

## CHAPTER 1

# PUBLIC PRIVATE PARTNERSHIP IN SOUTH AFRICA WITH REFERENCE TO THE REALISATION OF BLACK ECONOMIC EMPOWERMENT

## 1.1 INTRODUCTION AND BACKGROUND

Black Economic Empowerment (BEE) is an initiative that pays special attention to the socio-economic conditions of blacks in South Africa through public-private partnerships (PPPs). There are a variety of causal factors responsible for poverty among the designated groupings, such as blacks in general and black women in particular, specifically in the rural areas. In spite of BEE in South Africa being a relatively new initiative, a lack of sufficient policies, literature and research may inevitably pose a challenge in drawing a conclusive observation in respect of administrative processes supporting the realisation of BEE through PPPs.

In this study *PPPs* are defined in line with the *Public Finance Management Act, 1999* (Act 1 of 1999), which throughout the study is referred to as the *PFMA, (1999)*. Section 16(1) (a)-(b) of the *PFMA, (1999)* defines a *PPP* as a commercial transaction between an institution and a private party. The private party either performs an institutional function on behalf of the institution for a specific period or acquires the use of state property for its own commercial purpose for a specified or indefinite period.

The definition of *public* is presented in line with Geuras and Garafelo (1999:4) as the ethical value in the standard of public interest applied to every member of the community. An inference can be drawn that it will be difficult to define *public* without mentioning government or political community as in this study they are inextricably intertwined.

Though there might be a need to define the terms *public* and *private* separately, the emphasis for the purpose of the research should be on what the concepts mean in the context of the study. According to the available literature referred to in this study, there seems to be consensus among academics in terms of what the term *public* refers to as it relates to government or belonging to government.

According to the Department of Public Service and Administration (DPSA) (2003:11), *government* refers to the body or bodies governing the State. In the South African context, these bodies include the President and the Cabinet (with the national departments) at the national sphere and premiers and executive councils (with the provincial departments) at the provincial sphere, which is referred to as the executive authority. The responsibility to create a conducive environment for BEE to succeed lies with both the national and provincial departments. It is expected of all departments to be allocated budgets which among other things, would be used to promote BEE, especially in the area of procurement of goods and services.

The *Prevention and Combating of Corrupt Activities Act*, 2004 (Act 12 of 2004), Section 1 (xx), defines the *private sector* as all persons or entities, including any natural persons or group of two or more natural persons, who carry on a business, syndicate, agency, trust, partnership, fund, association, organisation or institution, company incorporated or registered as such, body of persons corporate or unincorporated or other legal person. Prahalad (2006:64) however posits there is no consensus on what the *private sector* means. Prahalad (2006:65) further states that the private sector includes social organisations of different kinds that interact to create markets, develop appropriate products and services and deliver value. It is hoped that as the research continues, some consensus may be reached when the *target* for empowerment through PPPs is further defined keeping the historical roots in mind.

The necessity to evaluate challenges and successes of empowerment in this study through literature remains inevitable. With the available information, mainly from legislative frameworks and policies it is necessary to look at the administrative challenges with the

intention of making an administrative contribution to the field of Public Finance, in particular, and Public Administration, in general.

Critical to BEE remains the middle letter *E* depicting the economic intention of its practice in the realisation of the empowerment goal for blacks in South Africa. It is against this background that reference to economic practice and challenges will be made. Though the study falls within the ambit of Public Administration, in general and Public Finance, in particular, features and aspects of economics as bearing relevance to this study will be referred to without reducing the study to the field of Economics.

The application of PPPs in the three spheres of government will be investigated and the focus will be on PPPs as applied in the Gauteng Shared Service Centre. As this investigation is carried forward, special attention will be paid to the management and administration of procurement and other related services rendered by private partners. The process of procurement and tendering will be scrutinised against the legislative prescription of the *PFMA*, (1999) and the *Preferential Procurement Policy Framework Act*, 2000 (Act 5 of 2000).

The study of PPPs through BEE has a number of dimensions and it will become evident as the study progresses, with concepts such as *Broad Based Black Economic Empowerment* (BBBEE) and *PPPs* featuring predominantly. The historical background of this study will refer to the practices that led to the introduction of BEE as a strategy to address the socio-economic imbalances. *Black Economic Empowerment* is defined in the *Broad Based Black Economic Empowerment Act*, 2004 (Act 53 of 2004) as the economic empowerment of all black people. The Act includes the empowerment of women, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies.

The Financial Sector Charter (2002:10) defines companies that can be classified as BEE companies as those that are more than 50% black owned and controlled by black people. The Financial Sector Charter further defines *black empowerment companies* as those

companies that are more than 25% owned by black people and where substantial participation in control is vested in black people.

The introduction of BEE as an instrument to redress socio-economic imbalances is latched on the quest to redress the injustices of the past that sought to discriminate against blacks in South Africa. The focus is on how the current Government will go about rectifying the prejudices of the past in the spirit of nation building, without perpetuating the old practices where colour was used as a discriminating factor between various cultural groups. The prejudices of the past will not be reversed through alternative mechanism of levelling the economic playing field without the use of colour as a yardstick to benefit some and disadvantage others.

The apartheid laws had their origin in the thinking that there should be separation on the basis of colour, hence the need for a balancing factor in this regard in the form of BEE. Separation on the basis of colour engendered unequal access to resources. This inequality ranged from education to land entitlement. Wilkings and Strydom (1978:191) postulate the origin of apartheid to be from the colonial era as follows:

*Advocates of apartheid, or separate development as they prefer to call it today, claim that the roots of the policy can be traced back to the landing at the Cape of Good Hope by Jan Van Riebeeck in 1652. One of the first things Van Riebeeck did was plant a fence separating the colonists from the Hottentots. As the Boers pushed inland, borders between themselves and black tribes became their main concern.*

The legacy created by the system of race classification resulted in financial difficulties to the majority of people in South Africa, with specific reference to black segment. This debate will be pursued further in this study in the following paragraphs.

## 1.2 THE RATIONALE FOR PUBLIC-PRIVATE PARTNERSHIP THROUGH BLACK ECONOMIC EMPOWERMENT

South African economic relations are characterised by a market-based system of ownership of capital and distribution of wealth and income. The permutations in the economic system have historically been defined by race. In the period since the attainment of democracy, the State has been successful in achieving macroeconomic stability and using the fiscus and other instruments at its disposal for the redistribution of wealth (*A Nation in the Making*, 2006:9). Redistribution of wealth should be seen as a means of redressing poverty. *Poverty* should be defined afresh as encapsulating lack of skills, environmental factors or financial factors, not just hunger. Poverty finds its attributes in the lack of accessibility to resources such as electricity, water and communication facilities. This debate is pursued further in Chapter 7 of this study, where recommendations in respect of bridging the gap between the rich and the poor through BEE are proposed.

The exclusion of the majority from the economic mainstream manifests itself in the existence of *two economies* in one country (*The Human Resource Development Strategy*, 2006:5). The *two economies* in the context of this study refer to the economy for the previously advantaged and the economy for the previously disadvantaged, which are explained along racial lines. It is argued that such exclusion finds expression in the high rate of unemployment. It is against this backdrop that measures have been introduced to curb the growing rate of poverty and unemployment, giving rise to cooperation between labour and business. This cooperation is in the main informed by Barlow and Wastl-Walter's (2004:75) assertion that some collaboration between civil society and government remains essential:

*Historically all levels of government needed, in one way or another, some sort of collaboration from civil society organisations in order to implement projects. What seems to be new is the extent of such collaboration to almost all fields of public policy. Implicit in this new approach is the idea that cooperation between*

*the public and the private spheres, in all stages of a public policy from conception to implementation, will have an end-result more positive than a traditional work undertaken separately.*

The above assertion points out that the idea of BEE through PPPs is investigated to ascertain if it would yield the required results, being poverty alleviation and the creation of wealth. The role that business should play in support of the BEE initiative is imperative, more so that BEE is achievable through PPP.

*The Financial Sector Charter* (2002:3) which was adopted at the National Economic Development and Labour Council (NEDLAC) Financial Sector Summit committed itself to the BEE charter. In adopting the *Financial Sector Charter*, the following factors were taken into consideration:

- i. despite significant progress since the establishment of a democratic government in 1994, the South African society remains characterised by racially based income and social services inequalities, which inhibits the country's ability to achieve its full economic potential;
- ii. BEE is a mechanism aimed at addressing inequalities and mobilising the energy of all South Africans and that it will contribute towards sustained economic growth;
- iii. inequalities also manifest themselves in the country's financial sector. A positive and proactive response from the sector through the implementation of BEE will further unlock the sector's potential, promote its global competitiveness and enhance its world-class status; and
- iv. the financial stability and soundness of the financial sector and its capacity to facilitate domestic and international commerce are central to the successful implementation of BEE.

The establishment of a sound foundation where the above principles should be latched on depends on the goodwill of the entire citizenry and should not be seen as the

responsibility of the government alone to realise these objectives, however, the people's needs are the signal to the government of what it should be doing (Sangweni, 2004:23). The role the private sector can play in this regard remains indispensable in the context of this study as PPP includes private sector.

Ernst and Young (2007) defines *BEE* as:

*an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and bring about significant increases in the numbers of black people that manage, own and control the country's economy, as well as significant decreases in income inequalities.*

The rationale for BEE is to ensure that all who were previously denied access should now be helped to regain their dignity and become full participants in the economy of South Africa. The study will argue that a lack of effective administration and management of BEE creates new challenges. The study will further argue that more people in the public sector gain unfair advantage over projects that are aimed at providing opportunity for the poorest section of the population.

The purpose of this study is to provide information about what might have led to the introduction of acts such as *Broad Based Black Economic Empowerment Act, 2004* (Act 53 of 2004) and *Preferential Procurement Policy Framework Act, 2000* (Act 5 of 2000) for the purposes of undoing the injustices of the past. This issue is discussed further in the following paragraph.

### **1.3 MOTIVATION FOR THE STUDY**

The purpose of the research is to determine whether BEE is realisable through PPP. Poverty alleviation was the rationale for the introduction of the *PPP* concept, more especially among the previously disadvantaged groups. Checks and balances have to be put in place to ensure that while the ills of the past are addressed, caution should be

exercised not to create a situation where the white population of this country is neglected and marginalised to the point where there will be a need for White Economic Empowerment (WEE) policy in the future as a form of redress.

What remains a pivotal factor in the study of PPPs is that PPPs form a basis for the realisation of BEE. Poverty among the larger population of the South African citizenry has not been self-inflicted, but is the consequence of a well-orchestrated system that had as its goal, to impoverish and segregate. Chapter 2 of this study focuses on the theory and principles of Public Administration as a science and public administration as a practice, in relation to BEE through PPP.

The BEE initiative should thrive towards the realisation of poverty alleviation and pursue decent living standards for all. Poverty alleviation contributes towards economic growth, which forms part of the fundamental thrust of BEE through PPP. Whether the greater part of the black segment benefits from the poverty alleviation will be analysed as the study progresses. The examples of PPP are analysed in Chapter 6 with specific reference to the Gauteng Shared Service Centre (GSSC) and its customers, for example, the Gauteng Department of Education.

The application of PPPs should be in compliance with the legislative frameworks provided, such as the *Constitution*, *1996 Treasury Regulations* (1999), *PFMA*, (1999), *National Treasury Regulations* (2003), *Standardised PPP Provisions*, budget speeches and other related policy documents. These will address the procedures such as completion certificates, licences, permits, contracts, accountability and budget allocations. All these are essential for the regulation and management of procurement procedures for the realisation of BEE.

The study of PPPs through BEE should further be considered within the framework of other international conventions such as the International Labour Organisation (ILO) and Children's Rights; whose aim has been the promotion of and respect for human rights. Poverty is not only dehumanising, but it is an attribute of human rights violation. Parents



deserve an inviolable right to raise their children in an acceptable way and cater for their needs.

The National Treasury (2004:8) outlines key features of PPPs that are inherent to achieving BEE. These features 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, clearly costed and appropriately allocated, so black participants know in advance what they are committing to;
- iii. the formation of private consortia in the form of special purpose vehicles (SPVs) for many PPPs facilitates long-term beneficial partnerships between new black enterprises and experienced, resourced companies – both as equity partners and in project management, and both at private party SPV and sub-contracting levels;
- iv. where the government is the buyer of service, and insofar as the service is provided to the agreed standard, there is a steady revenue stream to the private party, reducing risk to the new black enterprise;
- v. principal equity sponsors in a PPP are often also first-tier subcontractors, building incentives for optimal risk management;
- vi. PPPs provide significant subcontracting opportunities for black enterprises where early cash-flow benefits can be derived as delivery commences;
- vii. 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;
- viii. return on equity to the private party is competitive where risk is properly assumed;
- ix. there is an increasingly strong demand for black professionals as transaction advisors to both institutions and private parties in PPPs;
- x. PPPs develop skills; and

xi. PPPs create jobs.

In assessing the successes or failures of PPPs, attention has to be paid towards the impact that PPPs have made over time on the previously advantaged group and the previously disadvantaged group. Later in the study the deduction will be made if indeed BEE through PPPs have achieved what they intended to achieve. The above factors provided a yardstick to measure the envisaged achievement.

The administrative function in the application of PPP and BEE is used to evaluate the successes and failures of BEE in the context of the study of Public Administration. This study will further analyse skills transfer or lack thereof, as this play important role in the implementation of PPPs, more especially in the public sector. The benefit of PPP should be mutual, with the state, for example, as beneficiary in respect of the skills provided by a service provider.

A variety of questions can be asked with regard to these definitions as to who/what determines criteria for *advantaged* and *disadvantaged*? Why these definitions are linked to race or colour? What are their historic origins? In the chapters that follow, these questions are answered, with specific reference to how the apartheid administration defined the South African populace on the basis of race.

The generally accepted definitions of *advantaged* and *disadvantaged* are problematic in that they seem to assume that all the white citizens of South Africa benefited economically from the previous economic regime and that all blacks were impoverished by the same system. Similarly, it holds true that it may not necessarily be that all blacks, who in this study are referred to as *previously disadvantaged*, might have become victims of impoverishment. It equally holds true that it may not be that all the white people benefited from the previous regime for them to be grouped together as belonging to the generally accepted category of the previously advantaged. A case can be made as to whether poverty should not cut across racial lines. Would it not be better to write about the empowerment without the mention of race?

A balance between the past and the present should be created. This balance will assist in placing these definitions in their proper context. This endeavour, may of necessity pose a challenge. The study attempts to place into perspective the effects of the repressive administration of the past. It is appreciated that with the democracy that dawned on the Republic of South Africa, remarkable progress has been made in respect of the development of policies that seek to protect the rights of all citizens.

The study covers the periods 2000 to 2010. As a point of departure, the historical practices of the 19th century also feature as basis for the study. This helps the eclectic drive that guides the research, as the study is about people, both as enforcers of the law and recipients of the intended objective of empowerment. Luton (1999:11) argues that the historical legacy of any era will contain both positive and negative aspects and also mentions that the ancestors were capable of and engaged in activities and behaviour that can serve to inspire, to warn and to embarrass.

The need to grow the economy by way of creating wealth remains the objective of the democratic government of South Africa. Of importance is whether the wealth that is being created through PPP is indeed to the benefit of all for whom the policy is intended. Former president's Thabo Mbeki's (2000) State of the Nation address emphasises a better life for all.

In this research, a *better life* and *poverty alleviation* are considered inextricably linked. Therefore, the research is of importance in that, it answers the question whether the ideals as enshrined in the African National Congress (ANC) manifesto have been realised. The question could further be asked: who belong to the *all*? One could imagine that this should broadly encompass the entire South African populace, irrespective of colour, race or gender. The *Constitution* (1996) states that there is a common South African citizenship and that all citizens are equally entitled to the rights, privileges and benefits of citizenship and equally subject to the duties and responsibilities of citizenship.

Perhaps it is an opportune time to find all inclusive concept to identify the beneficiaries of empowerment. In pursuit of compliance with the dictates of the *Constitution* (1996) the term *BEE* may in the future be found unconstitutional. Perhaps a new term should be found to identify those who are to be the beneficiaries of the empowerment initiative, given the constitutional rights of all citizens as referred to above. It is time to investigate and recommend the redefinition of *poverty* to include all racial groups. Currently, it appears as if BEE benefits only a few.

When the above changes have been done, it may be appropriate to propagate for further redefinition of *BEE* to *PEE*, which means people economic empowerment. The question is: when will this be? What should precede the advent of PEE? In pursuing this debate, the need to first have the socio-economic playing fields levelled will have to be a prerequisite. The socio-economic imbalances faced by South Africa in the 21<sup>st</sup> century are in the main the product of apartheid.

Empowering the poor in this country is important. The fact that communities in South Africa live in poverty cannot be denied. What remains critical though is how these challenges are to be addressed by way of BEE and the related legislative frameworks. It should be borne in mind that all pieces of legislation should be considered subordinate to the *Constitution* (1996), which remains supreme at all times.

In terms of the *National Treasury* (2006:7), the full realisation of human dignity and the freedom to pursue economic opportunity are incompatible with the poverty that continues to afflict a large number of South Africans. Sustained progress in reducing poverty requires continued economic expansion, job creation and quality public services, which enable people to improve their living standards. Financial assistance needs to be complemented by public assistance, *i.e.* health care, schools and roads. The foregoing lends credence to the previous assertion that the *all* should be encompassing of all racial groups in South Africa.

Former executive mayor Mkhathswa's (2006) State of the City address points out that the inculcation of a common identity among the people of Tshwane is an achievement often overlooked. Mkhathswa (2006) continued to mention that black and white children play together; their parents work together and play golf together and that the neighbourhoods continue to be non-racial as the city becomes demographically, socially, economically and culturally inclusive.

Though the address by the former executive mayor may be considered nothing less than a political rhetoric, it seeks to raise critical debates of inclusivity mentioned earlier on. It increasingly becomes logical that a review of policy on the classification of people on the basis of colour when dealing with issues of poverty is favourably considered. The pertinent administrative question in this regard is: when this review should happen and to what extent? Allan Boesak, former ANC executive member is reported as having said that South Africa has moved in the wrong direction by returning to the language of racial division under the ruling ANC, ANC has lost the Way (Sowetan, 2006:6).

The question of inclusivity presupposes equality. The equality in this case refers to the situation where the individuals belonging to the designated groups should all be accorded equal consideration in matters of economic empowerment. The word *designated* has been used with caution as it may mean different things to different people. One may not of necessity infer that a new look has to be had on the use of the term *designated* as this will be reserved till the end. It may be sufficient to say that in this study, the *designated group* refers to the social class rather than the colour of skin.

The confusion that may be evident on the use of the *designated group* is spelt out by a variety of sectors, including the National Union of Mine-workers of South Africa (NUMSA), where the union strongly condemned the emergence of what it termed a black *bourgeoisie* social group. The deduction has been made that BEE is narrowly rather than broadly based and its beneficiaries are a small number of wealthy individuals, most of whom are identifiable by their connectivity with the (ANC), the Black Bourgeoisie (Anon, 2006:3).

The narrow- based BEE is likely to engender yet another *designated group* by default. It should not be argued that people belonging to particular organisations should not be considered for business deals. When empowerment deals are organised, there has to be an element of consideration for the ordinary citizens, who should be the primary beneficiaries of BEE/BBBEE deals.

Alexander in the *Black Capitalists* (2006) asserts that the policy of BEE is benefiting mainly the rising black middle class and is deepening the class inequality in our society. It is not clear if this can be avoided in a capitalistic economy that is driven by democratic principles. Alexander further argues that a number of cabinet ministers and ordinary parliamentarians still believe in the socialist alternative they relentlessly fought for in the 70s and 80s. It will therefore not be uncommon for the disjuncture to occur between what they believe in and the capitalistic policies they now have to espouse and propagate, BEE in context (Anon, 2006:6).

The former minister of finance, Trevor Manuel (2004) mentions that poverty eradication should be a key priority although achieving the objectives of BEE through PPP has the potential to create future socio economic disparities. The question that will be asked in this study is whether PPP should only have as its point of departure, the empowering of blacks through BEE and whether those targeted for empowerment indeed become beneficiaries. This will require administrative intervention. The role that public administration should play is critical in ensuring the realisation of BEE through PPP.

The review of policy to realise the socio-economic objectives remains important. Without a policy review, it might be difficult to realise this ideal. The review of policy needs to take place in the area of redefining the two terms *disadvantaged* and *advantaged*. The policy review presupposes an administrative exercise. It will be discussed later on in this to debate time frames for the BEE in terms of broadening BEE to cover other race groups.

The foregoing may as well raise the question whether the problems faced by the world today are of administrative nature. These problems manifest themselves in diverse manners, among other things, the need for promotion of sustainable growth, promotion of good governance, eradication of poverty, which is seen to be a consequential factor to bad governance, leaving in its wake, unprecedented mayhem and human displacement.

#### 1.4 PROBLEM STATEMENT

The definition of *disadvantaged* and *advantaged historical groupings* poses a challenge in respect of identifying who should be the actual beneficiaries of BEE, the empowered or the disempowered? The definition of the above terminologies seems to be inconclusive, more especially as it relates to the very definition of the term *black*, as at times it appears to be somewhat encompassing of coloureds, indians and now lately chinese as in terms of the latest court ruling (Modise, 2009). It remains to be seen if the BEE initiative would cover these groupings as well.

The term *black*, in the context of the beneficiaries of BEE appears to be shrouded in controversy as it appears as if it is not all blacks who seem to be benefiting from the BEE initiative. The discontentment expressed by unions such as the National Union of Mine-workers (NUM), which enjoys support from the working class in the mines, is self-evident in the press statement released by its leadership. The dissatisfaction of National Union of Mine-workers over BEE that is seen to be benefiting what the NUM refers to as black capitalists, has been expressed (The Black Capitalists, Anon, 2006:2). Black capitalists are condemned by the NUM as pursuing profit with the same motivation and vigour as their white counterparts for generally looking after their own interests with the same determination as other capitalists across the world. The NUM further argues that black *bourgeoisie* are failing to contribute toward the national agenda of fighting unemployment and poverty.

The foregoing postulate seems to find expression in what other world renowned politicians such as Kofi Anan, former secretary general of the United Nations maintain.

McIntosh and Smith (1999:3) captured the speech by Kofi Anan as having raised critical ethical issues when he stated:

*Without the private sector's active commitment and support, there is a danger that universal values will remain little more than fine words, documents whose anniversaries we celebrate and make speeches about, but with limited impact on the lives of ordinary people. And unless these values are really seen to be taking hold, I fear we may find it increasingly difficult to make a persuasive case for the open global market.*

Given the above postulate, it seems as if the problem is not in the policy of BEE itself but in the manner in which it is to be implemented. The formulation of policy does not seem to pose serious challenges compared with its implementation. The implementation of policy plays an important role in ensuring that the poor are empowered through active participation in the economy. The *National Empowerment Act, 1998* (Act 105 of 1998), for instance, provides for the establishment of a national Empowerment Fund to assist the historically disadvantaged persons. Failure to implement this Act would result with the fund not established.

Former president Mbeki, in his State of the Nation address (2000) stated that:

*..we reported on the steps that would be taken further to enhance the partnership between the public and private sectors with the view to reinforcing the growth and development of our economy.*

In the State of the Nation address (2000) the four working groups are outlined as follows:

- i. big business;
- ii. the trade union federation;
- iii. black business; and
- iv. the agricultural sector.



The fact that there is support for the quest for poverty alleviation even from the highest office in the country is encouraging. What seems to be a problem though is how to translate this well acclaimed address into reality. The question that needs to be raised is: have all the identified partners established a common foundation for the implementation of BEE?

On the basis of what has been discussed so far, the real beneficiaries of BEE will be determined. It will further be important to note whether economic breakthrough has indeed been realised, given the available data provided by the Human Rights Commission, which will be referred to later. From the foregoing, a question emerges as to whether the introduction of BEE through PPP addresses the current socio economic imbalances in the manner that will benefit the poor.

From this overview, emerges the research question: **Has the BEE through PPPs in the Gauteng Shared Services Centre achieved what it set out to achieve, i.e. poverty reduction among its citizens through available poverty alleviation programmes?**

## 1.5 RESEARCH METHODOLOGY

The qualitative research approach has been selected because the research intends to probe the realisation of BEE as a social phenomenon. Of importance to this research is the manner in which policies and guiding principles in the application of a PPP is understood by managers across all government departments. Babbie (2001:74) states that the difference between qualitative and quantitative data is that qualitative data contains a greater depth of detailed information. Qualitative research observes trends in respect of policy implementation across the designated areas of research.

Babbie (2001:91) maintains that research can serve many purposes. Three of the most common and useful purposes of research are exploration, description and explanation. *Exploration* is when a researcher examines a new interest or when the subject of study itself is relatively new, as is the case with BEE in South Africa. *Description* is another

purpose of research, where a description in terms of what the researcher observes is made, whether it be situations or events. The explanation outlines why certain trends are observable in a particular situation. Qualitative research, according to Babbie (2001:8) means, going where the action is and observing it without doing statistical manipulation. Mouton (2003:161) describes *qualitative approaches* as involving the description and evaluation of the performance of programmes in their natural setting focusing on the process of implementation rather than quantifiable outcomes. This research seeks to ascertain whether the BEE policy as currently applied in various departments meets the socio-economic requirements of the targeted groups. Qualitative research will assist in providing qualitative data that is based on trends and practices, rather than a manipulation of numbers. Against this backdrop, an inference will be drawn whether BEE initiative has indeed been applied appropriately and whether there will be a need to modify its current application.

Mouton (2003:46) posits that the research proposal is a project planning document. The empirical component of this research is South African PPPs through the realisation of BEE. Departments that are placed under scrutiny are the Gauteng Shared Service Centre (GSSC), which is the procurement sector for all departments in the Gauteng Provincial Government, including the Gauteng Department of Education. The GSSC (2009) outlines its vision as that of being a world class internal support service unit driven by efficiency and focus on quality service delivery. The GSSC was established in 2001 and has as its core business; the provision of provincial government-wide internal support services in terms of, audit service, human resource services, procurement services, finance services and technology support. The advantage of the establishment of the GSSC is to harness the Gauteng Provincial Government's collective buying power so as to reduce the overall cost of purchasing goods and services. The GSSC provides support in terms of procurement processes to the Gauteng Department of Education, both at provincial and district level and to the provincial treasury office (GSSC, 2009).

The Gauteng Department of Education, with specific focus on Tshwane South, Tshwane North and Gauteng North districts for example, as far as procurement and risk

management are concerned are the clients of GSSC. It is against this background that focus will be devoted to how the Gauteng Department of Education and other departments are catered for by GSSC, as analysed in Chapter 6.

The research is socio economic by nature and can therefore not be described by numerical data only. It can also be described through observation, description and recording. Methodology used in this study, will be based on a literary study which includes books, academic journals, official documents such as regulations, Acts, strategic plans and policies.

Official documents are consulted to ascertain the processes followed in procurement. These documents are important as far as ascertaining whether legislative processes of procurement are being followed and who the responsible personnel for various tasks are and which position in management they hold. The information provided would be vital for the research in as far as establishing whether the budgets allocated for BEE are managed effectively, economically and efficiently.

The procurement relationship between the GSSC and the GDE is analysed in case study format. The method of qualitative study that is followed takes the form of a case study. The availability of data in the form of literature in respect of how the GSSC operates and interacts with its clients is of such a nature that it may not be necessary to conduct interviews. The Gauteng Department of Education and its district offices are used as examples of population groups benefiting from the GSSC in terms of procurement.

## **1.6 LIMITATIONS OF THE STUDY**

Though there is sufficient literature on Public Administration, there might be some challenges in respect of a lack of sufficient research in the area of BEE. A number of acts to regulate the implementation of procurement such as *Preferential Procurement Policy Act*, 2000 (Act 5 of 2000), *Broad- Based Black Economic Empowerment Act*, 2003 (Act 53 of 2003) have recently been promulgated, which may pose a challenge in terms of the

success made in their implementation. A lack of research in this area of study may pose a challenge. The research may rely extensively on policy documents and legislative frameworks.

The official documents consulted in this study may not be representative of all the activities that take place in the procurement process in respect of controls and management. It should however be acceptable to make analytical generalisation about how BEE is managed in the public service.

## **1.7 LIST OF KEY TERMS**

In order to gain understanding of the meaning of the terms used in this study, it is necessary to define these terms in line with how the terms were defined in a number of legislative frameworks and other sources. The terms defined here below are not necessarily the mirror image of all the terms used. Some of the terms will also be introduced in this study, which may not have been defined below. The terms used in this study include the following:

**Affiliate:** any person associated directly or indirectly through any one or more intermediaries (National Treasury Standardised PPP Provisions, 2004:18).

**AsgiSA:** Accelerated and Shared Growth Initiative for South Africa.

**Auditor General:** an independent auditor acting on behalf of taxpayers.

**BAS:** Basic Accounting System.

**BEE:** black economic empowerment.

**BBBEE:** broad based black economic empowerment.

**BEC:** Bid Evaluation Committee.

**Black people:** african, coloured, chinese and indian South African citizens.

**Capital:** the holistic and multi-dimensional nature of capital as it relates to far reaching effects of interventions aimed at a systemic, holistic approach to capacity improvement.

**Capital expenditure:** any expenditure treated as capital expenditure under GAAP (National Treasury Standardised PPP Provisions, 11 March 2004).

**Contracting out:** an outsourcing arrangement in which a public agency contracts with an external supplier for the provision of goods and services.

**Core activities:** those operational elements involving making key decision that may remain the Government's responsibility.

**DAC:** Departmental Acquisition Council used in Gauteng governmental departments to adjudicate over tenders.

**Debt:** all amounts due and payable by the private party that are outstanding under the financing agreement at that date (National Treasury Standardised PPP Provision, 11 March 2004:20).

**Executing authority:** Minister or Member of the Executive Council (MEC) in the provincial government.

**GAAP:** generally accepted accounting practice in the Republic of South Africa as approved from time to time by the South African Accounting Practice Board (National Treasury Standardisation PPP Provision, 11 March 2004:21).

**GEM:** Global Entrepreneurship Monitor.

**Government:** the body or bodies responsible for governing the state, in South Africa these bodies refer to the political executive, namely the president and his/her Cabinet at national level and premiers and members of executive councils at the provincial level (The Machinery of Government: Structure and Functions of Government, May 2003:11).

**GRAP:** Generally Recognised Accounting Practice (National Treasury Strategic Plan 2005 -2008:51).

**Head official of the Treasury:** administrative head of the department responsible for financial and fiscal matters which forms part of the relevant treasury.

**Historically Disadvantaged Individual (HDI):** South African citizen, who due to the apartheid policy that had been in place, had no franchise in national elections, prior to the introduction of the *Constitution of the Republic of South Africa Act, 1983* (Act 110 of 1983) or the *Constitution of the Republic of South Africa Act, (Act 200 of 1993)* (the Interim Constitution) and or who is a female; and or who has a disability.

**Joint venture:** distinct legal form of PPP arrangement involving public and private bodies assuming some form of equity stake in PPP.

**Management of PPP agreements:** measuring the outputs of the PPP agreements.

**MTEF:** medium term expenditure framework.

**Municipality:** the local sphere of government consisting of municipality, which must be established for the whole of the territory of the Republic, the *Constitution* (1996).

**NERF:** New Budget Reporting Format aimed at making government budget data more user-friendly.

**Official:** A person in the employ of a department *PFMA*, (1999).

**Public-private partnership (PPP):** risk-sharing relationship based on a shared aspiration between the public sector and one or more partners from the private and/or voluntary sectors to deliver a publicly agreed outcome and/or public service.

**Preferential procurement policy:** procurement policy providing for the protection and advancement of persons or categories of persons disadvantaged by unfair discrimination, *Constitution* (1996).

**PFMA:** *Public Finance Management Act*, 1999 (Act 1 of 1999).

**PPPFA:** *Preferential Procurement Policy Framework Act*, 2000 (Act 5 of 2000).

**The PPP BEE balanced scorecard:** Scorecard that provides a quick reference benchmark to measure the extent to which a PPP project in any of its phases is successfully achieving BEE in terms of the code for BEE in PPP (South African Regulations for PPPs, 2004).

**Privileged or confidential information:** any information determined by the institution to be privileged or confidential.

**Rand value:** the total estimated value of a contract in rand denomination which is calculated at the time of tender invitations and includes all applicable taxes and excise duties.

**SIDA:** Swedish International Development Agency.

**SAP:** system application process.

**Small medium micro enterprises (SMMEs):** any business, trade, undertaking or other enterprise which is directly owned and managed by one or more natural persons (PPP Manual, 2004).

## 1.8 STRUCTURE OF THE RESEARCH

The study consists of the following chapters:

Chapter 1 covers the frame of reference, problem statement, research methodology, literature review and ethical consideration. Also forming part of this chapter are the structure and the glossary of terms.

Chapter 2 provides the role and purpose of public administration in the overall management of PPP and BEE. This chapter provides insight into the management of relative policies will be provided. In explaining the role of public administration in this study, focus will be on governance and policy formulation. The state as made up of different functionaries, each playing a complementary role, is expected to have a particular structure that makes it possible for those in authority to be held accountable.

The insight gained is vital as far as explaining the role and function of accounting officers and the executing authority. The *Constitution* (1996) and the *Bill of Rights* comprise a number of sections that outline the responsibility of the state in providing for its citizens. This is the responsibility that cannot be shirked. This is analysed in the context of the study in question.

Chapter 3 discusses the contextualisation of procurement strategy for PPP in respect of Supply Chain Management as a means toward poverty alleviation through BEE. Other sources responsible for publication of information about socio-economic information will also be consulted. It will be against this background that an in-depth study on the effect of BEE and BBBEE vehicles will be made. With this information a determination whether BEE is a viable means toward poverty alleviation will be analysed.

In analysing the administration and management of BEE, a closer look will be on the procurement strategies as it applies in Gauteng in particular and other government sectors



in general. Critical in this chapter will be the departmental readiness in implementing the procurement policies.

Chapter 4 will focus on the construction as well as the utilisation of PPPs in creating wealth. A variety of factors such as the construct of PPP and implications, definition and examples of PPPs will be mentioned. Among others, this chapter will analyse factors that impact on the management and administration of PPP, in line with the discussions that have taken place in the previous chapters. The Accelerated and Shared Growth Initiative of South Africa (AsgiSA) and Joint Initiative on Priority Skills Acquisition (JIPSA) will form part of support programmes for sustainable growth and skill development as they are considered important components for black economic empowerment.

Chapter 5 will analyse the aspects of risk management, fraud prevention and ethical practices in the Public Sector. Chapter 5 discusses the aspects of performance management for senior management in the public service as critical for the good practice and performance in respect of the management of budgets. Good management helps make BEE initiative sustainable and successful.

Study of reports issued by CCMA will assist in providing information on statistical records of employees reported to have been in contravention of the policies of ethics with regard to tenders and procurement procedures. Vital to this chapter will be the study of ethics and ethical practices as understood by employees in various departments in general and Gauteng Departments in particular. An analysis of policies on ethics will be central to this chapter.

Chapter 6 analyses the Gauteng Shared Service Centre as procurement office for all governmental departments in Gauteng. The chapter will analyse the composition of bid adjudication committees, their formation and mandate. The mission and vision statements of Gauteng Shared Service Centre will be analysed with special reference to its strategic objectives in relation to the realisation of BEE through PPP. The service level agreement

(SLA) between Gauteng Shared Service Centre and the Gauteng Department of Education is referred to in this chapter.

Chapter 7 of this study provides recommendations and the evaluation of all the preceding chapters. This forms a basis for the provision of a sound foundation for the proper management and administration of PPPs. What has been learnt in the process will assist in determining whether the research question as indicated in paragraph 1.4 has been realised. The question here will further be whether wealth creation has been to the benefit of all.

Having made some contribution to the existing body of knowledge on Black Economic Empowerment and Broad Based Black Economic Empowerment, the research will at this stage highlight what works and what may not work. This body of knowledge will provide some contribution to the study of Public Administration in general and the study of Public Finance in particular. Flowing from this contribution, it is hoped further study in this field would ensue.

## **1.9 CONCLUSION**

Chapter 1 of this study provided a synoptic presentation of the purpose of public-private partnership and BEE. The chapter explained the role of Public Administration in the implementation of BEE and BBBEE. A number of legislative frameworks were referred to in this chapter. Possible challenges pertaining to the implementation of pieces of legislations mentioned in this chapter will be discussed in detail in the chapters that follow.

This chapter covered the purpose of this research. The challenges that have been exposed so far are of such a nature that while attempts are made to resolve the socio-economic problems of blacks in South Africa, greater caution has to be exercised not to create a situation where the white population feels marginalised and neglected as this would create a vicious circle of empowerment of the disadvantaged groups.

The following chapter focuses on the role of Public Administration in the study of PPPs in South Africa. The chapter discusses the conceptual analysis of Public Administration and among others, the Government's responsibility in developing the intervention programmes.