of leadership revolves around good behaviour. This is normally noticeable by showing personal commitment to the values and goals established in the organisation. These should not be seen as conclusive of all key attributes of sound management and leadership. According to Gilgeous (1988:37) the following factors should be considered critical:

- i. bias for action: getting things done rather than too much planning;
- ii. close to the customer: listening to the customer and learning and striving to achieve quality, service and reliability;
- iii. autonomy and entrepreneurship: pursuing innovation, creativity and risk-taking through the efforts of people with leadership and championing qualities;
- iv. productivity through people: appreciating the value of workers as a main source of productivity and quality and providing them with training and giving them autonomy to enable them to continue in their productivity;
- v. hands-on, value-driven: top management providing clear understanding of what the business is about and developing an interest in its values throughout the organisation, particularly at shop floor level;

- vi. stick to the knitting: carrying on with what is known best in the business and being cautious about acquiring business whose core activities are not so well known;
- vii. simple form, lean staff: keeping structures simple and having a few top-level staff in the pursuit of improved flexibility and communication; and
- viii. simultaneous lose-sight properties: centralising control in terms of the organisation's culture, values and beliefs while decentralising control in terms of encouraging individual innovation, autonomy and entrepreneurship.

The above attributes are not acquired over-night. Earlier on a mention of mentorship was made as a formidable remedy to pervasive mismanagement in most of the BEE entities. The same goes for entrepreneurship. It is critical that these attributes are factored throughout the mentorship programmes and training, which are so direly needed for the successful leadership and management in the BEE entity.

The leadership or management debates above are complemented by Yukl (2006) by listing managerial and responsibility roles as consisting of the following:

- i. supervising;
- ii. planning and organising;
- iii. decision-making;
- iv. monitoring indicators;
- v. controlling;
- vi. representing;
- vii. co-ordinating;
- viii. consulting; and
- ix. administering.

Yukl (2006:33) further posits the theory of demands, constraint and choices as consisting of the core components which will be discussed shortly. Self-evident in Yukl's assertion of leadership is innovative thinking. In the light of the demand for a new way of doing

things, the innovative thinking plays a critical role. Innovative thinking is what entrepreneurship is about. It stands to reason that the foregoing aspects are critical for the implementation of BEE in South Africa. It may not be necessary to spell out the implication of each aspect at the present moment. The components referred to earlier on are as follows:

- i. Demands: these include demands for standards, objectives and deadlines for work that must be met and bureaucratic procedures that cannot be ignored or delegated, such as preparing budgets and reports, authorising expenditures, signing documents and conducting performance appraisal.
- ii. Constraints: constraints are characteristics of the organisation and the external environment limiting what a manager can do. They include bureaucratic rules, policies and regulations, which must be observed, and legal constraints such as labour laws, environmental regulations, and availability of resources such as facilities, equipment, budgetary funding, supplies, personnel and support services.
- iii. Choices: choices are the activities that a manager may do but is not required to do. Examples of major choices are the objectives, the strategies selected to pursue objectives, the aspects of the work in which the manager gets personally involved, how and with whom the manager spends time.

On account of the above, an inference could be made that leadership is complex. It remains unimaginable how BEE and PPP projects for poverty alleviation could be implemented without proper management and sound leadership. It has to be emphasised that the answer does not lie in policy development but in policy implementation and policy interpretation. These are critical to the government-initiated poverty alleviation programmes.

## 4.8 CONCLUSION

This chapter provided contextualisation of PPP and how PPP should operate to meet the requirements for service delivery and ensure broader participation of the previously disadvantaged groups in the economy of the country through preferential consideration for tenders, so as to achieve the wealth creation as envisaged in this study. The discussion in this regard was made with specific reference to women, youth and rural communities. The challenges, attendant to the implementation of PPPs, were mentioned in this chapter, which entail the need to build capacity of managers in the Public Service as a whole. The availability of legislative frameworks and policies pertaining to PPPs are supposed to be sufficient for the conducive environment for the effective and efficient implementation of PPP initiatives. The chapter focused on the role of the government and private sector in the PPP partnership. The chapter further focused on the criteria for a successful PPP procurement, with the understanding that for some services, neither the government nor the private sector alone can successfully deliver without the business sector playing an active role and that PPPs play an important role in shifting risk to the private sector and the transfer of skills to the Public Sector.

Management skills and creativity are important as far as managing the process of PPP implementation is concerned, as the process in itself may be convoluted where officials would be required to have some requisite skills. This could among other things, require of managers to have acquired the ability to specify the expected outcome that is commensurate to the input used. The exercise of feasibility study requires some level of understanding on the side of officials to be able to carry it out. The code of conduct of officials working directly with tenders and bidders is crucial to the success of PPPs. It is for this reason that the treasury retains the control over the PPP process, with all accounting authorities reporting all PPP initiatives prior the resumption.

Chapter 5 of this study covers a wide range of aspects playing a role in the implementation of effective and efficient BEE/BBBEE with specific reference to the ethical behaviour of employees. For the people's needs to be attended to, the element of

accountability on the part of the Public Sector as a whole is crucial. For accountability to be reinforced, it is necessary that the disciplinary code be adhered to. The reinforcement of the disciplinary code hinges on the relationships which are discussed in Chapter 5.