

## CHAPTER 7

### CONCLUSION AND RECOMMENDATIONS

#### 7.1 INTRODUCTION

This study has dealt with PPP in South Africa with reference to the realisation of BEE, in order to redress past socio-economic inequalities. The role of Public Administration in the study of PPP was highlighted. Public Administration and its generic functions was analysed so as to ascertain its impact on the BEE through PPP. Having discussed BEE through public-private partnership as a means towards poverty alleviation, a question was raised whether this ideal has been achieved. A number of challenges have come to the fore, which have the propensity to make the BEE difficult to achieve. This chapter addresses the conclusion which covers the entire study making specific reference to the salient aspects discussed in Chapters 1 to 6 as well as the recommendations that if implemented, would make it possible for PPPs in the Republic of South Africa with reference to the realisation of BEE to become achievable. The recommendations are interspersed in the ensuing sub-topics.

The achievement of BEE through PPP is hampered by some challenges. In discussing the enumerated challenges ranging from leadership to commitment of staff, a number of BEE aspects such as code of practice will be taken into consideration. Other aspects of importance to be discussed will be corruption and how to deal with it, paradigm shift and the implementation of SCM. Before the recommendations can be presented, it will be necessary to look at the summary as discussed in the following section.

#### 7.2 SUMMARY

This study contributes in several ways to the existing body of knowledge on Public Administration in general and Public Finance in particular. Policy inaction on the part of the state is a cause for concern to the repertoire of mechanisms and programmes for the

implementation of BEE/BBBEE through public-private partnership. This study has provided another opportunity for further study in the field of BEE as it is applicable to South Africa.

Through this study, a determination is made whether BEE has in its current context and practice benefited those who were intended to benefit, being the poorest of the poor. In pursuing this study, it became apparent that the need to redefine *poverty* should be sought, rather than to continue linking poverty to the colour of one's skin in order to achieve what has been stated in the problem statement in paragraph 1.4. This debate has already been stated in the previous chapters, where the terms *disadvantaged* and *advantaged* were discussed.

Chapter 1 put into perspective the definition of terms such as *BEE*, *BBBEE* and *PPP* in the context of this study. Other relative terms have also been hinted on to make it easier to understand not only the context, of the research but also the line of thought that has been followed throughout this study. This line of thought has encapsulated looking into the past system and its mistakes for purposes of coming up with a new model that would assist in addressing poverty among the greater part of the populace without creating yet another system of deprivation and segregation. The model that has been addressed in this study is that of creating wealth through PPPs.

BEE was discussed in terms of the historical background of the impoverishment of the black population, which was highlighted with reference to policies that sought to justify the discrimination of blacks in South Africa. However, a lot has to be done to ensure that blacks gain access to wealth, rather than just a few, as it is proved to have been the case so far. Concomitant to the foregoing argument is, looking into the current situation where there seems to be the ever increasing number of poor whites, who may have carried their poverty and degradation from the past to date. This section of South African citizens could not have benefited from the previous economic policies. More research in this area has to be conducted to ensure that the current empowerment strategy for blacks does not leave behind a trail of poverty among whites, the situation which would in the future

require a legislation to correct by introducing yet another system of empowerment that could be referred to as white economic empowerment (WEE). Flowing from the foregoing, a new debate emerges for a call for people economic empowerment (PEE). This debate lends credence for a new discourse that seeks to encourage a departure from colour based definition of poverty to socio- economic condition of the entire populace in South Africa.

Chapters 3, 4 and 5 address how BEE initiative can be implemented, with reference to a number of legislations and policies that have been developed. It is here where policy frameworks such as *Preferential Procurement Policy Framework Act, 2000* (Act 5 of 2000) and other relative programmes such as AsgiSA and JIPSA came to the fore. Challenges and successes have been highlighted. It cannot be said that these programmes have been a success as they have just been introduced. They still require some time and modification to be able to deliver the required results.

The challenges of the organisational structure do impact on the effective and efficient delivery of government programmes. The bureaucratisation of the Public Sector remains the greatest cause of concern. The way SCM is structured with the accounting officer having absolute powers has not lived up to the expectations for the formation of this procurement system. Compounding this problem remains a lack of leadership skills in the Public Sector. The organisational structure was referred to in this study with the understanding that, where there are no favourable structural conditions, it will be difficult for BEE through PPP to be achieved. The achievement of the BEE ideal is dependent on the skilled personnel who understand procurement processes.

Chapter 6 is a focus chapter where the previous chapters find expression in terms of procurement processes with regard to supply chain management. The *GSSC* concept as introduced by the GPG was discussed in terms of its successes and challenges to help highlight the research question whether BEE in its current form has achieved what it set out to achieve.

In practice, the central dilemma of BEE initiative in South Africa seems to be the over-politicisation of BEE deals. BEE-related committees in the main, consist of politicians from the ruling party some of whom could have benefited from the BEE deals. It is recommended that a committee on BEE should be made up of people who are not aligned to political parties. The committee should include the people from the designated groups as well as academics in the field of Public Finance with a thorough knowledge of PPPs.

As much as Broeder Bond in the past was seen to be in control from the banking sector to politics, the ruling party is perceived to be falling in the same trap with the recycling of the same personalities for empowerment deals as well as deployment strategy currently in use. The moment BEE deals of significance are announced, the names that populate the media are of those who are known to have some sort of political connections or those who are known to have amassed enough wealth and are millionaires.

For poverty alleviation initiatives to succeed, every facet of the administration should undergo total transformation, from recruitment to appropriately matching personnel to job functions. A new discourse of redefining the terms *black* and *empowerment* should be introduced to encourage robust debates in the field of Public Administration. It should be determined who should be the beneficiaries of BEE through public-private partnerships. The research demonstrated that the problem statement in paragraph 1.4, whether the BEE through PPP has been realised, could not be substantiated given the complexities of implementing and conceptualising the rationale of BEE policies and the ramifications thereof. Compounding the insufficient realisation of BEE through PPP is a lack of proper budget management that takes into account the national imperatives for poverty alleviation through BEE/PPP initiatives.

For the constitutional imperatives of poverty alleviation to be achieved, there has to be a new definition of *advantaged* and *disadvantaged* groupings to arrive at equitable poverty alleviation of the impoverished citizens of the Republic of South Africa in such a manner that it does not engender a vicious circle of impoverishment. South Africa belongs to all who live in it. Its wealth must be to the benefit of all irrespective of colour, gender or

creed. The Government is responsible for ensuring that all its citizens become beneficiaries to the economic programmes that are intended to benefit them.

### **7.3 RECOMMENDATIONS**

The introduction of checks and balances is essential for the achievement of public-private partnership in South Africa with reference to the realisation of black economic empowerment. A specific reference is made to the equitable distribution of wealth through BEE in line with the problem statement as encapsulated in paragraph 1.4. In dealing with aspects non-compliance, it is vital that a code of good practice is introduced. The effective implementation of a code of good practice would assist in curbing the high levels of graft and fraud.

#### **7.3.1 BEE CODE OF GOOD PRACTICE**

Reference to the BEE Code of Good Practice as promulgated in the *Broad Based Black Economic Empowerment Act, 2003* (Act 53 of 2003) in paragraph 4.6, shows that there are some challenges of note in this code in that it is among other things not legally binding. Some of these challenges will be addressed below. Challenges facing PPPs are broad and pervasive. The obstacles to achieving sustainable BEE in PPPs are outlined as follows:

- i. there is a small pool of black equity in South Africa. Historically black people have not accumulated capital and it is a challenge for black enterprises to raise the required levels of equity at reasonable prices;
- ii. sources of BEE funding are generally expensive, reflecting lenders' assessment of risk associated with new black enterprises whose balance sheets may be relatively small, or whose experience may be relatively limited;
- iii. costs of independent financial and legal advice to black enterprises are an inhibiting factor in the preparation of bids;

- iv. there is limited black experience and skill in PPPs resulting in an uneven playing field with established company partners;
- v. established companies in the consortium often become obliged to provide sponsor and security for the committed BEE capital and to guarantee the performance of the black partners, contributing further to the uneven playing field for consortium members; and
- vi. there are few black South African PPP transaction advisors, and those who are, are overcommitted (*Code of Good Practice for Black Economic Empowerment in Public Private Partnerships, 2004:6-7*).

Taking the above challenges into consideration, it becomes self-evident that capacity building needs to be done. This should include training aspirant entrepreneurs in courses that are in line with entrepreneurship. The intersectoral approach involving the education, labour and business sector should play a leading role to support aspirant entrepreneurs. Aspects of unethical practices among those in authority are discussed in paragraph 5.3, which could hamper the realisation of BEE. Perhaps this should be discussed forthwith in order to suggest possible remedies to it. It is not certain whether, as it was addressed in the previous chapters; what has to be emphasised should be compliance or commitment, because compliance implies cohesion and commitment in itself presupposes a person's free will.

A recommendation is hereby made that the small pool of entrepreneurs from the designated groups should be introduced incrementally, with clear bench-marks that have to be achieved over time. The emphasis does not need to be on blacks alone, but on women, the disabled, people living in rural areas and the youth of all races. Jack and Harris (2007:33) concede that when developing the code of good practice, their mandate from the Government as consultants was to include women and a broad-based involvement, not clear who the latter encapsulated. The difficulty here is that, though women have been singled out, the rest of the other designated groups such as people living with disability and the youth have been mainstreamed, which may create the problems of losing focus.

Callon (1996:3) maintains that the most important role of business leadership is to deal effectively with the long-term viability of a business and support key strategies through the use of information systems that can be used to assist and support. What is implied in the forgoing is the importance of technology in managing an effective business, more especially in the 21<sup>st</sup> century. The aspect of technology has been analysed in paragraphs 6.7 and 6.8. A viable business is a business that can compete effectively in the global market. When evaluating the policies of the Government for the promotion of small business initiative, what becomes evident is a lack of emphasis in training the aspirant small enterprises in the field of business etiquette and information technology.

The cost of starting a small business is high due to the high risk that goes with it, the new start-ups should be given sponsored intensive training before they are registered. This training should involve the understanding of basic finances. Entrepreneurs from designated groups should be taught how to compile and understand financial statements as well as interpreting cash flows. To be able to sustain their businesses, it is imperative for them to have some training on labour relations to be able to deal with all labour-related disputes. The *designated group* in this chapter does not refer to a particular race. An understanding of the term *designated group* should be socio-economic based, which includes the poor and the disadvantaged from all racial groups. The identified group should be designated a lead status to empower those whose business disposition may not necessarily be good enough to start businesses and sustain them.

The business sector should be encouraged to relax the stiff regulations for providing aid to the start-ups. The Government should be willing to offer guarantee certificates as collateral to the banks just in case the loan granted is not paid back for one reason or the other. The foregoing should not be considered the only panacea available for a successful start-up, but one among many. Timmons *et al.* (1999:39) state that whether it is assets for the business, key people, the business plan, or start-up and growth capital, entrepreneurs think about cash last. Entrepreneurs are driven by a quest to do more with less and minimise and control resources not own them. Critical to a successful start-up is the brain behind it. Through the start-ups, PPPs can be pursued to advance BEE

initiatives. This can take the form of the delivery of stationery to schools or disposition of waste materials from hospitals. The same may as well apply in the hospitality industry where a lot of equipment and skills are required, for instance.

### **7.3.2 DEALING WITH CORRUPTION IN THE PUBLIC SECTOR**

A number of high-ranking officials and politicians have demonstrated a lack of compliance to ethical practices and at the same time demonstrated the greediness for wealth, as discussed in paragraph 5.2. The question here may not lie in the introduction of the new procurement policies. What has to be addressed is the extent at which the old procurement regimes of tender boards has had portholes and identify them with the hope to have them corrected for the achievement of the equitable procurement process. Ki (1984:308) posits that corruption and injustice destroy the country and that the cause of corruption lies in the spirit and the social trend.

Ki (1994:311) maintains that if a government wants the state and its people to be strong and wealthy, it should prevent income without labour. Il (2009:210) concedes that Indonesia, for example, is a poor-rich country because of an uncaring government that is keen on enriching itself rather than its populace, where 40% of the population is going hungry. The success in wealth creation does not depend on the availability of policies. Paragraph 2.6 of this study has referred to the successes of the Korean approach to PPP, with specific reference to the Private Participation in Infrastructure (PPI) Act.

The new procurement system of supply chain management, with the current practices in respect of its management as discussed in paragraphs 3.7 and 3.8, seems not to have lived up to its expectation in terms of considering the poor favourably. Perhaps a centralised system of procurement conducted by independent institution could be an answer to this challenge. Procurement should in the short term be conducted by institutions of higher learning with a view to establishing an institution in the long term that would be run by a civil society or people with impeccable character.



The *Constitution* (1996) is supposed to be a guiding document in terms of how the citizenry should behave. There is an avalanche of pieces of legislation flowing from the *Constitution* (1996) to correct bad practice. The previous chapters have covered legislations upon which the formation of BEE and PPP are based, laying a foundation for ethical behaviour.

The argument here is that it is not so much the identification of the designated groupings for the purposes of empowerment, but it is how the process of empowerment is rolled out. The common practice of empowering a section of the black population economically serves to confirm as true the Owen's old adage of some animals being more equal than the others. Empowering just a section of the populace does not work, it is simply unconstitutional.

The problem of recycling the same people for empowerment, which can be ascribed to enriching the rich and empowering the empowered, cannot assist in alleviating poverty in South Africa. It is recommended that a ceiling should be put on the number of times an individual should be eligible for BEE-related bids, more especially if it involves huge sums of money. A new legislation should be put in place to restrict resigned government officials and parliamentarians to have a cooling-off period before they can get themselves involved in PPP programmes, which are geared towards empowering the poor. Perhaps five years would be ideal to link the period to the next election with the hope that the new cabinet with whom they may not be familiar would be sworn in by then.

The pursuit of speed money in any form or shape remains an indication that a new class is emerging, namely, a class of the black elite. A number of senior officials in the Eastern Cape were arrested and convicted of fraud. These officials identified a window of opportunity for winning lucrative tenders for their own companies. The entire Public Sector is fraught with similar cases. All these are under the guise of BEE. The Public Sector employees and politicians should lead by example. The responsibility that politicians have to play has been outlined in paragraph 2.4.1.

The current awarding of tenders by accounting officers, who themselves are either relatives or friends of some owners of companies, creates a major challenge. This postulate has been raised in paragraph 7.2. Perhaps the responsibility should be taken away from one individual to a committee made up of ordinary citizens who are not known to be active members of any of the political parties, men and women of integrity.

The current dispensation is not only deceptive but also divisive in that the perception persists that political connections are a prerequisite for access to wealth. An alternative to the current system of procurement as discussed in paragraph 3.5 is an institution consisting of members of civil society to execute the procurement tasks for all the departments in the country. The duration for participating in the institution responsible for procurement should be short with members rotated on a regular basis to even conduct procurements in other provinces than where they live.

A system such as the one applied in Gauteng, where the inclusive Departmental Acquisition Council (DAC) is the decision-making body, is recommended. The challenge though is that when DAC is formed in consultation with the accounting officers as the sole decision-makers in this regard. Their independence here stands to be questioned. Paragraph 7.2 has raised concerns about the absolute powers the accounting officer wields. Perhaps for this council to function independently, it will be advisable for it not to be consisted of employees in the provincial government. In the light of the pervasiveness of corruption across departments, committee members serving in tender committees would need to go through a strict vetting process.

Perhaps the public sector needs to refocus the strategy of reaching out to the poor in a more robust manner. This might require redefining *poverty* and the *poor*. The following paragraphs seek to further expand the discourse on blackness in the context of what appears to be corrupt practices masquerading in BEE partnerships.

Giving loans to officials or relatives of officials may not necessarily pose a material danger to the credibility of organisations. The difficulty surfaces when the organisations

giving out such loans do so to position themselves to win lucrative tenders from governmental departments. Government officials and parliamentarians should be restricted by law from borrowing money anywhere else apart from registered financial institutions. The same should apply to political parties, as discussed in paragraph 5.6.

Many questions can be asked as to what black companies have to do to qualify as *real* black. It appears as if for them to qualify for recognition they will subtly be expected to buy their blackness by brushing shoulders with the powerful and the famous of this country. The tendency seems to be that most corrupters do not go into business without their eyes fixed on who to corrupt to advance the course of their businesses and be guaranteed in perpetuity. Perhaps it is an opportune time to start looking at legislative ways of handling this challenge of corruption in the context of corrupter/corruptee relationship. The companies which are known to have shadowy relationships with people holding high offices in the Government should be identified, isolated, named and shamed. They should never be considered for selection to participate in government PPPs or any other government project for that matter.

### **7.3.3 LEGISLATIVE REQUIREMENTS AND ITS CHALLENGES**

In terms of *PFMA*, (1999) the procurement procedure may include a preference for categories of bidders, in terms of the *Preferential Procurement Policy Framework Act*, 2000 (Act 5 of 2000), such as persons disadvantaged by unfair discrimination, provided that this does not compromise the value for money requirement as discussed in paragraph 4.6. This clause read superficially, may be interpreted to be containing a proviso, which if not read in line with extracts from BEE legislations may be deemed to be devious from the intent to economically empower the previously disempowered in that value for money may imply quality service delivery. The delivery of quality service requires knowledge and skills. The candidates for the empowerment envisaged here might be disqualified. This would, in turn, be defeating the very purpose for empowerment. The focus should be building capacity among the poor for them to be able to sustain BEE initiatives.

Institutions of higher learning and NGOs can play a critical role in empowering the poor to sustain their businesses.

Former MEC for Finance in Gauteng, Mashatile said the Gauteng government would no longer do business with white owned companies after 2009, instead, small, medium and micro enterprises (SMME) would snatch up the majority of contracts under the Province's new draft BEE policy. The former MEC is quoted as having said that Gauteng he intends to increase the number of SMMEs from 20 to 70 percent (Fronting in Provincial Governments Anon., 2005: 3).

What remains to be seen is the applicability of the foregoing, given the challenges mentioned earlier on, in achieving sustainable BEE through PPPs, among others, a small pool of black equity in South Africa and the current reluctance on the part of Banks to grant loans to high-risk black start-ups. Compounding this challenge is a lack of training in the field of project management among the majority of blacks and the fact that the majority of black companies or start-ups may not have machinery to do the work, let alone the skills. They would be forced to rent the machinery from white-owned companies at exuberant amounts, which will make it difficult for them to gain profit. An ideal situation would be that the Gauteng Provincial Government should establish a warehouse of equipment and machinery, which can be rented out to the SMMEs who win tenders and require the use of such machinery. Local people should be trained in the use of such machinery to create more jobs.

### **7.3.4 FRONTING**

The malady of fronting as manifested can be addressed through a call for commitment. Perhaps the answer here lies in the reconstruction and development programme (RDP) of the soul, referred to by the former President Nelson Mandela (1994). Perhaps this is something higher than compliance, but commitment to the desire to do good and make contribution toward a better life for all. The introduction of life-style audits may as well

be one of the many ways of discouraging the pilferage of government resources through fronting.

An incessant desire to amass wealth at all costs poses a challenge to the society as this may create a rat race for getting richer every day, which can only polarise the society between the rich and the poor. Fronting is one of the many manifestations of social ills discussed in paragraphs 2.4.3 and 5.14 where social solidarity has been pushed to the background with greed taking the center stage. Fronting is used as one of the exemplars of a greedy society that seeks to get rich quicker. It was reported that a firm used unsuspecting black employees to get R19m in tenders from the Gauteng Department of Education (Black Labourers Serving as Directors of a BEE Company Anon., 2005:1).

A number of challenges that put Mashatile's argument of only considering black-owned companies for tenders at risk are a lack of funds. The implementation of this idea would require the Gauteng province to raise additional funds for financial and legal advice, training for purposes of skill acquisition, provision of security and hiring of PPP transaction advisors. All these services may not necessarily be found among blacks, given the historical reasons stipulated in paragraph 2.4.1 of this study.

### **7.3.5 THE INVOLVEMENT OF HIGHER EDUCATION INSTITUTIONS**

Higher education institutions (HEIs) could provide the requisite training for the new start-ups. The challenge here may be the language of instruction that will be used to train the participants as most of the literature would be either in English or Afrikaans as the only well-developed languages in South Africa. The fact that the country has not in 18 years succeeded in developing the African languages to the requisite levels cannot be denied. The same goes for the need for training aspirant entrepreneurs in the use of computers as well as in basic accounting skills. Given the levels of poverty, it may be advisable to introduce community-based agencies of higher education institutions, for example. The training should be linked to the economic demands of a particular community guided by the potential for economic growth. To alleviate the economic pressures on higher

education institutions, students at these institutions should be encouraged to do community service as a way of ploughing back into the community. The training should for example include: basic accounting, project management, brick laying, sawing, cooking, interior decoration and tourism.

### **7.3.6 THE PUBLIC SECTOR AS THE IMPLEMENTER OF ENABLING POLICIES**

The public sector as the administration arm of the Government plays a major role in the implementation of policies that seek to create accessibility to wealth to all citizens of South Africa. The paragraphs that follow deal with what the Public Sector should be like in order to meet the challenges of the century in as far as economic empowerment is concerned. The 21<sup>st</sup> century administration entails the 21<sup>st</sup> century leadership. The many policies that have been developed to eliminate poverty in South Africa require a transformed organisation with transformed managers and appropriate leadership. Paragraph 4.8 has addressed the aspect of leadership for the economic growth. The emphasis is currently put on the financial audit without any attempt toward organisational and management audit, especially in the Public Sector. The aspects of audits have been discussed in paragraphs 4.5 and 6.10. The determination with which the Auditor-General intervenes in financial matters of the departments, the same should be with skills audits and organisational audits, though by a different office, perhaps.

The challenges that have been highlighted in the previous chapters bordered on a lack of audit in these areas, hence the recruitment of personnel that continues to demonstrate the lack of competence, more especially in the area of financial management. The paragraph that follows seeks to create a benchmark for management competence and the organisation that is transformed to cater for the needs of all citizens. The assumption made here is that the current organisational structure that is charged with the responsibility to deliver the BEE through PPPs does not live up to the 21<sup>st</sup> century expectations.

### 7.3.7 PARADIGM SHIFT IN MANAGEMENT

What is necessary in the Public Sector is 21<sup>st</sup> century leadership, more especially in managing BEE/PPP projects. The 21<sup>st</sup> century leadership in the Public Sector is the type of leadership that can stand innovation and encourage development. It seems as if this is not the case, given the pervasive inertia in policy implementation. Strategies that have been crafted seem not to be translated into the requisite growth.

The difficulty here is that the idea of empowering the SMMEs is often not followed up by administrative intervention, which would help these businesses to experience breakthroughs. Compounding this challenge is the current debate whether an entrepreneurship is taught or inherited, in other words is it in the genes or from the book? It further must be said that universally accepted definition of who an entrepreneurship is has not yet emerged, hence it will be difficult to even venture in what remains uncharted waters of the etymology of the term and what makes entrepreneurs what they are. A word of caution here is that to all intend and purpose, the Government with its vibrant policies and legislations, should guard against pushing people into business by virtue of their skin colour, driven by the quest for poverty alleviation.

A number of pieces legislation encourage training and skills acquisition as key to the building of sustainable economic development and the strengthening BEE/BBBEE through PPPs. It should be explained what these training sessions would entail, what the content should be and who should be involved in these training sessions. It was mentioned in the paragraph 4.5 that women, rural areas, youth should remain the target. The challenge here is how true entrepreneurs are going to be identified. Macleod (1999:5) outlines the following critical personal attributes for the target groups for economic development:

- i. high degree of drive and energy;
- ii. high level of self-confidence;
- iii. capacity for long-term commitment;

- iv. independence, initiative and innovative ability;
- v. integrity and reliability;
- vi. ability to set clear goals;
- vii. ability to cope with uncertainty;
- viii. high level of determination to solve problems;
- ix. enthusiasm for taking moderate but challenging risks;
- x. ability to accept failure as part of the learning process;
- xi. desire for feedback about performance;
- xii. self-imposed standards (an internalised competitive drive);
- xiii. perception of money as a measure of performance;
- xiv. thorough knowledge of the proposed business;
- xv. awareness of the need to utilise the expertise of others; and
- xvi. ability to build a sound entrepreneurial team.

The foregoing should not be considered as conclusive of all attributes that are pertinent to aspirant entrepreneurs. It can be said with certainty that as BEE policies are pushed through with gusto, there is very little talk about evaluating the competences of the beneficiaries against these attributes. What still remains to be mentioned is the suggestions in respect of basic and generic aspects of business, which need to form part of the training for successful BEE/BBBEE projects. Additional to the above attributes is what Hisrich and Peters (2002:233) refer to as putting the new venture in a proper context by conducting an environmental analysis to identify trends and changes occurring on a national and international level, which may impact on the new venture.

The analysis of the environment in its totality would to a greater extent include, in the case of a bidding company, extra materials that are required to fulfil the order; extra-part time labour, overtime or other labour costs and extra energy and maintenance costs for the machinery and equipment required to complete the order (Drury, 2000:379). It seems as if the above aspects are not taken into consideration by SMMEs when bidding for tenders, yet they are fundamental to any business success. These are some of the areas to be focused on when training SMMEs.



Hisrich and Peters (2002:7-10) posit that the term *entrepreneurship* stems from French term for “between-taker” or “go-between”. They continue to state that in all definitions there seems to be an agreement that entrepreneurship is the kind of behaviour that includes:

- i. initiative taking;
- ii. the organising and reorganising of social and economic mechanisms to turn resources and situations to practical account; and
- iii. the acceptance of risk or failure.

The concept of entrepreneurship is spawned here. Reference has been made to the effect that employees should be given freedom, though trammled to some extent, even being that they should not be allowed to trade their entrepreneurship during normal working hours or within the departments they are employed in. This can be used to enhance the realisation of BEE through PPPs in every department and every unit responsible for procurement for instance. Nieman *et al.* (2003:348-349), define this category of people as having the ability to solve problems, having patience, capable to make compromise and that they are acting within the existing business.

### **7.3.8 SETTING UP THE SCM TEAMS**

The solution for setting up the SCM teams is the effective implementation of the *PFMA*, (1999). The SCM is responsible for the effective, efficient, economical and transparent use of the resources of the department, trading entity or constitutional institution. On discovery of any unauthorised, irregular or fruitless and wasteful expenditure, these must immediately be reported in writing *PFMA*, (1999).

Implementing the new procurement system called supply chain management, though complex as it may look, requires of CFOs to act with care when choosing committees to serve in bid adjudication committees. The difficulty with the secrecy forms signed by members is that, though it appears to be binding members to secrecy, it is lacking in

terms of consequential action for any breach thereof. The challenge in implementing the policy is what happens should the culprit be the executive authority who has the power to fire and hire? A new policy needs to be developed to cater for this anomaly. It is not common practice to put the minister of a department on precautionary suspension. The sooner a new legislation is developed to cater for this, the better for the realisation of BEE through PPPs.

### **7.3.9 BUDGETING PROCESS**

Expenditure problems could be solved by ensuring that all departments and units at all levels comply with a system of budget control regulated by the National Treasury. All government offices should spend their budgets in line with this format of budgeting. Drury (2000:571) argues that the budgeting process in a non-profit making organisation normally begins with the managers of the various activities calculating the expected costs of maintaining current ongoing activities and then adding to those costs any further development of the services that are considered desirable.

There seems to be little emphasis on measures of managerial performance in terms of the results achieved. The reason for this is that there is no clear relationship between resources inputs and the benefits flowing from the use of these resources. Line item budgeting shows the nature of the spending but not the purpose. This is the system commonly used in governmental departments. What this system emphasises is the programme budgeting as referred to in paragraph 3.4 without details given on activities to the detriment of BEE achievement. The system of budgeting plays a major role in avoiding over or under-expenditure. Shah (2005:194) maintains that governments failing to maintain necessary balances or to control funds reliably from budget to activity are considered inefficient. The inefficiency mentioned here may be attributable to a dearth of allocation of budgets aimed at poverty alleviation projects. Each programme should clearly spell out how much of it will be used for BEE projects. This will make it easier for each programme to be measured against what it has achieved in terms of BEE as well as the number of PPPs it has been able to establish.

In order to make the budgeting process successful, there has to be constant reporting by all departments and units to ascertain the extent to which the budget is used to achieve BEE through PPP targets. The issue of reporting was discussed in paragraph 6.4. In Gauteng, the education department for instance, is using what they call *Matlotlo* (Sotho term for revenue) to report on expenditure on monthly basis.

Circular 13 of 2000 of Gauteng Department of Education for example, outlines the financial administration and bookkeeping as follows:

- i. a school governing body shall open a current account;
- ii. the signatories of a bank account opened in terms of Section 37 of *South African Schools Act, 1996* (Act 84 of 1996);
- iii. receipts shall be issued immediately for all monies received and
- iv. cash cheques may only be issued for replenishment of petty cash.

These measures if adhered to by schools for financial management, financial irregularities may be minimised to bolster effective and efficient utilisation of resources. The similar measure should be applied across departments to curb the high levels of fruitless expenditures and foster accountability. The difficulty with the current regulation is that they are convoluted and not user-friendly. It is for this reason that in spite of the number of repeated cases of financial mismanagement as indicated in paragraph 5.11, these cases do not always yield successful prosecution with a number of repeat offenders as a result.

The system that budgeting departments should use, needs to be linked to service delivery. Budgeting has been discussed in paragraph 3.5. The phrase *service delivery* has become hackneyed in the Public Sector, perhaps with little understanding of what it stands for. In the context of this research, *service delivery* should be seen and conceptualised in the ability of Public Sector to ensure that resources (inputs) meet the expected delivery (outputs), which translate into customer satisfaction (outcomes), which in the context of this study is BEE through PPPs.

The budget preparation should be preceded by priorities. Operational plans are prepared around the priorities. Operational plans make it possible for fiscal discipline to be ensured. It will be difficult for a financial management process to ensue in the absence of operational plans. Controls, reporting, auditing, whether on monthly or quarterly basis would make it possible for the accounting officer to detect problems related to undue expenditures such as fruitless, unauthorised or any other deviation well in advance. Every budget should be spent in line with policy priorities of the department in question. The evaluation process should happen at all phases to avoid irregularities. It was mentioned in paragraph 5.7 that a lack of delivery that manifests itself in under expenditures as pointed out, often is as a result of lack of effective controls and monitoring.

In the final analysis the question can be posed: “Did PPPs assist in the realisation of BEE, with the GSSC as an exemplar?” Though there is a semblance of success in the realisation of BEE through PPPs in this regard, much lot has to be done to address poverty alleviation in the Gauteng province, more especially with regard to women, the youth and people with disability. The same goes for the empowerment of the poor who may not necessarily be black. The myriad of corrupt practices in the public sector is so complex that it makes it difficult to infer that PPP in South Africa with reference to the realisation of BEE has indeed been achieved. The same goes for the need to redefine *poverty* in the context of the current pieces of legislation and practices.