

CHAPTER 4: CONCEPTUALISM OF PUBLIC-PRIVATE PARTNERSHIPS (PPPs) OR PRIVATE FINANCE INITIATIVE (PFI)

While in the past, governments have defended their turf against the encroachments of free enterprise, today some governments are keen to shift more welfare provision into private hands to keep public spending under control and to avoid having to raise taxes or cut benefits (Rosenau, 2002:2)

4.1 Introduction

Neo-liberal arguments shaped ideas on public management reforms within the developed world during the 1980s and 1990s. They shaped public policy by emphasising market efficiency and the government's role as an enabler. The influence of both the libertarian and collectivist schools on political thinking in the developing world cannot be ignored. Chapter 4 discusses the balance between efficient spending on public goods and how to correct market failures against the impact of income distribution and voting through collective decision-making that benefits the majorities.

As governments accepted more and more responsibility for reducing poverty they found themselves pulled into matters that had less to do with economics and more with social policy. Considering that the demands on the welfare state grew, the complexities of governance in governmental institutions and administrative systems became more challenging. Privatisation brought about management reforms, load-shairing, asset sales and contracting out to cope with demands. The dividing line between the public and private sectors were continuously redrawn. Public sector reforms covered aspects such as layers in hierarchy, division of responsibilities, the creation of new relationships between service delivery agencies and changes in budgeting processes.

A paradigm shift occurred in budgeting with a movement from conventional budgeting towards public expenditure management. This shift forced governments to make choices regarding the financing of public expenditure and the allocation of resources which influenced health care outcomes. It became clear that separating the effects of public finance from public policy on social justice (distribution) and efficiency is impossible as outcomes are intertwined with choices, trade-offs and political promises. The raising and spending of public finance is predominantly influenced by political philosophies and the

ideologies a government supports and this underpins the citizen-state relationship. These relationships underscore the systems and tasks of those accountable and how the relationship of power is applied. Administrative reforms support political decisions and philosophies in their strategies for raising and spending of public finances. Chapter 4 explores the impact of political ideologies on the strategic role of public finance. It focuses on core issues of accountability and its influence on determining the role of the state as an enabler, facilitator and regulator.

4.2 Accountability and responsibility in public finance

The concept of voice and accountability has dominated development discourse (Goetz & Jenkins, 2005:8). Demirag, Dubnick and Khadaroo (2004:4) emphasise that *accountability* is a complex, abstract and elusive concept that takes on various forms which can include communal, contractual, managerial and parliamentary accountability. Governments' increased focus and responsibility to reduce poverty means that social justice cannot be separated without the insistence that the powerful must take into consideration the voices of the ordinary people, or that the citizens must be empowered to hold the powerful to account. Participation in decision-making forms the basis of the democratic process. Not all outcomes of participation in the democratic process are always the best available option, but they do portray the community's needs and desires at a specific time. The alignment between empowerment, responsiveness and voices of citizens with accountability becomes more complex as policies become broader-based and support hierarchical structures that develop towards horizontal and flexible frameworks.

Accountability is central to good governance. Good governance is an essential complement to sound economic policies (Dia, 2001:13). Defining accountability is therefore necessary in order to establish the impact of good governance structures on public finance. *Accountability* is described as a relationship of power that calls for answerability and enforcement by the key actors (Dia, 2001:13; cf. Pauw, Woods, Van der Linde, Fourie & Visser, 2002:136; cf. Goetz & Jenkins, 2005:12). The key actors in this relationship consist of a person who is obliged to give account of their actions and the seekers of accountability who insist on explanations or impose punishments. However, Goetz and Jenkins (2005:12) state that accountability is not synonymous with responsiveness or responsibility. They describe *responsiveness* as the desired attitude

of power-holders towards citizens in which concerns and problems of citizens are listened to with impartiality and fairness. Likewise, *responsibility* is closely related to accountability and is distinguished by the lack of formal compulsion. It corresponds closely to the notion of moral accountability, being accountable by virtue of shared humanity rather than a stipulated contract or an agreed set of standards.

Pauw et al. (2002:137) provide a broader description of *accountability* which includes aspects of responsibility, responsiveness and moral accountability and views accountability as a legal obligation of the administrative authority to report to other organs giving effect to the administrative authority's responsibility. By adequate separation of powers between the political and administrative authorities combined with oversight of the legislature, accountability is ensured (Pauw et al., 2002:137).

4.3 Comparing the operationally relevant objectives for public finance against the 4Es and public finance

The new public management (NPM) approach inspired a widespread shift to business-like reforms in pursuit of improved efficiency and effectiveness in regulation and service delivery. Bailey (2004:19) points out that the NPM literature emphasises the need to secure economy, efficiency and effectiveness (3Es) in the use of public finance while the social policy added equity to the issues (4Es).

Reddy, Sing and Moodley (2003:133) and Visser and Erasmus (2002:76) discuss the 3Es relationship between costs, resources, inputs, outputs, outcomes, impacts and results and emphasise that these processes are all value-based and associated with quality. The value-for-money approach introduced a new look at public finance in which the expected outcome of a function or service, and the resources required to achieve the outcome, must warrant the budget objective and policy intentions. Other Es such as equity, excellence, entrepreneurship, expertise and electability are part of the value-for-money chain and explain the complex processes associated with value concepts (Reddy et al., 2003:133).

Quality is associated with performance management and underpins practices and processes towards enhancing value for money. It defines the customer or user's judgement to the extent that it surpasses their needs and expectations. Therefore, the quality of a service or product includes the intrinsic value and factors such as

accessibility, reliability, durability, timeliness, accuracy, completeness, excellence and compliance with legal standards (Reddy et al., 2003:133). Quality and the perceptions of quality, value provided and willingness-to-pay (WTP) in health care defines claims to entitlement and how citizens experience their democratic rights (Freedman, 2005:21). Applying value-for-money approaches to the political ideologies clarifies the contributing issues that impact on shaping health care delivery. Table 4.1 offers insight into each of the three main political philosophies and provides a matrix for the 4Es and its implications for the public sector and public finance (Bailey, 2004:20).

Table 4.1: Comparison of the three political philosophies and its approach to efficiency, equity, economy and effectiveness

	Libertarian (origins in classic liberalism, focuses strongly on individual responsibility; no such thing as social justice)	Neo-liberal (Welfare statism) or liberalisation (Development ideology enjoyed increased popularity from the mid-1970s. Emphasises individual responsibility, and social justice is a strong factor)	Collectivist (Origin in socialism, a protectionist approach)
Efficiency (Ratio output: input)	Has a very narrow concept: based on market efficiency: Minimum production costs, Maximise consumption of commodities, Concerned with private benefits (securing property rights).	Modified market efficiency: qualified by public interest, Enables the creation of employment opportunities, investment potential, modify inefficient markets, Remove barriers to economic growth caused by market failure.	Has a very broad concept: based on social efficiency, Concerned with community-benefits such as equal education and health.
Equity	Judged in terms of free market welfare outcomes: reward for effort and talent.	Judged in terms of work-based welfare: horizontal equity, a need for government intervention to ensure all have the same opportunities, rights and responsibilities.	Judged in terms of social welfare: vertical equity (re-distribution through taxation and public expenditure) and social needs.
Economy (minimising cost of government intervention)	Secured by restricting government intervention in a capitalist economy (minimal state intervention) to safeguard only negative rights.	Secured by an enabling state, pursuing equality of opportunity through modified markets in a mixed economy.	Not a relevant concept when meeting collective needs through equality of outcomes.
Effectiveness (Goal attainment: Exclusive)	Market outcomes: Best achieved by laissez-faire, freeing markets to maximise productivity and	Limiting markets' maximising behaviour Abandons laissez-faire and recognises that market failure	Best achieved by eschewing markets' maximising behaviour in favour of government intervention to

focus is output targets, outcomes and impacts)	profits, but limits government intervention to negative rights. The economic welfare state resulting from laissez-faire relies on a trickle down to all social groups.	and government failure must be managed.	secure socially acceptable outcomes: Securing social outcomes requires copious amounts of public finance.
Implications for the public sector	Minimal state that enforces only ¹ negative rights (via justice). Private sector provision for public services: public-private partnerships. Minimal welfare state with focus on providing a safety net, Private insurance.	Heavily constrained state with some limited positive rights, Private and public sector provision through public-private partnerships. Conditional welfare state supported by public and private insurance.	Expansive state with full ² positive rights. Goods and services provided through public sector provision, unconditional welfare combined with public insurance schemes.
Implications for public finance	Laissez-faire state with emphasis on minimal public finance for goods or services. Private spending replaces public spending. Minimises the taxation burden, Regressive taxes, Borrowing and public debt very limited.	Enabling state with a heavily constrained public finance. Seeks additional finance for public spending. Tax is perceived as “bads” and not as “goods” for efficiency, Proportional taxes, Borrowing debt for efficiency purposes.	Provider state with unrestrained public finance. The implications for public finance in which: public spending replaces private spending redistributive taxes for equity progressive taxes, borrowing/debt for welfare.

Source: Adapted from Bailey (2004:6,20,21,22).

Table 4.1 demonstrates that various factors are affected by the components of public finance and this substantiates the symbiotic relationship between economy, society, political philosophy and the implications that these relationships have for public finances.

¹ Freedom from coercion, interference and discrimination (Bailey, 2004:6)

² Social and economic rights (Bailey, 2004:6)

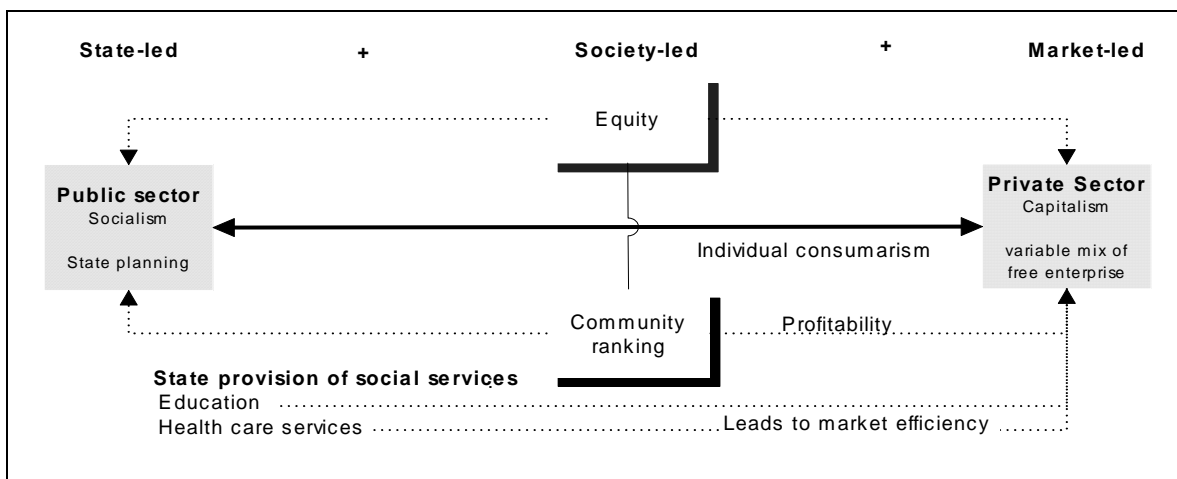
Each of the three philosophies has significant implications for the scale of public finance relative to the economy as a whole (Bailey, 2004:53):

- *Efficiency* defined by the libertarians is described as the ability of free markets to minimise costs of providing services through market efficiencies so that customers can maximise their consumption while collectivists argue that *efficiency* can only be defined in social terms such as community benefits. Neo-liberals try to prevent market failures by enabling the creation of employment opportunities through modified market efficiencies (Bailey, 2003:21).
- Libertarians define *equity* as rewards of the abilities and aptitude that generate profits. Collectivists define *equity* as extensive government interventions through redistribution of income (vertical equity) while the neo-liberals accept equity of market outcomes through regulation.
- *Economy* refers to the minimised costs of government intervention (value-for-money approaches). Libertarians argue that minimised costs are achieved through minimal state intervention. The collectivist sees no relevance of economy since public finance must meet the collective needs at all levels. The liberals argue that the best operational and strategic economic outcomes are achieved through an enabling state that modifies market processes and improves efficiency.
- *Effectiveness* means goal attainment. Libertarians believe that markets are the best at what they do and the government should not interfere but leave business and profits to the private sector. Collectivists judge effectiveness in terms of social outcomes. Neo-liberals acknowledge that government failure can be greater than market failure but government interventions must be justified through effective use of public finances (Bailey, 2003:22).

Determining which type of service needs public finance and the amount of public investment necessary to maximise social and economic efficiency and welfare, becomes a core issue which is closely tied to the political performance of a country. *Political performance* is the ability of political parties to find the correct inputs for political, governmental and administrative systems in order to deliver quality outputs that meet the needs to the satisfaction of society.

Public finance (public sector) and private property rights (private sector) have become synonymous resulting in the relative scale of public finance becoming greater to secure the desired mix of negative and positive rights (Bailey, 2004:53). Therefore, finding a balance between the relative size of the public and private sectors in a mixed economy (Neo-liberal philosophy) steered by the demands (benefits) and supply function, has become a major issue in policy-making. Market failures, government failures and distributional concerns underlie perceived policy problems. Figure 4.1 provides a layout of the issues that influence policy-making in a social welfare state:

Figure 4.1: “Relative size” of public and private sectors in a mixed economy



Source: Adapted from Bailey (2004:15).

Figure 4.1 illustrates that equity (society-led) becomes the pivotal point in the relationship between the market- and state-led policies. Visser and Erasmus (2002:27) support this argument by indicating that the distribution and allocation policies relate directly to the gross domestic product (GDP), facilitating and stimulating of the market. The GDP provides a picture of how distribution and allocation are divided between the public and private sectors. The trade-offs between distributive and allocative spending are becoming more and more difficult to manage, especially if revenue sources remain more or less stagnant (Visser & Erasmus, 2002:27). The way in which government manages its own finances are crucial as government spending constitutes a large part of the GDP (Visser & Erasmus, 2002:61).

The free market system functions on a demand and supply theory which dominates production and allocation of resources and means (Visser & Erasmus, 2002:24; *cf.*

Bailey, 2004:74-75). This means freeing markets are associated with deregulation, legalisation and privatisation. Unfortunately, because the free market system is based on the principles of capitalism, the supply and demand economics cannot ensure equitability in distribution and allocation (Visser & Erasmus, 2002:24). Rather, the changing demands of modern democratic societies have changed the role of government from a passive spectator to an active participator which implies that majority representation requires finding the most efficient solution to the scarcity problem (Visser & Erasmus, 2002:23; *cf.* Bailey, 2004:21). As the mixed economy presents features that enhance strategic richness and collective action, it is the best suited to provide solutions within democratic societies according to the principles of supply and demand with predetermined intervention from government (Visser & Erasmus, 2002:23). The public sector becomes the primary roleplayer in the modern economic systems in the supply of goods and services. Government functions in a political environment and its decision-making is influenced by a competitive market. Still, the government system is driven by politics and not economics (Greene, 2005:321). Although governments need money to operate it is only one part of the equation. Political elections in the democratic process determine which policy decisions are perceived as important and how health issues are pursued.

4.4 The relative scale of public finance

Distribution and allocation policies are executed through government budgets. Determining the balance between social and economic spending becomes a critical element that establishes wealth and physical well-being of all citizens. The difficulty of decision-making in allocation, distribution and stabilising policies is increased due to specific societal conditions. The distribution and allocation policies relate directly to the gross domestic product (GDP) and how the two major economic role-players, government and the private sector, are divided (Visser & Erasmus, 2002:27).

Bailey (2004:54) and Visser and Erasmus (2002:61) state that the gross domestic product (GDP) is the most accurate and reliable indicator of the relative scale of public finance within the domestic economy. Likewise, Gross National Product (GNP) can also be used. Table 4.2 presents available figures for the total expenditure for health as percentage of GDP in the developed and developing countries:

Table 4.2: GDP for health of developed and developing countries, 2002

	Case Study 1	Case Study 2	Case Study 3	Case Study 4	Case Study 5
Total expenditure on health as a percentage of GDP	6.5% Spending is forecast to rise to 7.6% of GDP, 2006	14.6% Is expected to increase to 20% over the next few years due to high inflation in health care. Highest health care spending of all developed countries.	6.1%	7.4%	8.7% Forecasts indicate that health spending will increase significantly over the next four years due to inflationary behaviour.
Public health expenditure	83.4%	44.9%	21.3%	27.9%	40.6%
Private health expenditure	16.6%	55.1%	78.7%	72.1%	59.4%
Out-of-pocket expenditure	55.90%	25.40%	98.50%	52.30%	20.9%
Prepaid plans	18.6%	65.7%	0.7%	0.2%	77.7%
Definition: Total health expenditure is the sum of public health expenditure and private health expenditure					

Source: Adapted from WHO (2006).

Table 4.2 provides a comparison of how public and private health care is divided between the two major economic roleplayers. Public health spending is the highest in Case Study 1, while the other countries all show a trend of high health care spending in the private sector. Case Study 3 mainly finances its private health care expenditure through out-of-pocket schemes. This means HIV/Aids-infected people are very vulnerable as poverty restricts access to health interventions. The public sector is relatively smaller than the private sector. Government encourages public-private partnerships (PPP) in health care. Case Studies 2 and 5 mainly use pre-paid plans such as private health insurance schemes to pay for health care. Health care in Case Study 5 is viewed as one of the world's highest inflationary medical systems and compares to

Case Study 2. The inequities that developed in health care due to market-driven economies (supply theory) affected both the developed and developing countries.

A comparison of how the distribution and allocation are divided between the private and public sectors showed the following results. Questions that centred on health care markets and the relative size of the public-private sectors in health care provision showed that there was a strong growth in the private sector. The private sector was perceived as being more effective and efficient in service delivery. Competitive tensions between sectors were important and determined the relative size of the public and private sectors. It was essential that governments managed these tensions to prevent monopolies from forming.

Public finance/GDP ratio is referred to as a proportion of public expenditure within the GDP. Table 4.3 further explains the four public finance/GDP ratios as presented by Bailey (2004:54, 55) and how this impacts and steers decision-making in allocation and distributional policies:

Table 4.3: Four public finance/GDP ratios

Public expenditure/GDP ratio: "... provides an indication of the balance between public and private sector provision" (Bailey, 2004:54). It also gives an indication of the degree to which government intervenes in the economy. Society attempts to influence the availability and consumption of services such as health care.

Tax/GDP ratio: "... provides an indication of the extent to which the state appropriates citizens' incomes directly from employment, interest, dividends, capital gains and wealth or indirectly by taxing subsequent expenditure" (Bailey, 2004:55).

Public sector borrowing/GDP ratio: "... reflects the excess of public expenditure over public revenue. It can be affected by either or both of the following: Investment in long-lived physical infrastructure such as roads, schools and hospitals. Borrowing spreads costs over successive generations benefiting those that use the infrastructure. In this way those who benefit bear the cost, consistent with "intergenerational equity". The extent to which the current generation of taxpayers is living at the expense of future generations of taxpayers" (Bailey, 2004:55).

Public sector borrowing/GDP ratios are influenced by political philosophy. Both neo-liberals and libertarians believe that the private sector must play a major role in providing physical infrastructure. They require that the public sector borrowing/GDP ratio must be small in contrast with collectivists that require high borrowing/GDP ratios.

Borrowing/GDP ratios are part of the budget cycle and must adopt the "golden rule":

Borrowing in the public sector must not exceed its net capital spending (should not be used in part to finance current expenditures), but must finance that part of capital expenditure not funded by capital receipts.

Public sector debt/GDP ratio: Provides the measure of commitment to repay annual interest on debt and repaying over a period of years the original sums borrowed.

Source: Taken from Bailey (2004:53-58).

Each of the four public finance/GDP ratios discussed in Table 4.3 is interlinked and is detrimental factors in determining the relative "size" of the public and private sectors. Strategically they provide different measures of relative scale of public finance within the national economy and have different implications for public policy. The macroeconomic strategy sets out the medium- and long-term objectives within an uncontrolled and constantly changing environment. Through an effective macroeconomic plan

government is able to manipulate the functioning of the market together with its financial management systems, procedures and controls (Visser & Erasmus, 2002:59).

Public-private partnerships (PPP) became a mechanism within the macroeconomic plan that manipulates the functioning of the market together with its financial management systems as it impacts on the relative size of public finance. PPP are procurement tools of the public sector. It created environments within the national, provincial and local spheres of government that are congenial to private sector participation. Changing perceptions and a broader view towards social responsibility moved public-private partnerships to the top of many national and international agendas and they are becoming an integral part of the regulatory framework dealt with in policy agendas (Tegegn, 1997:31; *cf.* Ketchum, 2001:7; *cf.* Reich, 2002:2).

4.5 Building state capacity: allocation mechanisms

Allocative efficiency refers to the capacity of the budget system to distribute resources according to the government's priorities and programme effectiveness (Schick, 2001:20). By using public finance sparingly, many social and economic benefits are gained. It does not only improve the standard of living by fostering national prosperity through investment in physical and human capital in the long term but in the short term, it also offsets greater private sector income and economic growth (Bailey, 2004:164).

There are various ways in which the state can promote economic growth. This can occur through economic regulation where decisions are based on determining whether an investment is socially beneficial and improves productivity. Likewise, the role of the state is to regulate monopolies, provide public goods and correct externalities. Therefore, an effective state intervention in the economy is to regulate allocations and interventions through various measures (Kraan, 1996:179; *cf.* Przeworski, 2003:167). In a sense the regulation is endogenous and depends on the consequences and alternative actions to be taken. The efficiency of allocations in the market is influenced by three key issues:

- An increase in returns.
- Whether the goods are commodities which are non-rival in consumption.
- The externalities effecting the actions of an individual and the welfare of others.

However, as soon as one of the three issues becomes filled, the market fails. The “command optimum” becomes a tool to determine the allocation by society. The Pareto efficiency stipulates that no one can be better off without someone else being worse off. This is balanced by someone voting against changing the situation towards achieving an allocation associated with an efficient equilibrium (Przeworski, 2003:27).

Efficiency in the allocation of resources requires local rather than central decisions regarding tax costs and how services should be financed. Bailey (2004:224) stresses that allocative efficiency underpins the decentralisation principle of decision-making. It requires local governments to be as small as possible. The size and structure of local governments have profound implications for the costs necessary to enable efficient and equitable service delivery. Whilst smaller local governments are able to match service provision with preferences, problems are created with spillovers and tax exporting as well as horizontal equity (Bailey, 2004:224). This means that service responsibilities must be allocated to the local sphere of government rather than central government.

Public-private partnerships (PPP) or private finance initiative (PFI) are terms that were introduced in the United Kingdom by the Thatcher government (Feigenbaum, Henig & Hammett, 1998:59; *cf.* Rennie, 2003:31). The provision of investment finance by the private sector is a major component and relates particularly to the provision of infrastructure which often includes the outsourcing of related services. In the past, outsourcing was a common route followed by local governments. It is therefore seen as the forerunner to partnership agreements. The partnership agreements involve an invitation of bids from the private sector on a strict tender basis. Competition between private service providers becomes a cost-effective deal in the outsourcing process. However in outsourcing, the risk is passed to the private sector and there is no element of partnership.

Competitive tendering is a variation on outsourcing (Reddy et al., 2003:204). Through competitive contracting government enables the private sector to compete for government contracts and as such implement more effective measures of financing and choices through voting by matching service provision with the citizens’ preferences (Feigenbaum et al., 1998:8; *cf.* Reddy et al., 2003:204). Competitive tendering is sometimes called market-testing. Procurement under competitive tendering ensures

transparency, fairness and acquiring comparative value for money (Pauw et al., 2002:235). Europe and the United States have used competitive tendering as mechanisms to create more efficient public sector departments.

Joint ventures relate to informal arrangements whereby parties agree to work together or share equity on an informal basis for the provision of services. As soon as the joint venture is formalised within a legal binding agreement it becomes a partnership with its own legal status and tax status. A *partnership* can be defined as a contractual agreement with another organisation for the delivery of a service or goods. Various types of partnerships are formed and depend mainly on the nature of the party with whom the partnership is formed. As soon as there are more than five partners, the alignment becomes more complex, fluid and the boundaries shift continuously. Some of these partnerships can then be seen as networks (Kickert, Klijn & Koppenjan, 1997:54).

The concept of policy networks for problem-solving and societal governance provides an alternative to the reaction of governments to the limits of governance proclaiming a strategic retreat by privatising, deregulating and decentralisation (Kickert et al., 1997:2). Kickert et al. (1997:4) disagree with the ideas of the NPM which has been dominant for the past ten years. Rather, they support the idea of public management as network management in which the public, semi-public and private sectors participate in certain policy fields. Network management is a form of steering aimed at promoting joint problem-solving and policy development. Network steering is about creating strategic consensus for joint action within a given setting (Kickert et al., 1997:46, 167). *Networking* therefore refers to strategies and patterns of relations that are characteristic to policy networks and consist of operational and institutional levels. On the operational level, behaviour is goal-driven in which the context is given and immutable. The institutional level is that of the network. Various types of partnerships or networks determine how the institutional level is constructed and how interaction between players occurs. Table 4.4 provides a layout of the different types of partnership and their subsequent impact on contract negotiations.

Table 4.4: Types of partnerships utilised to improve service delivery

Type of Partnership	Definition
Public-private partnership (PPP)	<p>This is the most common form of partnerships. Reddy et al. (2003:204) defines a <i>public-private partnership</i> as:</p> <p>“...A contract between a public institution (municipality) and an individual or privately owned or controlled partnership, company, trust or other for-profit legal entity”.</p> <p>Arrangements are based on medium- and long-term contracts that include a well-functioning system of rule of law, transparency and accountability. The technical process for creating a PPP is tied to the budgeting and financial systems.</p> <p>There is a range of differing forms of public-private partnerships (Rennie, 2003:6). These forms are interlinked with the least amount of risk and the duration of the contract:</p> <ul style="list-style-type: none"> ○ Subcontracting ○ Operation and maintenance contracts: Includes service contracts or classical contracts. Governs exchanges of discrete and specific nature. Obligations are straightforward. Stretches over periods of one to three years (McCoy, Buch & Palmer , 2000:4) ○ Leasing ○ Concessions: <ul style="list-style-type: none"> • Build-operate-transfer concessions (BOT) <p>The build-operate-transfer (BOT) schemes are used as a form of non-debt financing of public sector activities that stretches over periods of 25 to 30 years. Private contractors finance the construction of capital assets through non-debt financing in which the cost of capital assets is recovered through user fees. (Adam, Cavendish & Mistry, 1992:8) state that BOTs represent a contracting out of the process of fixed capital formation. Asset ownership and control are reverted to the public sector. It follows a pay-back period during which the private operator earns revenue from the asset. In reality there is no true privatisation as the basic authority and responsibility for service delivery are retained by government (Cooper, Brady, Hidalgo-Hardeman, Hyde, Naff, Ott & White, 1998:396; Rodrigues, 2002:2). Adam et al. (1992:8) argue that BOT</p>

	<p>schemes were a variant of the standard practice of public works contracting in the face of financial constraints by which the remuneration system for the contractor is switched from a lump-sum payment to a risk-bearing payment scheme spread over a specific time.</p> <ul style="list-style-type: none"> • Build, operate, own concessions (BOO)
Public-public partnership	Reddy et al. (2003:204) defines a <i>public-public partnership</i> as "... a contract between a municipality and any public sector entity, including another council or parastatal".
Public-NGO/CBO partnership	Reddy et al (2003:204) describes a <i>public-NGO/CBO partnership</i> as: "... a contract between council and a not-for-profit non-governmental organisation (NGO) or community-based organisation".

Source: Adapted from Adam, Cavendish, Mistry (1992:8); Cooper, Brady, Hidalgo-Hardeman, Hyde, Naff, Ott, White (1998:396); McCoy, Buch, Palmer (2002:4); Rodrigues (2002:2); Dutz (2003); Reddy, Sing, Moodley (2003:204); Rennie (2003:6).

Table 4.4 shows that the difference in allocations greatly impacts on the type of contract and context negotiated between the sectors. These forms of service agreements include a range of service contracts, long-term concessions and management contracts. In general, service agreements (contracts) within the public sector are viewed as mechanisms to enhance performance by clarifying and formalising roles and responsibilities. It encourages planning and adherence to priorities. An aspect which managers often misjudge is the variety of contract costs that increases as soon as contracts become more complex, intricate and detailed (Walsh, Deakin, Smith, Psurgeon & Thomas, 1997:40,128; cf. McCoy et al., 2000:7-8). The PPP option is interwoven with the type of contract, the form of relationship and co-ordination arrangements and how administrative processes are developed to enhance the structure and execution of the PPP throughout the project life cycle. Public-private partnerships are only viable options when return on investment (ROI) is maximised and risks are minimised. As soon as risks become too high and costs rise, investors cut on operational costs and shift the risk back to government. Cutting operational costs can lead to inferior services and more costs for government to maintain and improve services or goods. The key success factor of a PPP is therefore based in the management of the initiative and the associated risks throughout the project life cycle.

Fiscal decentralisation and the difficulties associated with the construction of partnerships in the health sector are nowhere more evident than in the delivery of primary health care. The responsibilities for delivering a comprehensive primary health care system never belong to one sphere of the health system, but require a vertically integrated and tiered health care system where the different levels of management and administration work together in a complementary way (McCoy et al., 2000:7). The vertical division of resources is based on the constitutional allocation of functions. This means that the delivery of health care services is a provincial responsibility (Visser & Erasmus, 2002:27). The complexities associated with the contractual relationship between the province and local spheres of government may involve various contracts between the parties. This means PPP in the primary health care system need flexible and rational approaches to the contracting and shaping of financial strategies (McCoy et al., 2000:8). These complexities are increased by variations in resources, administrative capacity, geography, population size and experiences in health care. Decisions on the role of government and who should provide the services and goods are determined by the distinction between public and private goods and the supply and demand function of the market.

4.5.1 Supply and demand function of the market

While public and private goods are both provided by government, the most important building block becomes the distinction between public and private goods and how it is influenced by the two supply characteristics also known as rivalry (example, health) and non-rivalry (example, defence) (Bailey, 2004:74-75). One can therefore conclude that the nature of public goods is not determined by whether it is financed privately or publicly but rather if it benefits one person or a number of people (Hillman, 2003:63). This means the benefit of public goods is collective (non-rival) to a number of people, e.g. defence is a pure non-excludable public good in that it benefits all members of society while toll roads are an impure collective public good in that it excludes some members of society from these benefits. There are certain reasons why public goods may be provided more efficiently in the public rather than the private sector and vice versa (rivalry and ³non-rivalry theories) (Kraan, 1996:197). Table 4.5 presents a matrix of commodities that exist

³ Non-rival consumption refers to a characteristic that determines that by using the good or service, the availability does not decrease (Pauw et al., 2002:19).

and the factors that influence consumption of goods and services in a Walrasian economy.

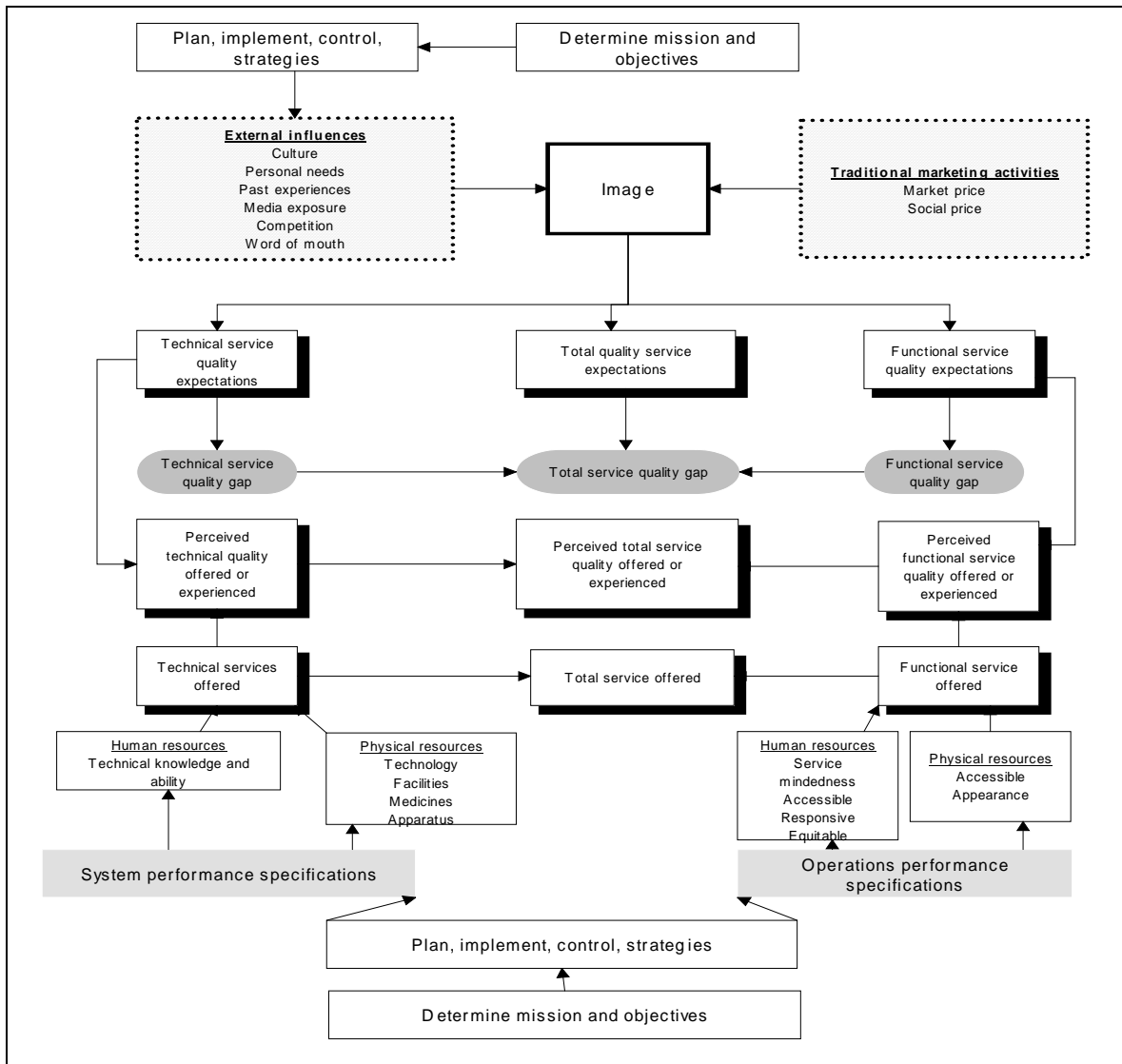
Table 4.5: Supply characteristics of commodities

	Excludable (Refers to a characteristic of certain goods that excludes members of society from their benefits)	Non-excludable (Refers to a characteristic of certain goods in that it is impossible to exclude members of society from their benefits)
Rival	Particular or private	Quasi-collective
Non-rival	Collective Impure public: Club, toll “...Individual benefit from an impure good declines with the number of users because of congestion effects” (Hillman, 2003:64)	Collective Pure public: defence “...A pure public good provides the same level of benefit for everybody independent of the number of users” (Hillman, 2003:64)

Source: Adapted from Hillman (2003:64); Przeworski (2003:32); Pauw, Woods, Van der Linde, Fourie, Visser (2002:19).

As indicated by Hillman (2003:67), a distinction between public and private goods is based on how people value the same quantity of goods and their willingness-to-pay (WTP). Quality is often considered to be a key to success. In a service context, technical and functional quality becomes the foundation of effective governance. Creating a technical advantage is paramount to quality issues and the most difficult to sustain (Gronroos, 2000:70). Developing a functional service quality adds substantial value, though the technical quality of the outcome of a service process is the prerequisite for good quality. WTP is linked to expectations and experience variables. Added to this, perceived quality is tied to image and brand. WTP is directly tied to people’s perception of the market value plus social value. WTP is determined by the market price and their perception of the context of quality and value for money. The synthesised model of quality in Gronroos (2000:70), adapted in Figure 4.2, provides further insight into the service delivery in the public sector, quality and customers’ WTP.

Figure 4.2: Synthesised quality model for public service delivery



Source: Adapted from Gronroos (2000:70).

The weakest-link public goods are a form of public goods for which the amount available is the least amount that is voluntarily financed by any member of society (Hillman, 2003:84). WTP is therefore tied to people’s expectations of service outcomes and the image created (Gronroos, 2000:70; cf. Hillman, 2003:93). Figure 4.2 explains the factors that are instrumental in creating the image people have of services. This depends on their perception of the technical (knowledge and skill of clinician, the medical infrastructure, apparatus and medicines) and functional service quality (accessibility, responsiveness, equitability and service-mindedness of providers). The combination of

the technical and functional aspects influences the WTP. Government's role in co-ordinating weakest-link public goods is to avoid free riding and to set and enforce standards that avoid opportunistic behaviour.

As the benefits of public goods are supplied in the same quantities to everyone, efficient supply of inputs and efficient spending become the key issue. This requires co-ordination of decisions and efficient access to goods and services to everyone who wishes to benefit from it. Hillman (2003:94) is of the opinion that efficient access and natural monopoly introduce the question of whether the government should be involved in directly supplying goods as opposed to financing public good benefits.

4.5.2 Raising public finance: strategic budgeting and the effect of public-private partnerships on service delivery

Public policy refers to a proposed course of action and may be viewed as whatever government chooses to do or not to do (Anderson, 2000:4-5; *cf.* Kuye, Thornhill, Fourie, Crous, Mafunisa, Roux, Van Dijk & Van Rooyen, 2002:71-73; *cf.* Greene, 2005:272). *Policy* is defined as a statement of intent and is therefore directed towards accomplishing a purpose or a goal (Anderson, 2000:4; *cf.* Kuye et al., 2002:71). The way in which public resources are used determines if the policy objectives were achieved (ODI, 2005:1). Distributive policies involve using public funds to assist particular groups. Distribution relates to the distribution of resources such as transfers in kind, subsidies and cash grant transfers in line with socially acceptable and equitable terms. Distributive justice requires that public goods are made available to people equitably (Pauw, Woods et al., 2002:7, 155). As Pauw et al (2002:7) point out, *equity* means that everyone gets an equal amount or is required to make exactly the same input. The distribution of income in the form of services and goods thus depends largely on the distribution of national income and the degree of participation of the community in the economy (Visser & Erasmus, 2002:28). However, to distribute goods and services based on preferences of individual members is a case of impossibility as emphasised by the impossibility theorem. The situation changes when a market approach is followed and preferences are based on market prices (Pauw et al., 2002:7,18)

Various sources for raising public finance are available to governments, although the largest revenue comes from taxing (McKinney & Howard, 1998:356; *cf.* Bailey, 2003:132). Other sources include charges (user fees), privatisation sales, borrowing,

state lotteries, donations, payments in kind and special assessments (Bailey, 2004:132). Public-private partnerships and the allocation of private finance are viewed as a more sustainable form of privatisation. Planned acquisition and use of resources are therefore tied to public policy decisions while public finance administration provides the relevant information for making budgetary decisions. Progressive tax policies have come to be a basic tenet of democratic societies for they promote equity. Revenue allocation is a political activity (process) provided for in the constitution through the budget in which the ultimate objective is based on meeting the people's needs and desires. The Government collects taxes until the revenue equals expenditures and those whose preferences count are represented by an amount. Parallel to the public economy the private sector allocation is determined through market forces in which the pricing process determines how the ultimate objective is met (McKinney & Howard, 1998:359).

Pauw et al. (2002:100) state that *strategy implementation* is an operational process which involves the sum total of all actions by the selection of choices to achieve the objectives in the most efficient way. It is essential to link specific spending objectives through an operational plan, the budget. *Budgets* are mechanisms that contain all the monetary implications in a dynamic and ongoing process (McKinney & Howard, 1998:360; cf. Visser & Erasmus, 2002:49). With the devolution of powers and the decentralisation of budget responsibilities, line managers became primarily responsible for the development of their own strategies which gave them more operational discretion (Schick, 2001:11). With the introduction of the value-for-money approach the focus within departments shifted from managing inputs towards managing the outcomes (Visser & Erasmus, 2002:79). This meant that managers now have to work towards a vision and outcomes instead of providing inputs (ODI, 2005:1).

The overarching mission determines the starting point and defines how the service delivery is to be constructed towards the vision and outcomes to be achieved (Kaplan & Norton, 2001:72). The emphasis in budget decision-making is placed on strategic and operational (tactical) planning which includes maintaining aggregate fiscal discipline, allocating resources in accordance with government priorities and promoting the efficiency of service delivery (Schick, 2001:13). These three tasks become central to the spending (fiscal objectives) and delivery of services and goods that influence public sector planning where the public sector benefits from lower costs while the private sector

derives profits. The budget serves as a mechanism through which its fiscal policy (loans, budgeting, taxes) is put into effect (Visser & Erasmus, 2002:50). A typical public-private partnership allows for the provision of capital assets through loan agreements that entails an element of risk in terms of costs and benefits, necessary for the provision of services (Bailey, 2004:141). Whether PPP do save money compared to solely public sector provision of services over long periods of time, is according to Bailey (2004:143), still an unknown factor. He believes that the strategic issue is to ensure that there should be a substantial transfer of risk to the private sector and that there is a large net gain for the public sector in achieving the 4Es.

4.5.3 New roles for accountability actors

Blurred boundaries between the public, private and NGO sectors have had significant impacts on the roles and actions of vertical-horizontal accountability (Kettl, 2003:39; *cf.* Goetz & Jenkins, 2005:80). Traditionally, citizens and civil societies have been relegated to participate in vertical channels of accountability through voting and advocacy. As participation moved towards horizontal channels and the boundaries became more blurred, one saw an increase in loose networks of service providers. Governments found it difficult to maintain legitimacy and to retain their roles as leaders of the network instead of just being another participant in the network process (Kickert et al. 1997:9). This happened as managers managed less through vertical authority and more through horizontal and a wide variety of other strategies. Officials found themselves delegating authority in the traditional ways but were discovering that the old mechanisms for ensuring accountability were ineffective (Kickert et al., 1997:9; *cf.* Kettl, 2003:59; *cf.* Goetz & Jenkins, 2005:80). Co-ordination is the cornerstone of public management. A lack of co-ordination can be seen as the diagnosis for its failures as the responsibility for implementing programmes are more broadly shared through horizontal policies. Devising effective co-ordination strategies is becoming more difficult and authority becomes a less effective tool to solve problems (Kettl, 2003:60). Pursuing efficiency or responsiveness is far more difficult when the boundaries of responsibility are undefined.

When partners share the responsibility for managing programmes it all depends on how well partnerships work. Managing government programmes effectively depends on bridging vague boundaries that separate those who make it from those in the complex interdependent chain of who share responsibility to implement it. Kettl (2003:60)

identified six unclear boundaries that are of particular importance in public programmes as they impact on accountability structures:

- Policy-making versus policy execution.
- Public versus private versus non-governmental sectors.
- Layers within the bureaucracy. Flatter bureaucracy trims middle management and widens the gap between responsibility for critical management and administration decisions.
- Layers between management and labour cause tensions in public and private sectors and affect performance of public programmes.
- Connections between bureaucracies are more difficult because service recipients and policy reformers are demanding more service co-ordination and managers find it difficult to sort out the responsibilities of each bureaucracy.
- Connection with citizens: reformers treat citizens as customers.

The relationships between the public and private sectors are further complicated by powerful actors such as multinational firms that exercise vast power over citizens in the country from which they operate. These multinational organisations are steered by profitability and return on investment (ROI) which finances future operations. Goetz and Jenkins (2005:78) question the accountability of the pharmaceutical industry and point out the benefits that an industry gains from publicly funded research, government-granted patents and large tax breaks. Although these actors are not new, activist pressures and public deliberation have changed the criteria on which performance is assessed. This meant revising the criteria by which performance is assessed and changing the relevant standard of accountability rather than enforcing compliance on financial and technical rules (Goetz & Jenkins, 2005:78).

4.5.3.1 New standards of accountability: a new accountability agenda

The new accountability agenda shows a shift in standards when actors assume new roles and they reach across old accountability jurisdictions to create new ones by using new methods that demand answers. *Standards* refer to the set of activities for which power-holders are accountable and the criteria determine the methods used to assess the performance and behaviour of actors (Kettl, 2003:59; cf. Goetz & Jenkins, 2005:78).

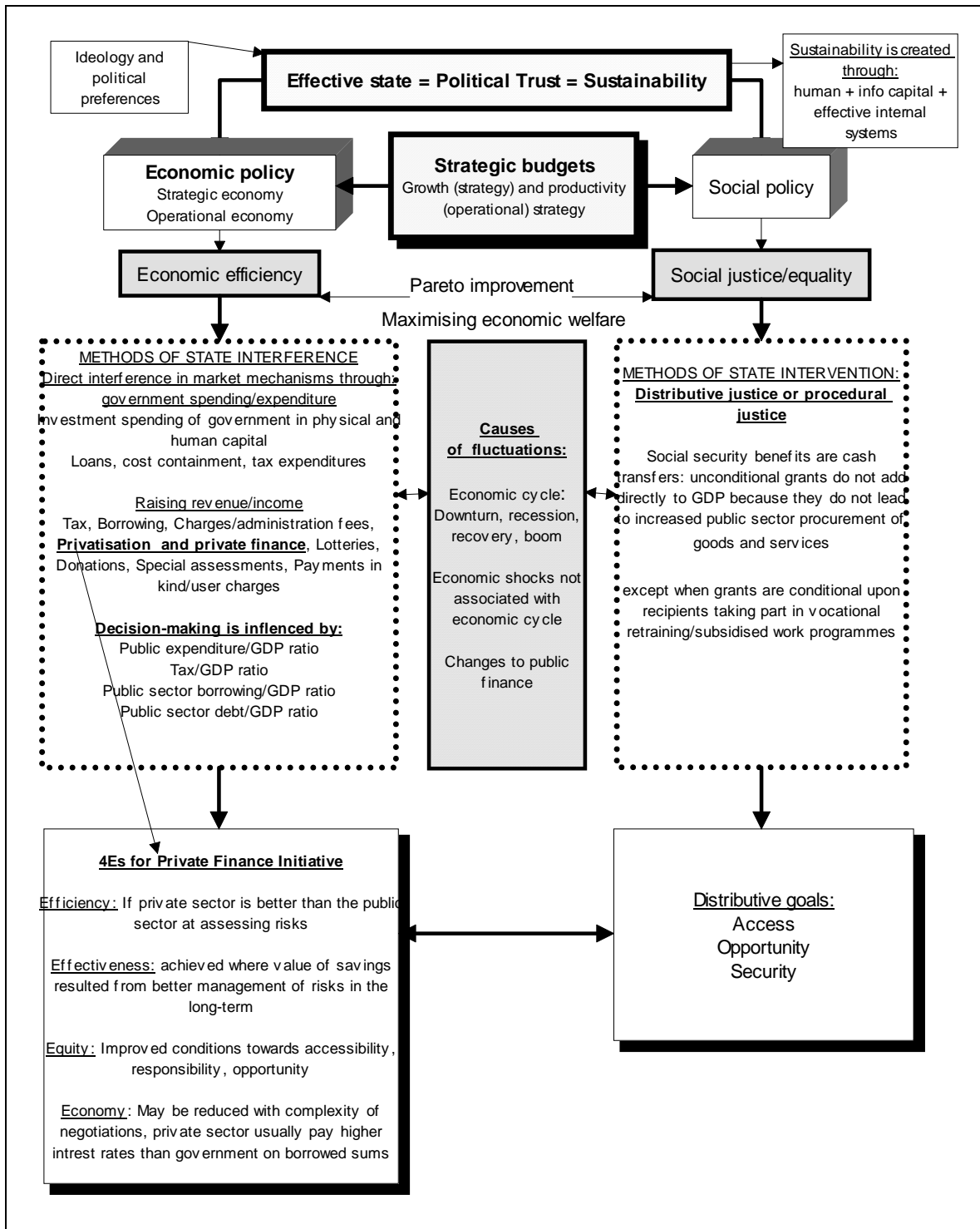
How public administration perceives values and practices has profound implications for the effectiveness and efficiency of government. Public administration represents a manifestation of governmental power. The structure and function of public administration and governance refer to the way government gets the job done. Due to emerging gaps between how government gets the job done and the supporting governance structures, tensions are developing between what government has to do and its capacity to do the job. Standards and procedures define the conduct of democracy and shape the relationship between government and its citizens. The absence of clear and internalised distinctions between public and private actors has weakened governance structures and complicated the standards for accountability.

4.6 Strategic public finance: “4Es” on spending and delivery

Fiscal policy deserves a wider acceptance as a tool for implementing and planning a development strategy. Fiscal policy offers a set of instruments that pursues the best use of resources in terms of efficiency, equity, employment, price stability and satisfactory growth. Welfare is thus a composite of efficiency, equity, price stability employment and growth objectives (Wolfson, 1979:3; *cf.* Hyman, 2005:70). Through its fiscal policy government aims to steer the economy in the direction that will benefit the society and its economy. Social spending is not regarded as value-adding in the growth of economies because the more government spends on social issues the less it has available to use on investment spending which results in the decline of economic growth. Rather, investment spending promotes economic growth and increases wealth (Bailey, 2004:86).

Creating changes in the macroeconomic and microeconomic environment, as well as finding a balance between the outcomes, force governments to continuously change their spending strategies (Abedian & Biggs, 1998:11; *cf.* Bailey, 2004:5). Also, spending patterns are linked to ideologies and influence budget mechanisms and controls, preferences and elements of coercion. Political philosophies in neo-liberal markets have mostly favoured increased social spending due to a social welfare approach to interventions. Figure 4.3 illustrates the balance between economic and social policy and the role that strategic finance plays in allocating and distributing incomes.

Figure 4.3: Strategic public finance



Source: Adapted from Barr (1998:69-83); Visser and Erasmus (2002:5, 49-51).

All government activities and programmes are affected by the way revenues are raised and how public money is spent (Abedian & Biggs, 1998:11-13). In order to obtain the optimum supply of goods and services from the market, procurement management through competitive tendering offers positive economic growth in that it enhances competitiveness and job creation. Fiscal policy provides a way to improve the co-ordination of the economy as it involves minimal coercion while it economises on administrative resources and scarce decision-making capacities (Wolfson, 1979:6). As an indirect tool, fiscal policy supplements and improves the operation of price mechanisms as the principal co-ordinator of the economic system.

Figure 4.3 identifies four trends in the economic cycle that influence government revenue structures and the economy. These trends create fluctuations in the market that have major impacts on revenue-collecting structures of public finance. The causes of fluctuations are attributed to a downturn in the economic cycle that results in recession, recovery or an economic boom. Financing the distribution of social security benefits depends on the methods government uses to raise revenues to support its distributive goals and how government is able to forecast the effects of these trends on its revenue allocation.

4.7 PPPs and public finance: adding value for money

The budget is the primary instrument through which governmental functions and objectives are reached (Visser & Erasmus, 2002:71). Greene (2005:235) provides us with an overview of public budgeting and identifies five goals for budgeting. These five budgeting goals are important drivers for decisions on allocation, equity and stabilisation of the fiscal and monetary policies. They manage the economy, choose among competing alternative priorities, produce the right mix of programmes that can balance the needs of the public and private sectors (relative scale) allowing the economy to be productive and see to it that individuals are provided for, review and control the performance of government departments and are a valuable form of accounting that provides comprehensive statements about activities. Rosenau (2002:37) states that the increased use of PPPs reflects an underlying desire to develop and sustain close working relationships with the external markets. Through public-private partnerships government works directly with private firms in formal and informal relations where they jointly pursue common goals (Feigenbaum, et al., 1998:8). A shift occurred in which the

state now purchases final services, leaving the private and NGO sector to design, build and own the assets. Buying services rather than assets required that governments created different incentive structures in order to achieve efficient service delivery.

The role of the private and NGO sector in delivering services for which the government remains the primary purchaser by utilising the public-private partnership (PPP) model is investigated and questioned in this study. The PPP model comprises two main tasks: the building of assets and the service delivery using the asset. In building the assets, investment improves efficiency of the asset for its purpose. The design of the asset makes the asset more efficient and lowers service delivery costs (Farquharson, 2005). It is imperative that government creates incentives through appropriate contract design to observe and align both the builder's investment and the resulting cost implications of structural designs on the costs of service delivery. "...So in the overall scheme of things perhaps a bit more time and money spent at the front end, unattractive as it might seem, is actually a cheaper option overall" (Farquharson, 2005).

Public programmes that require private sector finance through investment must be viewed on a whole-life cost basis. The whole-life cost view allows the private sector partner to formulate the most effective approach to the provision of services and infrastructure (Reddy et al., 2003:147). Value for money is thus tied to feasibility studies. Competitive tendering utilises bidding/procurement whereby the competitive process offers optimal value for money in terms of the specifications and conditions laid down by the tender document (Pauw et al., 2002:235). Farquharson (2005) states that competition is absolute key to the PPP process, if one does not have a competitive tension the prices go up. Risk allocation must be sensibly done. Placing too much risk on the private or NGO sector reduces competition as people will not come to bid and too little risk does not give government value for money. Balancing risk and competition complicates the problems associated with the creation of incentive structures for PPPs. Therefore PPP must be seen as a complex procurement mechanism. How concessions are managed and awarded are critical elements in preventing the creation of monopolies. "...there are two activities taking place. It is what happened during the concession itself, how do you regulate the terms upon which services are provided and the terms on which it is paid for. That is the terms of the concession and there is then the

regulation on how to manage the process of selecting and awarding concessions or bids to the private sector. It is all about maintaining competitive tension” (Farquharson, 2005).

Public procurement is used as a mechanism in developing countries to achieve certain social objectives. Various definitions are available to describe procurement. Reddy et al. (2003:147) define *public procurement* as: “... the science or perhaps the art, of getting the most for the taxpayer’s money in a whole spectrum of buying, leasing or otherwise acquiring goods and services. While Pauw et al. (2002:227) define *procurement* as: “... the acquisition of goods and services – other than the services of officials – for the People and their administration by means of commercial transaction”.

4.7.1 Defining public-private partnerships (PPPs)

PPP describes the formation of co-operative relationships among government, the private profit-making organisations and non-profit private organisations (NGOs) to fulfil a policy function (Rosenau, 2002:5). Partnerships represent efforts to bring competitive market discipline to bear on government provision of goods and services through procurement. There are mixed feelings worldwide about utilising PPP as a mechanism to improve efficiency and effectiveness. It is argued that PPPs are complex and that the different cultures of public and private sectors weaken accountability structures (Rennie, 2003:29-30).

PPPs are on top of the list of UN agencies and are seen as mechanisms that enable effectiveness and efficiency (Richter, 2004:43). The term *partnership* is a dominant slogan in the rhetoric of public sector reforms (Wettenhall, 2003:77) Even though the UN leaders have promoted closer interaction with the commercial private sector, there is no single agreed definition in the UN system for PPP (Richter, 2004:44).

Privatisation is sometimes referred to as a public-private partnership or “market decentralisation” and it is described as a subtype of delegation (Cohen & Peterson, 1999:29). *Public-private partnership*: “...occurs when government divests itself of responsibility for carrying out a given public sector task or providing a given service” (Cohen & Peterson, 1999:29). It is therefore seen as one of the approaches that can be used within the privatisation continuum (Feigenbaum et al, 1999:8). Likewise, public-private partnerships describe the relationship in which government works directly with

private firms in formal or informal relationships to jointly pursue common goals. Privatisation became an instrument for institutional reform by which economic activity is transferred from the public to the private sector thereby reducing excessive government spending (Wettenhall, 2003:78).

Wettenhall (2003:78) notes that “competition” was gradually replaced by the language of “public-private partnerships, cooperation and relationships”. Many neo-liberal democracies emphasise new governance structures that are associated with holistic government features and that assume prominence in efforts to improve service delivery. Partnerships became an alternative to privatisation, corporatisation and contracting out (Wettenhall, 2003:78). Partnerships, in particular PPP, became the dominant slogan in discourse about government, governance and development. Theories of privatisation and development thinking confused sectoral mixes and sectoral blurring. Privatisation often resulted in some sort of private mix. These forms of private mix were applied in different combinations in each country. The semantic problems inherent in privatisation actually led to sectoral blurring as the term *partnership* in many of these applications led to increased confusion (Wettenhall, 2003:88).

Rennie (2003:29) explains that the issues facing PPP seem to be similar across countries. The success factors, advantages and disadvantages also do not differ significantly, but the regulatory frameworks appear to be the turning point that creates success. During an interview with Farquharson (2005), he emphasised that the definition used by a country shapes the regulatory frameworks of PPP as implemented in that country. He pointed out that the UN definition of PPP is very different from the definition used by the PartnershipUK (PUK) mainly because the UN definition is much broader and follows the US definition (Rennie, 2003:31; cf. Farquharson; 2005).

PPP have become a cornerstone of government modernisation programmes. Flinders (2005:215) claims that PPP raise a host of political issues concerning capacity, structure and the residual core of the state, commitment to collectivised health care, as well as the democratic legitimisation of new forms of governance.

4.7.2 The role of PPP in health care reforms

A *global PPP for health care* is defined as: "...a collaborative relationship which transcends national boundaries and brings together at least three parties, amongst them a corporation (and/or industry association) and an intergovernmental organisation, so as to achieve a shared health-creating goal on the basis of mutually agreed division of labour" (Buse & Walt, 2000:550). Gro Harlem Brundtland was one of the prime movers behind the surge of partnerships in the health arena. She believed that the complex health problems faced worldwide cannot be solved by WHO, governments, NGOs or private sectors alone. It needed a new and innovative partnership approach to bridge the gaps in service delivery and achieve health for all (Richter, 2004:54). PPP has become a prominent feature of the global health landscape.

Financing health-related issues showed clear resource gaps. It was estimated that the worldwide resource gap for implementing PHC was 50 billion US dollars per year (Lee et al., 2002:99). Severe fiscal deficits due to a weak tax base required many countries to increase their foreign debt and pursue structural adjustment programmes (SAPs). A main feature of SAPs (propagated by the UN agencies) was to create policy conditions that reduced public expenditure in social sectors including health. The rationale behind this was to reduce bloated state apparatus and provide the private sector with resource-generating activities such as user fee structures to fill the resource gap. The introduction of SAPs worsened the health problems faced in many of the developing countries as existing infrastructure became obsolete.

PPP in health is about procurement of health infrastructure such as the refurbishment of health estates and getting value for money doing so (Farquharson, 2005). Most countries used PPP to develop infrastructure and not for clinical service delivery. Countries are moving towards applying PPP in clinical services, though they are still hesitant (Muller, 2005). No single focus on HIV/Aids was found (Farquharson, 2005; cf. Muller, 2005; cf. Picazo, 2005; cf. Pillay, 2005). The reason for this was that HIV/Aids centres on social values, poverty and development. PPP is focussed on profit-making. Combining profits with behavioural issues, poverty and development was impossible.

Reducing poverty and applying social justice were the responsibility of government as there were no profits to be made. HIV/Aids are therefore weakest-link public goods.

4.8 Conclusion

Introducing value-for-money approaches to public health care and finding a balance between the relative size of the public and private sectors steered by demand- and supply functions did not only become a major issue in national policy-making scenarios, but also the core issue of disputes in international HIV/Aids policies worldwide. As the distribution and allocation policies relate directly to the GDP, the trade-offs between distributive and allocative spending becomes very difficult to manage. This is evident in the prominent international policy struggles steered by six giant pharmaceutical companies (GlaxoSmithKline, Boehringer-Ingelheim, Bristol-Myers Squibb, Hoffman-LaRoche, Merck & Co. and Pfizer) and their profit motives, as well as the US's manipulation of the six UN organisations together with their regulatory systems that enable them to further their own interests and underscore their free market ideologies.

One has to take into consideration that the developed rich countries have sufficient resources available to cope with the increased demands that HIV/Aids places on their health care systems and less than 10% of the HIV/Aids case loads which enable them to turn Aids from an inevitably fatal diagnosis to a chronic condition. The contrast between the developed and developing countries lies in how they solve the pandemic as this becomes the central theme in understanding the issues relating to HIV/Aids and framing challenges. In contrast, the developing poor countries are faced with increased social spending, neo-liberal market ideologies, 90% of the HIV/Aids cases, poor infrastructure that reduces access to health care resulting in high debt/GDP ratios. At the basis of all disputes the central issue is not material costs but the strength of competing values and the tensions between the structure and function of public administration and governance and how each government applies its values to further its own needs.

Finding ways to fund the increased of demand for social services and providing adequate infrastructure to improve access to health care as well as resolving huge service backlogs become critical. PPP are mechanisms that offer government new ways to procure services and assets through financing schemes with the private sector and that provides them the chance to pay for it over the life time of the project instead of

once-off payments that immediately requires big amounts of cash. Utilising PPPs as a mechanism towards fiscal responsibility is therefore tied to how government perceives its role and function in creating intervention strategies that attend to the collective interest of its citizens and enhance well-being. The external markets forced a shift from the state-centric policies to more complex forms of governance. The influence of the NPM movement changed the role of government and the public administrator as it blended together with businesslike approaches and value-for-money approaches through improved governance. The next chapter explores the influence of ideologies on formulating government policies and strategies.