

An assessment of Public Private Partnerships as an alternative procurement method: The case of the South African Social Security Agency

**SW Jabavu
22980288**

Mini-dissertation submitted in **partial** fulfilment of the requirements for the degree **Masters** in **Public Administration** at the Potchefstroom Campus of the North-West University

Supervisor: Prof EJ Nealer

November 2014

ABSTRACT

The use of Public-Private Partnerships (PPPs) by governments on all continents has been rapidly growing as government departments and their agencies continue to look for improvised means of providing high quality services. In South Africa, the demand for the replacement of the aging government infrastructure has led to the increase in the use of PPPs. The PPPs are not only used for the improvement of roads, but also in the provision of social services and many other services that are traditionally a responsibility of government. Government institutions typically enter into relationships with PPPs to address their needs and to meet specific objectives. It is, therefore, up to these institutions to choose an ideal model of procurement that best addresses their objectives of delivering effective services (Palmer, 2009:Online). Government institutions will, however, only enter into relationship with PPPs if the services can be transferred in a responsible way and if the risks for failure are limited.

Inefficiencies in the disbursement of social assistance grants by the South African Social Security Agency (SASSA) has received much attention and criticism from the stakeholders as the company contracted to perform the work on behalf of SASSA continues to provide poor quality services. In assessing a PPP, countries providing social security transfers need to take into consideration a partner that will assist in establishing and implementing the payment design and distribution mechanism that is capable of facilitating the cost effective, reliable and practical delivery of cash to the grant beneficiaries.

A comprehensive review of literature and empirical investigation was carried out to respond to the research study's set objectives. The study explored a wide-ranging survey of PPP projects in developed and developing countries focusing on the use of the PPP model in the South African context with specific reference to the disbursement of social grants by the SASSA. Alternative procurement methodologies in government were also reviewed. An analysis of relevant procurement theories was undertaken to form the basis of the research study.

The mini-dissertation explores if there are any advantages for the government, and more specifically the SASSA, in using PPPs as opposed to traditional procurement methods. The study attempts to establish if a private partner can be encouraged to

provide long-term investment in terms of expertise; well qualified staff; technology; infrastructure; and creation of an environment conducive for highly effective service delivery where the return on such investment is not guaranteed.

KEYWORDS:

Public Private Partnerships, Service Providers, Social Security Payment, Outsourcing, Procurement, Public Services, Social Security Grants, Risks, Service Delivery

ACKNOWLEDGEMENTS

I would like to acknowledge and thank the following people who provided guidance, assistance and support over the duration of this project.

- My study leader, Professor Eric Nealer, who I would like to express my sincere gratitude for providing the motivation, confidence and academic direction necessary to complete this research study. His willingness to read and re-read drafts at short notice is much appreciated.
- My colleagues at work, who always covered for me during my absence at work.
- My wife, Cwayita, for all the inspiration and for understanding and allowing me time off to attend to my studies without complaining. I know she badly wanted to see this project through.
- My daughter, Aphile and my two sons, Lindile and Luvuko, for their patience, encouragement and unselfish love, understanding and support during my study period.

TABLE OF CONTENTS

ABSTRACT.....	i
KEYWORDS:.....	ii
ACKNOWLEDGEMENTS.....	iii
LIST OF TABLES.....	vi
LIST OF FIGURES.....	vi
LIST OF ABBREVIATIONS.....	viii
CHAPTER 1.....	1
NATURE AND SCOPE OF THE STUDY.....	1
1.1 INTRODUCTION.....	1
1.2 ORIENTATION AND PROBLEM STATEMENT.....	2
1.3 RESEARCH QUESTIONS.....	8
1.4 RESEARCH OBJECTIVES.....	9
1.5 CENTRAL THEORETICAL STATEMENT(S).....	9
1.6 RESEARCH METHODOLOGY.....	11
1.7 ETHICAL CONSIDERATIONS.....	16
1.8 SIGNIFICANCE OF THE STUDY.....	17
1.9 PROVISIONAL CHAPTER LAYOUT.....	17
1.10CONCLUSION.....	19
CHAPTER 2.....	20
PUBLIC-PRIVATE PARTNERSHIPS AS MODE OF PROCUREMENT IN THE PUBLIC SECTOR.....	20
2.1 INTRODUCTION.....	20
2.2 RATIONALE FOR PRIVATE SECTOR INVOLVEMENT.....	20
2.3 PPP CHALLENGES IN SOUTH AFRICAN SOCIAL SERVICES SECTOR....	40
2.4 CONCLUSION.....	43
CHAPTER 3.....	44
PUBLIC PROCUREMENT PRACTICES IN THE SOUTH AFRICAN SOCIAL SECURITY AGENCY.....	44
3.1 INTRODUCTION.....	44
3.2 LEGISLATIVE FRAMEWORK FOR PUBLIC PROCUREMENT OF GOODS AND SERVICES.....	45
3.3 THE NATURE OF PUBLIC PROCUREMENT IN PUBLIC SECTOR.....	48

3.4	OVERVIEW OF SOUTH AFRICA'S SOCIAL SECURITY SYSTEM	60
3.5	SOCIAL SECURITY BENEFIT TRANSFERS IN SOUTH AFRICA.....	62
3.6	CASE STUDY: ALLPAY AND FREE STATE DEPARTMENT OF SOCIAL DEVELOPMENT	66
3.7	PPP AS AN ALTERNATIVE PUBLIC PROCUREMENT METHOD	70
3.8	CONCLUSION.....	72
CHAPTER 4.....		73
PUBLIC PRIVATE PARTNERSHIP AS AN ALTERNATIVE PROCUREMENT METHOD: EMPIRICAL FINDINGS		73
4.1	INTRODUCTION	73
4.2	DEVELOPMENT OF THE QUESTIONNAIRE	73
4.3	THE STUDY POPULATION	74
4.4	DATA COLLECTION	74
4.5	DATA ANALYSIS.....	75
4.6	FINDINGS OF THE STUDY	76
4.7	SUMMARY OF MAJOR FINDINGS AND ANALYSIS.....	106
4.8	CONCLUSION.....	109
CHAPTER 5.....		111
CONCLUSIONS AND RECOMMENDATIONS.....		111
5.1	INTRODUCTION	111
5.2	CONCLUSIONS	111
5.3	RECOMMENDATIONS.....	121
5.4	THEORETICAL CONSEQUENCES FOR THE RESEARCH FINDINGS.....	127
5.5	CONCLUSION.....	129
LIST OF SOURCES		130
ANNEXURE A: QUESTIONNAIRE.....		148
ANNEXURE B- SEMI-STRUCTURED QUESTIONNAIRE		151

LIST OF TABLES

Table 2.1: Traditional Procurement versus Public Private Partnerships	27
Table 3.1: Basic procurement system requirements	50
Table 3. 2: Standard procurement procedures in South Africa	53
Table 3.3: Total number of social grants by grant type and region as at 31December 2012	62
Table 3.4: Beneficiaries receiving payments at Automated Clearing Bureau (ACB), Cash and Institutions	63
Table 3.5: Rand value of grants at 31 December 2012	64

LIST OF FIGURES

Figure.2.1: Key types of public-private partnerships and collaboration in social services sector	28
Figure 2.2: The public private partnership continuum	29
Figure 3.1 Standardised procurement systems in SASSA	59
Figure 3. 2: Social security in South Africa	61
Figure 3.3: Payment process of social grants	65
Figure: 4.1	77
Figure 4.2	79
Figure 4.3	80
Figure 4.4	82
Figure 4.5	83
Figure 4.6	85
Figure 4.7	86
Figure 4.8	88
Figure 4.9	89
Figure 4.10	91

Figure 4.11	93
Figure 4.12	95
Figure 4.13	96
Figure 4.14	98

LIST OF ABBREVIATIONS

ATM	Automatic Teller Machine
BBBEE	Broad Based Black Economic Empowerment
CEO	Chief Executive Officer
ICT	Information, Communication & Technology
ID	Identity Document
G2P	Government to Person
MANCO	Management Committee
NDSD	National Department of Social Development
NPV	Net Present Value
OECD	Organisation for Economic Co-operation and Development
PDSD	Provincial Department of Social Development
PFMA	Public Finance Management Act
PPP	Public Private Partnership
PoS	Point of Sale
SASSA	South African Social Security Agency
SARS	South African Revenue Services
SDM	Service Delivery Model
SOCPEN	Social Security Payment System
SP	Service Providers
The Agency	South African Social Security Agency
TR	Treasury Regulations
UNECA	United Nations Economic Commission for Africa
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
VfM	Value for Money

CHAPTER 1

NATURE AND SCOPE OF THE STUDY

1.1 INTRODUCTION

The demand from the electorate to be provided high quality public services necessitated governments to look for new alternatives and take procurement decisions that would achieve value for money (VfM). Governments have introduced Public–Private Partnerships (PPPs) to fill the gap created by this high demand by entering into agreements with private sector enterprises to take over the provision of services which were predominantly the functions of the state. Governments can take to PPPs by making use of available alternative procurement mechanisms such as alliance contracting, management and sourcing and traditional procurement (Regan, 2009:Online). The introduction of the private sector partner in provision of public services is also as a result of the environment in which public procurement operates, which is driven by technological changes and stakeholder expectations for improved public service delivery (Bolton, 2006:1). The introduction of these public procurement reforms is recognised to play an essential part in managing government resources with more countries gaining awareness on the need to minimise corruption in the public procurement (Amber & Badenhorst-Weiss, 2012:Online). A consideration on the use of PPP as against the traditional method of procurement should only be made where it delivers best whole life VfM. The selection of the best alternative between a PPP and traditional procurement method should be based on the method that creates the most VfM (Burger & Hawkesworth, 2011:Online).

This chapter provides orientation and problem statement to place the problem in a proper context. The chapter provides background and rationale for undertaking the study in order to address the importance of the study. The research objectives, questions and research methodology are briefly outlined. The chapter also provides an explanation on the research method used and how the information was collected. The chapter concludes by outlining the preliminary layout of the chapters of the research study.

1.2 ORIENTATION AND PROBLEM STATEMENT

The orientation and the problem statement are discussed to place the problem in proper context.

1.2.1 Orientation

Governments from all over the world are seeking modern ways of administering public services to improve service delivery by introducing public sector management reforms (Palmer, 2009:Online). Many countries have adopted the New Public Management (NPM) as an alternative method of producing and delivering public services which focuses on using service delivery mechanisms adapted from the private sector to implement changes for the management of public services. (Palmer, 2009:Online). The concept of NPM seeks to promote PPPs as a vehicle towards modernising the procurement in the public sector. Privatisation and PPPs are part of the NPM framework as a service delivery procurement alternative to traditional public procurement in service delivery arrangements (Ford & Zussman, 1997:23).

National Treasury (2004:Online) defines “PPP as a contract between a public sector institution and a private party, in which the latter assumes substantial financial, technical and operational risk in the design, financing, building and operation of a project.” Two types of PPPs are specifically defined as “where the private sector partner carries out a function on behalf of the public sector, alternatively the private sector partner purchases government property for its trading” (National Treasury, 2004:Online). Two broad categories of PPPs can also be identified: the institutionalised kind that refers to all forms of joint ventures between public and private stakeholders; and contractual PPPs (Gosh & Gope, 2011:Online). The research explores the first form of PPP as an alternative method of public procurement to assist the South African Social Security Agency (SASSA) improve its public service delivery mandate for which it was established, that is, the administration and the disbursement of social grants.

Grimsey and Lewis (2005:345) refer to a PPP as a hybrid type of arrangement that bridges a gap between government traditional procurement method and privatisation. In PPPs, the private partner assumes significant financial risk which acts as an incentive to meet the specified performance standards so as to achieve acceptable returns on investment.

Palmer (2009:Online) differentiates between the full privatisation and PPP arrangement. In a PPP, the public sector takes control of the procurement process, whilst in privatisation; government only passes legislation regulating the conduct of the private partner once it is in full control of the asset from the state.

Traditional procurement methods includes a tender evaluation process which favoured the tender with the lowest procurement cost and which project specification provides the nature of the goods and services that must be provided by the preferred bidder (Regan, 2009:Online). The contractual relationship that emanates from this traditional procurement process is essentially that of supplier and customer. The procurement process followed by a government institution must comply with standard government procurement policies and guidelines (Regan, 2009:Online). A procurement system where the employer decides in detail what it wants from the tenderer must be put into place and the actual service provider must perform the work as designed in the contract (Morledge *et al*, 2006:96).

To be successful, the procurement method depends on the employers being able to specify their requirements in sufficient detail for the private bidders to accurately assess and price the work to be done (Regan, 2009:Online). In its present form, traditional procurement provides little room for bidders to participate in the crafting of a project and there is no opportunity from the would be private service provider to introduce new technologies from the private sector that may achieve longer and lower cost services which will benefit the service user (Regan, 2009:Online).

Government institutions typically enter into relationships with PPPs to address their needs and to meet specific objectives. Institutions need to choose a procurement option that is aimed at delivering effective services. Government institutions will, however, only enter into a relationship with PPPs if the services can be transferred in a responsible way and if the risks for failure are limited.

SASSA's core business, which is the focus of this study, is to administer, finance and pay social security grants to grant beneficiaries (SASSA, 2012a:Online). It is also responsible for the actual delivering of grants to beneficiaries by using innovative and cost effective services delivery channels. These innovative means to deliver grants are for instance

formal financial services infrastructures, cell phone banking, points of sale systems and prepaid smart cards (SASSA, 2012a:Online). The locus or locality of the service delivery points are the geographic areas where the poor and the vulnerable who receive these grants from SASSA, stay and live. Any cash payments made by SASSA to the poor and vulnerable need to be regular, predictable and accessible to the client (Langhan *et al*, 2010:5).

The appointment of a private partner to assist SASSA in the aforementioned should be viewed from the perspective of the poor and vulnerable and the service that should be delivered must be reliable because these people are dependent on the grants for basic survival. In deciding on which private partner should be used, the management of a public sector institution, and more specifically the social programme managers, should not commit themselves into expensive arrangements that will deliver little more than what the organisation would have delivered on its own (Pickens *et al*, 2009:81). The responsibility to choose an alternative option that is cost effective and efficient is the responsibility of SASSA which is a public executive institution of the government.

The main rationale by government entities, such as SASSA, to use PPPs, is the perceived efficiency of the private sector and inefficiency of the public sector (Burger,2006:Online). The idea of efficiency in the private sector is derived from its effective use of available resources so as to maximise profits. The private sector's ability to maximise outputs from minimum inputs and thus preventing wasteful expenditure is the foundation of its success to make a profit (Fourie & Burger, 2000:697).

There will always be the possibility that the public service delivery by the private sector may in the end not be necessarily more efficient than those delivered by the government institution itself. To generate profits on behalf of the shareholders may prove to be feasible to the private sector partner whilst on the one hand the expense of delivering services to the poor and vulnerable, through a PPP, may be more daunting than predicted (Grimsey & Lewis, 2005:351).

The arguments in favour of using PPPs' initiatives are motivated by efficiency gains in the economy through allowing the free market to get involved in the activities of government institutions with the anticipation that private involvement will determine an enhanced

approach to deliver services to the public and at the same time reduce government overload (Palmer, 2009:Online). Supporters of PPPs believe that private sector institutions can utilise their capacity to provide services better than the government as the private sector has a capacity to do it better because of its pursuit to private gain and profit (Palmer, 2009:Online). This will be beneficial to both parties involved in the partnership (Palmer, 2009:Online).

1.2.2 Problem statement

South Africa's social security system is the African National Congress (ANC) led Government's action of targeted social grants initiated to address poverty, inequality and unemployment. In this regard, SASSA provides more than 15 million grant benefits to over 10 million beneficiaries (SASSA, 2012b:14). The applications for grants by beneficiaries are registered using the government's own registering system, the Social Security Payment System (SOCPEN). The actual transfer of grants (cash) to beneficiaries is outsourced to Cash Paymaster Services (CPS), a private service provider. Due to the complexity and the nature of paying out social grants, the private service provider has ownership of SASSA's payment data and processes. This means that at SASSA, the administration of the payment function is centralised in its own structures, whilst the actual cash disbursements to beneficiaries are done by the contracted service provider at the various pay-points (SASSA, 2012a:Online). Langan *et al*, (2010:6) pointed out that this may lead to a monopoly situation and may attract unscrupulous service providers to exploit the public partner through higher charges.

Generally, government is experiencing a huge shortage of skilled people on all levels of the South African public service, which has an adverse impact on the level of performance of services rendered by the state (Kock & Burke, 2008:459). This suggests a need for the public sector to appoint skilled workers and train existing officials. However, to acquire skilled workers in the free market cannot be achieved in the short term; hence alternative means to deliver services have to be exploited. The appointment of private service contractors is one such an alternative (Ambe & Badenhorst-Weiss, 2012:Online). SASSA is not an exception to the general problem of shortage of skilled workers and in order to carry

out its mandate, SASSA requires private contractors to pay the cash transfers directly to the beneficiaries (SASSA, 2011:35).

The fiscal allocation by the National Treasury to SASSA is also inadequate to fulfill the objective of the Agency and the implication of this is that a multi-skilled workforce capacity development cannot be implemented (SASSA, 2012b:24). SASSA must, therefore, make use of a private partner to disburse social grants. The current private contractor who assists with the disbursement of grants to beneficiaries is currently outsourced to CPS for a period of five years. SASSA is unlikely to benefit fully from this relationship as the contracted service provider, CPS cannot commit its resources for a longer term exceeding the five year contract period. Moreover, there is uncertainty of who will be appointed after the five year contract is terminated.

A problem with the current dispersal of grants is that the grant payments by SASSA to the contractors are still largely cash based (SASSA, 2011:27). Negotiations with the National Treasury are underway to find alternative methods or a payment model to disburse cash benefits of social grants to beneficiaries. As options such as formal financial services infrastructure, cell phone banking, points of sale systems and prepaid smart cards had not yet been explored, SASSA has continued with the outsourcing of cash payments to contractors at a high cost.

Although the cost of grant payments by cash payment service providers has been reduced, the overall administration costs for SASSA are still unacceptably high (SASSA, 2012a: Online). SASSA envisages a payment model for the transfer of cash to beneficiaries that will ensure ownership and retention of all payment data and processes whilst it is able to make use of payment channels including the formal financial services infrastructure, cell phone banking, points of sale systems and prepaid smart cards (SASSA , 2011:27). SASSA intends to discontinue the outsourcing part of its work to private contractors at the end of March 2017 (end of the five year contract with CPS). However, the state of readiness to carry out this massive work on its own is in doubt given the challenges. The current payment system is characterised by problems such as long queues from morning to dusk, inefficient service by the service providers, pay-points not meeting the norms and

standards, influx of scrupulous money lenders and an onslaught of robberies (SASSA, 2012a:Online).

Over the years, it has become increasingly clear that payment systems that are most successful are those which install appropriate and up to date technology to address identified needs while ensuring a suitable fit with the circumstances (Kilfoil, Langan & Mackay, 2008:Online). However, organisations involved in the disbursement of social grants, such as CPS should be wary of selecting a solution which uses technology for the sake thereof, since technology to pay out grants requires substantial investment in infrastructure to be utilised. If too technologically advanced, grant payments may become a bigger problem than a solution (Langhan *et al*, 2010:6).

Due to the nature of services provided by SASSA over a large geographical area it remains a problem to provide appropriate office accommodation to SASSA and its private service providers (SASSA, 2012b:23). Funding is available to acquire office accommodation in developed areas while the reality is that suitable accommodation cannot be easily obtained in rural areas due to land ownership issues (SASSA, 2012b:25). SASSA is compelled to find accommodation in rural areas, but the reality is that there are no office structures in these areas to manage service delivery such as the payment of grants to beneficiaries. An aspect that exacerbates the problem is that most of the rural areas are governed by tribal authorities, and it proves to be challenging for government institutions to build their own physical structures such as offices, pay-points due to tribal laws opposing it.

In assessing a PPP, countries providing social security transfers need to take into consideration a partner that will assist in establishing and implementing the payment design and distribution mechanism that is capable of facilitating the cost effective, reliable and practical delivery of cash to the grant beneficiaries (Kilfoil *et al*, 2008:Online). Budgetary constraints and the lack of expertise within SASSA are preventing it from building the infrastructure similar to those of commercial banks and other financial institutions which is a necessity in the distribution of social grants cash payments (SASSA, 2012b:27). Use of banks to undertake the payment of the grants is also not plausible due to the geographic spread of the country such as South Africa and the history of underdevelopment of the infrastructure in areas where the vast majority of the beneficiaries

reside. There is a strong need for the development on an alternative form of disbursing cash to the beneficiaries to service these rural parts of the country.

This inappropriate service delivery environment and the poor investment in rural infrastructure by the South African government limits the potential for a single provider solution as the risk of investment in infrastructure for such a provider cannot be adequately mitigated (Kilfoil *et al*, 2008:Online). SASSA's current social security payment model of transferring cash to beneficiaries relies, as mentioned, on CPS which was appointed through traditional public procurement processes to disburse the grants to beneficiaries for a period of five years from April 2012.

Taking the discussed problems into account, the general research question of this study is as follows: *Can PPPs be utilised successfully by the South African Social Security Agency as an alternative method of public procurement in the disbursement of social security grants?*

The study explores if there are any advantages for the government, and more specifically SASSA, in using PPPs as opposed to traditional procurement methods. The study attempts to establish if a private partner can be encouraged to provide long-term investment in terms of expertise and know how; well qualified staff; technology; infrastructure; and creation of an environment conducive for highly effective service delivery where the return on such investment is not guaranteed.

1.3 RESEARCH QUESTIONS

In line with the general research question stated above this research addresses and tries to respond to the following questions:

- What is the relevant literature relating to the use of PPPs in public sector procurement?
- What role is played by PPPs as a modern procurement method in the delivery of public services compared to other traditional procurement methods?
- What are the key essential components of a social services sector partnership that would encourage effective disbursement of social grants to beneficiaries?

- Are the PPPs a viable alternative method of public procurement for the disbursement of social grants for SASSA?

1.4 RESEARCH OBJECTIVES

This research seeks to assess PPPs as an alternative method of public procurement in the disbursement of social security grants by SASSA.

The objectives of the research are:

- to analyse literature in order to get acquainted with, and understand theories on procurement in the public sector;
- to describe the role played by PPPs as a contemporary procurement method for delivering public services as opposed to other traditional public procurement methods;
- to assess whether PPPs are an appropriate and effective procurement mechanism for the delivery of public services, such as the disbursement of social grants in SASSA; and
- to identify attributes of a successful PPP by analysing international best practice which could be used as a procurement method by SASSA to successfully disburse social security grants to the beneficiaries.

1.5 CENTRAL THEORETICAL STATEMENT(S)

Governments in most countries are phasing out traditional procurement methods as an option to procure complex projects in support of PPPs as the traditional procurement methods have proven to be unsuccessful (Regan, 2009:Online). Studies by Mathias and Reddington (2006:3) and Fitzgerald (2004:Online) have pointed to the gains of utilising private sector institutions in the providing government infrastructure projects. Utilising private sector institutions in disbursing cash in countries such as Kenya, Zambia, Uganda does increase the efficiency, transparency, accountability of service delivery (Langhan *et al*, 2010:14). Regan (2009:Online) alludes to the difficulty of comparing different

procurement systems over time even if there is available evidence of each method yielding better outcomes.

In evaluating the PPPs, it is important to note that the private sector cash disbursement does not solve problems such as coordination failure, nor prevents registration of beneficiaries that registered more than once or did not warrant registration (Langhan *et al*, 2010:15).

Regan (2009:Online) distinguishes between two approaches which government can choose to implement PPPs. The first relates to sourcing and traditional procurement. The second relates to the provision of debt finance. Confusion often exists in differentiating the PPP concept from privatisation. Palmer (2009:Online) refers to privatisation as the act where government minimises its role in management of business. The government uses private institutions to provide goods and services including the ownership of the property used in the production of such goods. Taking into consideration that government enters into PPPs to improve management of tasks in a project using private business practices, privatisation should be avoided from any PPP discussions. According to Burger (2006:Online) PPPs just like privatisation make use of the private sector expertise to perform tasks that are traditionally reserved for government.

PPPs are not always successful (Babiak 2009:1; Johnston & Gudergan, 2007:572; Kwak, Chih & Ibbs, 2009:53). A number of PPP projects have been terminated due to a variety of institutional and strategic barriers (Klijn & Teisman, 2003:140; Bloomfield, 2006:403). PPP projects are discontinued as a result of a variety of institutional and strategic barriers (Klijn & Teisman, 2003:140; Bloomfield, 2006:403). Palmer (2009:Online) professes the success of PPP implementation depends on the manner risks are allocated between the two partners. He further suggests that the amount of risk to be transferred should be guided by the capacity of each partner to manage that risk.

High failure rates have been reported in the context of PPPs (Bloomfield, 2006:411; Johnston & Gudergan, 2007:581; Klijn & Teisman, 2003:142; Kwak *et al*, 2009:55), prompting a need for development of appropriate governance structures to minimise the risks associated with using private partner contractors in a public sector environment. It is,

therefore, crucial for risks to be disseminated properly between the government and private contractors considering the cost effectiveness. Furthermore, the risks should be disseminated to the partner that has a capacity to manage them and positively respond to the incentives the risks offer (Torres & Pina, 2001:605). PPPs can play a major role if suitable technology and sound management are used to generate chances for an evolution of a payment system in a country (Langhan *et al*, 2010:16).

A Neo-Institutional Economic (NIE) approach is employed to analyse the literature in this study (OECD, 2011:Online). OECD (2011:Online) states “the advantage of employing a NIE framework is that neo-institutional theories focus on the sociology of institutions and take into consideration the context of outcomes rather than profit maximising behaviour of neo-classical economics”. According to OECD (2011:Online) elements of NIE are significantly essential to the study of PPPs as they are used to explore some fundamental issues leading to the failure of PPPs to achieve the set targets in practice. Royer (1999:45) argument seeks to support the view of using PPPs for the payment of cash transfers, as this function focuses on outcomes rather than profit maximising behaviour of the private sector.

1.6 RESEARCH METHODOLOGY

The research methodology that was followed to reach the objectives of this research is discussed in the following sections.

1.6.1 Literature review

A literature review is an organised analysis, evaluation and grouping of what respectable academics have previously written on a subject matter (Bless *et al*, 2006:19-28). Majam and Theron (2006:605) suggest that a literature review connects the philosophical; theoretical; strategic; managerial; and policy conclusions of the research into and out of the research system and the outcome. Wellington *et al*, (2005:72) view literature review as relating only to the formulation of research questions, the composition and outline of the research as well as the process to be applied. A literature review was used in this research to outline sources relating to the research problem, and highlighting the analytical points of departure employed. Literature review lays the foundation for testing of the research for the

purpose of grasping the formation of the research problem and provide rationale for the research (Obenzinger,2005:Online). The challenge of the literature study is the vast amount of information perhaps not directly related to the study and wherein the researcher will have to sift through what data is pertinent to the study (Majam & Theron, 2006:608).

Multiple sources of evidence are important for triangulation and enriched analysis and also increase construct validity in a manner encouraging convergent lines of enquiry when doing case studies (Yin, 2009:42). The literature search includes primary and secondary sources. This includes the review of available internal and external sources dealing with topics of PPPs. This involves reviewing available material from various sources such as: academic journals; textbooks; theses; contemporary magazines; technical reports; on-line databases, PPP policies and contracts, parliamentary reports and SASSA's strategic plans and annual reports.

This approach is an inexpensive method of gathering information, and takes time to conduct. Although multiple documentary sources support triangulation, there are cases in which aspects of practice remain unclear. In such instances, attempts are made to clarify matters and to corroborate impressions of motive and practice through informal discussions with government officials and PPP consortia members.

1.6.2 Research approach

The research approach in this study is descriptive, quantitative and qualitative in nature. Creswell (2003:21) defines quantitative approach as an enquiry process into a social or human problem that the researcher applies to test a theory by asking specific narrow research questions about the observable variables to corroborate or rebut the hypothesis. The researcher uses postpositive claims to develop knowledge and collect data on prearranged instruments that produce analysable statistical data. Creswell (1994:2) defines qualitative approach to research as "inquiry process of understanding a social or human problem based on building a complex, holistic picture formed with words, reporting detailed views of informants and conducted in a natural setting". Denzin and Smith (1998:3) describe qualitative research as "covering an array of interpretive techniques which seeks to describe, decode, translate and otherwise come to terms with the meaning of naturally

occurring phenomena in the social world”. According to Zikmund (2009:23), descriptive research is conducted when there is a past apprehension of what the research problem is about. Whilst extensive research has been undertaken in understanding the opportunities and risks in PPPs in other sectors and countries, the suitability thereof (disbursement of social grants) has not been explored in South Africa.

1.6.2.1 Research design

The case study research approach was used for this study, with SASSA as the case. Case studies stress comprehensive examination of a confined area or circumstances and their correlation (Webb & Auriacombe, 2006:599). Yin (1994:15) defines the case study research method “as an empirical inquiry that investigates a contemporary phenomenon within its real-life context when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used”. Schurink and Auriacombe (2010:449) assert that case study research uses triangulation by trying separate procedures to validate data collected to expand rigour of the study.

The case study design is considered limited in developing its own methodology or research strategy due to its adaptability (Schurink & Auriacombe, 2010:445). Case study designs are often criticised on their dependency on a single case exploration as this makes it difficult to reach a generalising conclusion (Tellis, 1997:Online).

The research is descriptive in nature and involves assessment of the current public buying practices in South Africa and at SASSA. The case study approach was chosen in order to understand a particular South African model of PPP used in the disbursement of social security grants. An inductive approach is used to apply the theory as to why PPPs should be preferred to other traditional procurement methods in procuring public goods and services within the government institutions.

1.6.2.2 Sampling

Purposive sampling was employed for the selection of the sample for this mini dissertation. This type of sampling allows the researcher to apply his/her own judgment in selecting the sample (Burger & Silima, 2006:663). Leedy and Ormrod (2001:219) profess that purposive sampling has an advantage in that respondents with a particular knowledge of the

phenomenon under investigation are selected. This ensures that the findings of the study are based on sound knowledge. Since only applicable respondents are included in the sample, purposive sample saves both time and costs (Welman, Kruger & Mitchell, 2012:69). Purposive sampling needs a thorough knowledge of the total population before the sample can be drawn to ensure representatively of the sample in relation to the population (Burger & Silima, 2006:663).

The case study as mentioned represents SASSA as an Agency of the National Department of Social Development. Twelve (12) respondents were selected for the research study. These respondents were knowledgeable of SASSA's activities from the management level. Experts on PPP project management from industry and the PPP department in the National Treasury as well from the Development Bank of Southern Africa, beneficiaries of social grants and the SASSA employees formed part of the twelve respondents. The collected data was edited and analysed.

1.6.2.3 *Instrumentation and data collection*

Questionnaires and semi-structured interviews were employed as tools for the collection of data for this mini dissertation. Semi-structured interviews are an informal instrument that can be utilised to investigate a common section of study interest in-detail (Welman *et al*, 2012:166). The researcher is expected to be clear on what he/she wants to explore and a short list of questions was developed. The benefit of an interview is that it offers a face-to-face opportunity with the interviewee and as a result, misunderstandings can be cleared immediately (White, 2000:29). A semi-structured interview further provides an opportunity to identify key variables in a particular area to formulate penetrating questions about them (Welman *et al*, 2012:166). According to Denscombe (2007:15), face-to-face contact also offers a means of immediate validation of data. Zikmund (2009:25) concurs that using face-to-face interviews assists the researcher to obtain complete and precise information.

One disadvantage of an interview is that it is time consuming. One needs to take into account the length of an interview, travel to and from the interviewees, and transcription of tapes and notes (White, 2000:29).

In this research, the interviewees shared their experiences on PPPs as implemented in their respective organisational units of SASSA. These responses contributed in formulating recommendations based on lessons learnt regarding the implementation of PPPs, especially within the South African context. The main objectives of the interview was to obtain the experiences, opinions, perceptions, attitudes, motivation of respondents on matters influencing their decision making to pursue PPPs.

The interviewer gathered background information, expert knowledge, facts, and descriptions of processes and obtained a comprehensive perspective about the role of the major stakeholders and their opinions on the possibility of using PPPs for the disbursement and management of social grants by SASSA. The interview was only directed at gathering information on the Agency, functions, processes or activities of PPPs in the social sector. The interviews helped to gather information to uncover problems, conducted a need determination, verified previously gathered facts on established PPPs and obtained leads for further interviews.

1.6.2.4 Data analysis

Schwandt (2007:6) describes data analysis “as the process of bringing order, structure and meaning to the mass of collected data”. The analysis calls for the finding of important elements or general concepts underlying a particular occurrence to provide clear understanding (Denscombe, 2007:16). Collected data was separated into themes and summarised into more doable processes to allow expounding and drawing out of deductions. In this study, data was analysed in common themes. Themes were established using the elements of NIE-framework. These elements included sociality and political rhetoric; risk; VfM; cost reductions; equity access and performance improvements and governance structures (OECD, 2011:Online).

The collected data was coded and grouped in codes or classes of data in order to develop generalised conclusions. Individual responses were compared between the different sub-groups. Data was examined to determine whether there are any similarities, or differences (Peraekylae, 2005:875).

1.6.2.5 Limitations and delimitations

Since the research used non-probability sampling, outcomes from the study cannot be generalised. There was a probability of interview partiality arising from the researcher's personal insights, presuppositions and interpretations. In some instances, the researcher was compelled to clarify matters and to corroborate impressions of motive and practice through informal discussions with government officials and PPP consortium members.

The research venture on SASSA depended on the quality of the respondents' responses. This also depended on the extent of knowledge and involvement in the PPP process and operations and limitations of their understanding of PPPs. The problems relating to access to information outside the organisation and different values which are imposed by the different relevant role-players as well as inter-organisational political processes, pose a challenge which the researcher is well aware of and which should be managed properly (Harvey, Smith & Wilkinson, 1984:159-163).

1.7 ETHICAL CONSIDERATIONS

Cohen *et al* (2007:51) argues that each stage of the research order may be a probable origin of ethical mess. Bryman and Bell (2011:136) identified four main areas of concern: injury to participants, absence of informed agreement, invasion of privacy, and cheating. In this research, the researcher always ensured confidentiality to interviewees by not identifying them by name or revealing their specific positions they hold. The participants in the study were not offered any financial incentives or any other form of inducement to participate in the research project. They were offered the opportunity to receive a report of the results and the conclusions drawn from the research project.

Walsham (2006:327) argues that even if names are not provided, during a report back process it may be possible to attribute certain ideas to particular individuals who participated in the study. The findings of the study were reported without concealing any information to satisfy either the organisations or the organisational sponsors.

Ethical issues must be interpreted in light of the research content and other values at stake (Walsham, 2006:328). Efforts were made to ensure fairness during the interaction with the respondents, interpretation processes and when writing up research findings. To secure

further that ethical aspects were adhered to, the research was evaluated and approved by the Faculty of Arts Ethics Committee of the North West University and the Institutional Ethics Committee provided the research with an ethics number.

1.8 SIGNIFICANCE OF THE STUDY

The SASSA Act 9 of 2004 makes provision for the partnering of private sector institutions in the disbursement of social security grants in consultation with the Minister for Department of Social Development (SASSA, 2010:6). For a government to provide social grants in a dignified and effective manner, funding mechanisms need to be optimised to secure that no problems occur in this regard.

Partnership design between SASSA and a private service provider must take into consideration that both entities should understand each one's interest and objectives with the partnership. Furthermore, the terms of reference outlining the expectations and roles and responsibilities of partnership members must be clear. Partnership should not be an issue of adequately allocating risks to the private sector partner whilst only the public sector partner benefits. The PPP model satisfying the expectations of both partners has to be developed with the selection of effective partners and contractual design that takes into consideration each partner's expertise in relation to the project to be undertaken.

Unlike in construction industry where PPP models have been developed and supported by government regulations, the PPPs in the disbursement of social grants by SASSA must be supported by the implementation of the regulation, policy and development of new models including the bank driven payment system (BD), or a bank led retail driven payment system (BLRD), or a model that will support a non-bank led independent partner (NBL).

1.9 PROVISIONAL CHAPTER LAYOUT

The preliminary layout of the chapters in this study is addressed next.

Chapter 1: Introduction and outline of the study

The chapter contains background information regarding the contents of the study and an orientation is also provided. It provides motivation for pursuing the selected the topic, the rationale for undertaking the research study, and affirmation of the research challenge. The

chapter provides a general orientation as to the locus and focus of the study, highlights the problem statement, explains the research methodology and summarises the research objectives and questions and chapter layout.

Chapter 2: Theories on procurement in the Public Sector

The chapter outlines a comprehensive examination of the literature from various sources including: textbooks; journals; theses; conference papers; reports and contemporary sources in order to analyse relevant theories on procurement. The chapter also contains a wide-ranging survey of PPP projects in developed and developing countries with specific emphasis on the use of the PPP approach in the South African context with regard to the disbursement of social grants by SASSA. Alternative procurement methodologies in government were also reviewed. An analysis of relevant procurement theories was undertaken to form the basis of the study.

Chapter 3: Procurement practices in SASSA

This chapter looks at the procurement practices in SASSA. It analyses the impact of PPPs on the operations of SASSA and will identify, through the empirical study, problems facing SASSA in the distribution of grants to the beneficiaries. The chapter lastly lays the foundation for whether to accept PPPs as an alternative to traditional public procurement method.

Chapter 4: PPP as an alternative procurement method for disbursement of social grants: Empirical findings

This chapter provides information on what role PPPs can play to assist SASSA in the disbursement of grants to the beneficiaries. It also discusses what procedures should be implemented to accommodate PPPs in SASSA's structures to secure success. This chapter provides normative guidelines to be followed by SASSA to address the current problems experienced by SASSA in the disbursement of grants to the poor and vulnerable.

Chapter 5: Conclusion and Recommendations

In this chapter, the conclusions drawn from the mini dissertation are summarised, discussed and interpreted. Scientific knowledge acquired through this study is put forth

giving support and effect to the findings of the research. Recommendations are also made to assist the Agency to choose an alternative payment system that promotes the objectives of its establishment. Where appropriate, recommendations are subsequently made for further research, practice and or implementation.

1.10 CONCLUSION

This chapter contained background information regarding the contents of the study and an orientation was also provided. It provided motivation for pursuing the research study, the rationale and background information on the research problem.

The next chapter contains a comprehensive review of the literature from various sources including: textbooks; journals; theses; conference papers; reports and contemporary sources in order to analyse relevant theories on procurement.

CHAPTER 2

PUBLIC-PRIVATE PARTNERSHIPS AS MODE OF PROCUREMENT IN THE PUBLIC SECTOR

2.1 INTRODUCTION

In Chapter 1 the foundation of the research study which included the orientation and problem statement was outlined. Moreover, the chapter outlined synopsis of the research questions, objectives of the study and research approach which focused on the research outline, sampling, instrumentation, data gathering, data analysis and the limitations. Finally, the theoretical framework (NIE) which is used to analyse literature in the study was also outlined.

This chapter outlines the literature on the nature and extent of PPPs as an approach to purchasing of goods and services in public sector. This chapter contains an all-inclusive literature assessment on a PPP as an alternative purchasing method in the public sector from various sources such as textbooks; journals; theses; conference papers; reports and contemporary sources in order to analyse relevant theories on procurement. Alternative procurement methodologies in the South African government are also reviewed. An analysis of the relevant procurement theories is undertaken to form the basis of the study.

2.2 RATIONALE FOR PRIVATE SECTOR INVOLVEMENT

PPPs have become popular in most countries as they are used as modern means to assist governments in revamping their aging infrastructures (OECD, 2011:Online). Theory of PPP arises from the belief that private businesses can use their expertise and partner with governmental institutions to provide public services efficiently and effectively (Flinders, 2005:218). Over the past decade, the South African government has turned to the private sector institutions to supply a sizable range of services that were traditional assigned as the function of public sector (Dutz *et al*, 2006:Online). By nature a PPP arrangement is meant to benefit all parties involved in the partnership by appropriately allocating risks, rewards and responsibilities (OECD,2011:Online).

The switch from the traditional public buying practice is placing new requirements on governments from all over the world to pursue modern approaches of improving delivery of

services, responding to pressures exerted by citizens by introducing public sector management reforms (Palmer, 2009:Online). Nkoana (2006:9) argues that the increasing demand from the citizens is forcing governments to find alternative methods of delivering quality services to meet the expected strategic outcomes and the growing needs with limited resources. The international focus on improvement of service delivery has necessitated a closer look at the outputs and outcomes and the performance of the public sector (Van Wyk, 2011:1339). Van Wyk (2011:1339) argues that the new thinking is encouraged by a growing demand from the people who want to know what governments are doing with their taxes, thus putting pressure and forcing government to think of new ways to improve delivery of public services.

Many countries are adopting NPM as a method of producing and delivering quality public services (Palmer, 2009:Online; Dwivedi & William, 2011:22). Lack of effectiveness of traditional purchasing approaches in the public sector gave rise to the introduction of NPM (Batan, Essig & Schaefer, 2005:127). The concept of NPM thus seeks to promote PPPs as a vehicle towards modernising the procurement in the public sector. NPM utilises private business methods and management capacity and skills to improve performance in delivering goods and services (Powel & De Vries, 2011:104; Dwivedi & William, 2011:22). Ford and Zussman (1997:24) profess that the concept, NPM is often used to embrace range of approaches to public sector governance which is divided into three groupings.

- The first group focuses on reducing state's role in providing goods and services (e.g. privatisation and outsourcing).
- The second group is concerned with reforming the machinery of government to function better (e.g. restructuring, new forms of organisations).
- The third group is concerned with improving management (e.g. empowerment, collaboration).

In terms of the last group the assertion is that by implementing PPPs, public authorities benefit from co-operation with specialised service providers from the private sector. Therefore, privatisation and PPPs are within the NPM approach as alternative means of improving acquiring infrastructure and other goods and services.

PPPs are products of policies and processes devised to modernise public services (Broadbent & Guthrie, 2008:129). As suggested by Van Wyk (2011:1339), government departments in South Africa are increasingly making use of outside contractors to perform certain functions that were regarded in the past as responsibilities of government through outsourcing and PPPs. Powel and De Vries (2011:133) concur that in United States of America government agencies are transferring a large number of functions that were previously performed by the state to commercial businesses. The public sector in South Africa is swayed by global best practices to push the transformation for improvement of public service delivery (Koma, 2006:65). The transformation has led to the adoption of alternative service delivery mechanisms, including the use of the PPPs ensuring effective and efficient service delivery and high value for money. The critical problems facing the delivery of social assistance grants by SASSA, would through the use of PPPs be turned around and improve responsive delivery of services to both current and prospective recipients of government social grants. The creation of PPPs between SASSA and private sector could herald an improved service delivery response; wide access to social grants; value for money (VfM) in line with set service standards.

The decision on whether to outsource activities is not driven only by economic principles but by other factors including legal regulations (Batrans *et al*, 2005:127). This implies that public procurement procedures, VfM calculations, negotiations, expected standards and quality of products should precede signing a PPP agreement. The modernisation of public services has affected not only how services are procured and delivered (such as through PPPs), but also how they are managed and controlled by governments (English, 2008:145). The drive for efficiency replaces input oriented steering mechanisms by performance management which enhances service delivery quality (Batrans *et al*, 2005:128). In PPPs the key mechanism is the participation of the prospective bidder in the early stages of decision making process, relative to traditional procurement and the contract is often more extensive (Klijn, 2010:71). Parker and Figueira (2010:513) argue that the drafting and negotiation of the contract is more complex and requires negotiation experience which is often lacking from the public sector.

2.2.1 Defining Public-Private Partnerships

The PPP concept and its meaning are widely defined throughout the world by politicians, academics and business. However, the actual meaning of the concept and what elements that are emphasised differ significantly depending on which sector presents the concept (Jeppsen, 2013:Online). Hodge, Greve & Boardman (2010:4) define “PPP as a cooperative institutional arrangement between public and private sector partners”.

Burger and Hawkesworth (2011:Online) define PPP “as a commercial transaction between a government institution and a private partner in which the private party either performs an institutional function on behalf of the institution for a specified or undefined period or acquires the use of government property for its own commercial purposes for a specified or indefinite period”. In terms of the definition, private partner is awarded for performing state functions either by drawing levies from users or through a payment by the state (Burger & Hawkesworth (2011:Online). According to National Treasury (2004:Online), PPP is described as “a contract between a public sector institution and a private party, in which the private party assumes substantial financial, technical and operational risk in the design, financing, building and operation of a project”. Batran *et al* (2005:131), suggest that the partnership agreement should emphasise the sharing of skills of each sector. Palmer (2009:Online) points out cooperation, apportioning of risks and responsibilities as the central elements represented in the definition of a PPP. The words used in defining a PPP can give either a negative or positive association which may influence the perceptions about PPPs (Thomsen & Andersen, 2000:161). PPP definitions raise vital points in a number of studies as they differ in broad scope depending on each project undertaken (Batran *et al* (2005:131). Some authors argue for the use of the word “mix” instead of “partnership” or cooperative as most PPPs cannot be categorised by trust and interdependency (Wettenhall, 2010:21). The privatisation of the finance function which at some stage was not popular practice within the public sector is becoming a fundamental attribute of most PPP projects (De Bettignies & Ross, 2009:358).

PPPs are often confused with “contracting out” in which state enters into a contract with a specialised private company to deliver a specialised aspect of a particular service (Mubangizi, 2005:645). Mubangizi (2005:645) further argues that when services are

contracted out, for example pension payment, water billing and waste collection, government pays a fee to a private contractor to provide specific operational services. Government's duty is to protect standards and quality of services and through a tender evaluation process, promote transparency, equity, contract specifications, monitoring and compliance techniques.

Sciulli (2010:Online) defines outsourcing or contracting out as "privatisation where a government agency divides its services into core and non-core, where core services are retained and delivered by the government personnel whereas non-core services are contracted out". According to Sciulli (2010:Online) PPPs involves private business setting up a vehicle for delivering a specific service while at the same time it provides secondary services. The government in return agrees to compensate the private sector partner for the duration of the contract (Malone, 2005:422). According to Palmer (2009:Online) the public sector partner retains a major role unlike in privatisation, where the state role is limited to regulating. Torres and Pina (2001:602) profess that in a PPP the state contracts with the private sector to procure infrastructure or service over a period of time. This point has become salient in a partnership relationship as a decision ought to be made on the accounting treatment of assets and liabilities in a PPP (Sciulli, 2010:Online).

Grimsey and Lewis, (2005:345) refer to PPPs as hybrid types of arrangement aimed at filling a gap between state traditional approaches of procuring services and privatisation. The private sector assumes significant financial risk which acts as an incentive to meet the specified performance standards so as to achieve acceptable returns on investment.

2.2.2 Review of procurement methods and performance

Through competitive tendering and contracting out, government cannot only shorten the delivery time of projects but improve the quality of its services. PPPs are used worldwide for a number of reasons and the use is increasing (Sciulli, 2010:Online). A number of authors suggest various reasons for the global increase in the use of PPPs. Sciulli (2010:Online) suggests the reduction of debt and attainment of VfM as the two reasons for the growth in the use of PPPs. Lilley and De Giorgio (2004:36) identify VfM as one reason

for the growth in the use of PPPs and the timely delivery of project outcome as the second reason. South Africa has seen growth in the use of PPP as these partnerships are seen as viable options to increase performance in the public sector (Mubangizi, 2005:643). However, regardless of the advantages for using PPPs, the majority of capital and non-capital spending on services by a large number of governments and public entities promotes the use traditional public procurement methods (Regan, 2009:Online). Under the traditional procurement method, the bid award is done based on the lowest cost (Regan, 2009:Online).

Traditional methods of procurement generally involve government departments, or their agents designing or specifying in detail, the work required prior to inviting competitive tenders (Morledge *et al*, 2006:95). Government departments or their agencies following the tender process choose the method of procurement that appears to represent the best VfM, and then enter into some kind of contract for the work or service to be done. The contractual relationship that results from this traditional process is essentially that of the service provider and customer. In the public sector the procurement process should comply with standard government procurement policies and guidelines (Regan, 2009:Online). The public partner decides in detail what he / she wants and the service provider simply performs the work as designed. To be successful, the selected procurement method depends upon the public partner being able to specify their requirements in sufficient detail for the service provider to accurately quantify and price the work. Regan (2009:Online) contends that a traditional contract in its present form limits the chances for prospective bidders to participate at early stages of project design. This also deprives them an opportunity to lower service costs by presenting new technologies (Regan, 2009:Online). PPP connections evolve through extensive bid process and collaboration relying on complicated finance deals (OECD, 2011:Online).

Kwak *et al*, (2009:55) and OECD (2011:Online) view the increase in the use of PPPs as caused by a failure of a government traditional procurement approach to delivering projects. On the opposite, a pure private approach may lead to market failures resulting to uneven distribution of resources (OECD,2008:Online). The use of PPPs has substantially shifted the focus to quality service standards regardless of who delivers the service

(Flinders, 2005:220). PPPs, therefore are observed to be alternatives to outsourcing or privatisation as they reinforce the dominance of both systems (OECD, 2011:Online).

Another important element for the outcome of the negotiation is the property rights of the asset. If the PPP asset is of a nature so that it can be disposed outside the partnership, then the holder of the property rights has higher bargaining power (Jeppsen, 2013:Online). If the private firm *ex ante* expects to hold property rights and thus gains a high bargaining power, then the company is expected to engage in a higher amount of relation specific investments because of the prospect of higher bargaining power *ex post* (De Bettignies & Ross, 2010:142). In other words, property rights provides an added advantage by placing the holder of such rights in a better bargaining position should there be a need for such an action.

The important feature between PPP procurement and traditional lies on the role the two parties (private and public) play in the management of the PPP project (OECD 2011:Online). Table 2.1 below outlines the primary difference between the PPP and the traditional procurement method.

Table 2.1: Traditional Procurement versus Public Private Partnerships

Key Features of PPP and Traditional Procurement Methods	
PPP Projects	Traditional Projects
• Private Sector stewardship, whereby overall control of project execution is transferred to the private sector partner. • The completion of milestones is determined by an independent certifier and overseen by the private sector partner. • The public sector owner must step back and allow the PPP consortium and its contractors the freedom to manage each phase of the project in a way that best meets the contractual obligations. • However, the public sector owner ultimately retains ownership of the asset, including the right to make changes to the requirements or even to terminate the PPP arrangement.	• Project stewardship by the public sector or a contract management firm. • Overall control of the project execution rest with the public sector owner (or a contract management firm acting on behalf of the public sector owner). • The public sector owner (or its contract management firm) would typically have engineers on the site to supervise and direct the project and to inspect and approve the work at key completion milestones.
Source: OECD (2011:Online)	

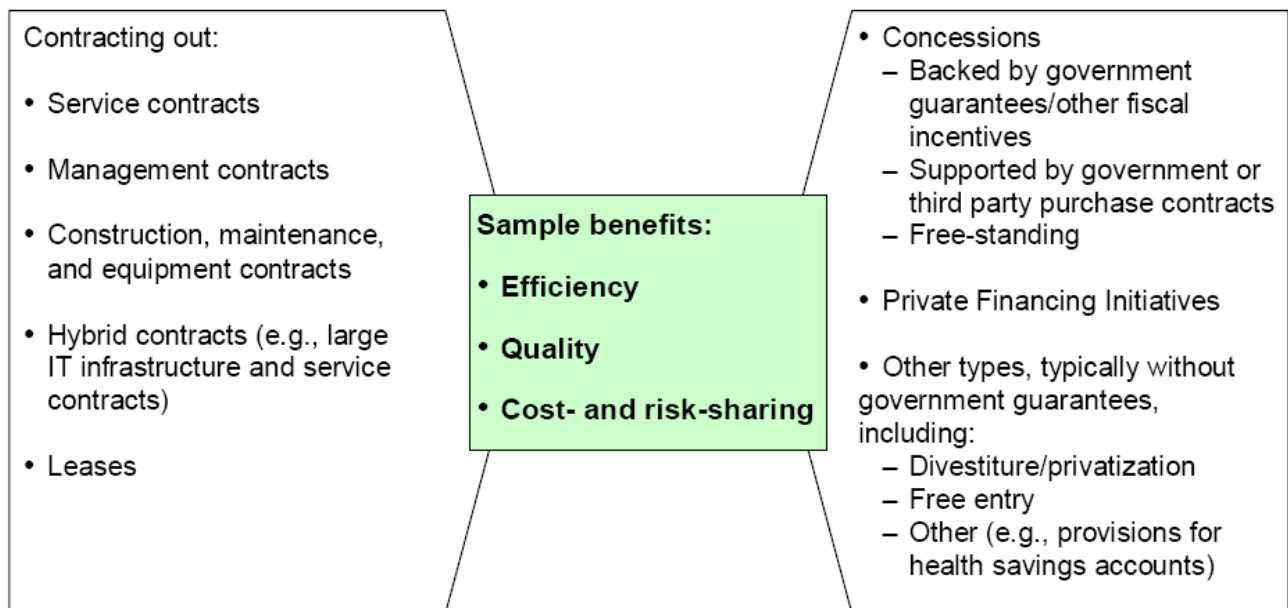
2.2.3 Different forms of Public-Private Partnerships

Governments enter into PPPs to meet certain objectives. It is their prerogative to select a model of service delivery that best addresses those objectives as well as transferring responsibilities and risks to the private sector. Gosh and Gope (2011:Online) concur that PPP formation addresses variety of differing needs for both infrastructure and other government services. Gosh and Gope (2011:Online) distinguish between two varying types of PPP categories, “institutional PPP referred to as joint ventures; and contractual PPPs”. The different forms of PPPs that are used in general by the social services sector such as health care as highlighted by Nikolic and Maikisch, (2006:Online) are shown in Figure 2.1 below for purpose of illustrating the different contracts:

Concessions associated with PPPs are in most countries backed by government guarantees and have become the most common type in the history of public-private financing (Nikolic & Maikisch, 2006:Online). Concessions bring to the partnership both management capacity, financing and technical skills (Gosh & Gope, 2011:Online).

Gosh and Gope (2011:Online) define these collaborations as “contractual arrangements whereby a facility is given by the public to the private sector, which then operates the PPP for a certain period of time”.

Figure 2.1: Key types of Public-Private Partnerships and collaboration in social services sector.

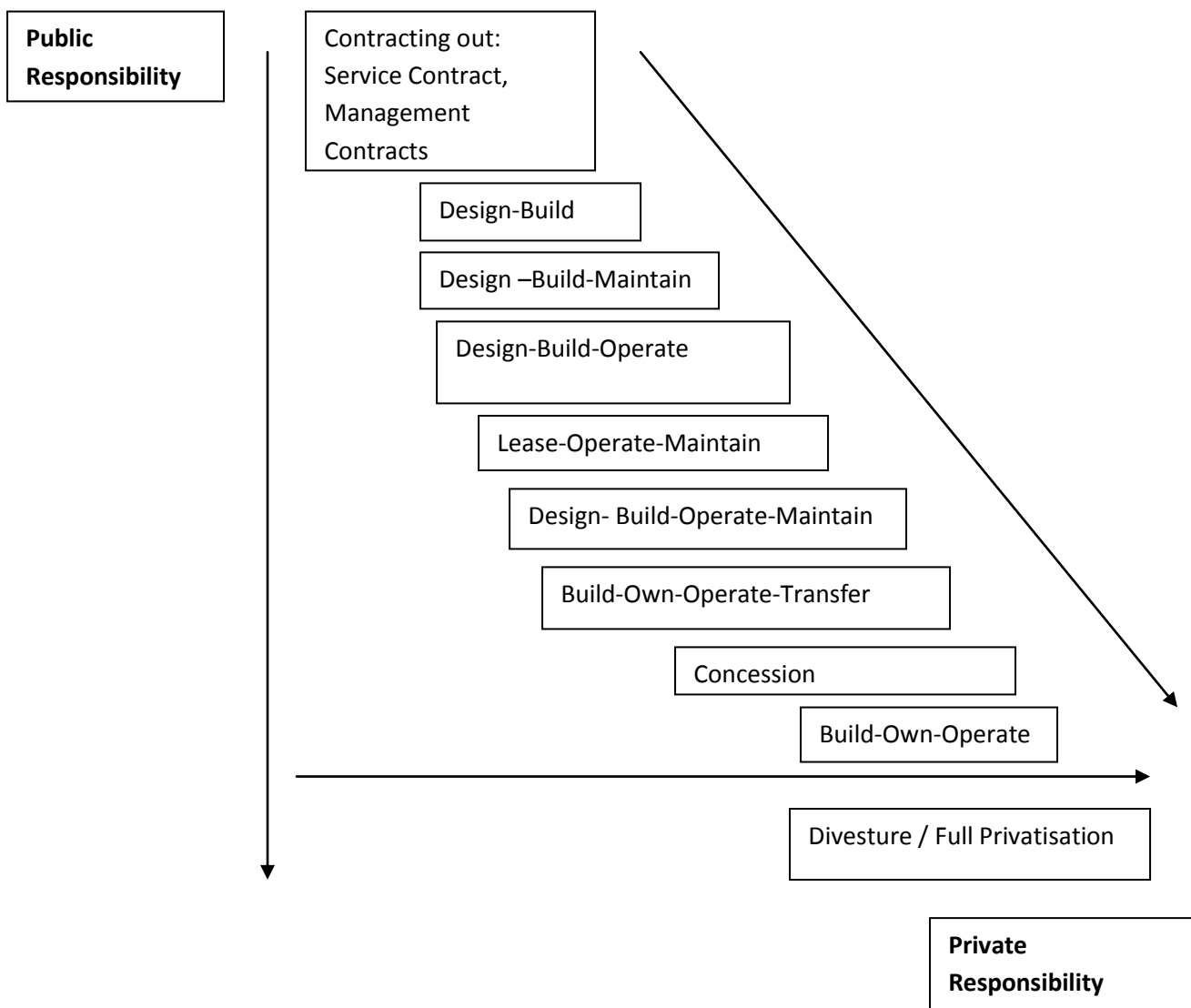


Source: Nikolic and Maikisch (2006: Online)

Figure 2.2 illustrates the PPP continuum outlining how risk is transferred from public sector partner to private sector partner. According to Palmer, (2009:Online) “the continuum runs from a contribution contract with minimal risk transfer, to buy-build-operate (BBO) partnerships with a maximum or complete risk transfer”. The continuum outlines a number of combinations of activities the private partner can perform.

Another model of PPP originates from UK based Private Finance Initiative (PFI) which emerged from the United Kingdom as government reform for public service delivery (Gosh & Gope, 2011:Online). In contrast to the concession model, financing of the project under the UK PFI is structured differently (UNESCAP, 2011:Online). Under PFI, services provided by the private partner on behalf of the consortium are paid by the state (Gosh & Gope, 2011:Online).

Figure 2.2: The public private partnership continuum



Source: Palmer (2009:Online) adapted from The Canadian Council for Public Private Partnerships

However, the approach relative to the transaction and concession phase shows dramatic differences as most projects procured through the traditional approach are for design and implementation, whereas those procured through the PPP approach are for design, implementation, operation and maintenance (Nikolic & Maikisch, 2006:Online).

2.2.4 PPPs as means of service delivery improvement

Rendon (2008:Online) asserts that public procurement and contract management are at the forefront as government departments and their agencies are more focusing on core functions and outsourcing non-core but critical functions. These organisations are relying on procurement processes as a key to achieving and maintaining a competitive advantage (Quinn, 2005:Online). However, the PPP arrangement is challenged by exclusion of critical information in the partnership agreement seen as important in the functioning of PPPs (OECD, 2011:Online; Johnston & Gudergan, 2007:573).

The South African government views PPPs as a viable option that could be employed to address the high number of social backlogs including poverty alleviation (Mubangizi, 2005:644). The reason behind the use PPPs is linked to perceptions that public sector fails to deliver services relative to expectations from the people. The private sector efficiency is derived from the manner private sector institutions use resources so as to maximise profits, its ability to maximise outputs from minimum inputs and preventing wasteful expenditure (Fourie & Burger, 2000:697). However, the private sector may not be in a position to maximise profits if the costs of delivering the projects in a partnership are too high (Grimsey & Lewis, 2005:351). The reasoning advanced in support of PPPs is built on perceived efficiency of the private sector and its free market rules allowing innovation on how best to deliver whilst at the same time reducing government overload (Palmer, 2009:Online).

The selection of PPP partners is subject to a number of rules. As PPPs diverge from traditional procurement, it is essential to ascertain how the procurement procedures influence the decision making on selection of PPPs and whether these procedures can be proactively utilised at the advantage of the public sector in the process of creating better functioning PPPs with higher total gains and lower total social cost (Jeppsen, 2013:Online).

Advocates of PPPs argue that private sector has a capacity to perform government functions better because of its pursue for private gain resulting in economies of scale that are beneficial to both parties involved in the partnership (Palmer, 2009:Online). The opponents see PPPs as attempts to relieve the state from its roles with the high potential of deteriorating service standards depriving the poor and the vulnerable (Palmer, 2009:Online; Savas, 2000:5).

Extensive evaluation studies on specific PPP projects describe the method of evaluation used in PPPs as characterised by inconsistencies which have been a subject of debate (Greve & Hodge, 2013:14). The practice and operation of PPPs have been largely affected by the global economic crisis which has negatively influenced countries' growth rates and government budgets across the world (Jeppsen, 2013:Online).

2.2.5 Using Neo-Institutional Economics in assessing PPPs

The main arguments behind the beneficial effects of PPPs originate from the neo-liberal school of economics where the absolute market efficiency is seen as an answer to the problems of any society (Jeppsen, 2013:Online). A NIE approach is employed to perform literature review, for example, to illustrate both benefits and demerits of using the PPPs in the disbursement of social assistance grants (OECD, 2011:Online). According to Royer (1999:44), the advantage of using a NIE framework is its ability to shift focus from profit maximisation to the social effects resulting from the PPP arrangements. NIE focusses on the platform used to take decisions and the restrictions inflicted by market (OECD, 2011:Online). The sociology of institutions as outlined in the NIE-framework refers to issues factors viewed as essential in a decision making on whether to adopt PPP as a procurement method (OECD, 2011:Online). Further to the above, the elements of NIE-framework are relevant in the examination of PPP theory to show why its outcomes are not always realisable in reality (OECD, 2011:Online).

The outcomes based nature of social security assistance is fundamental in the analysis of PPP arrangements as the focus is on outcomes addressing the current challenges rather than profit maximisation behaviour of the private partner. The critics of PPPs and

positivistic approach to PPPs have emerged from other academic fields leading to the release of PPP as a phenomenon from its neo-liberal attachment (Jeppsen, 2013:Online). Jeppsen (2013:Online) further asserts that PPPs are considered as important policy tools and applied from many different theoretical and normative aspects and are seen as modern delivery mechanisms that may have an influence on reshaping future policies and not only as ideologically valued phenomenon. The ongoing debate on PPPs indicates a movement from ideology towards an approach that focuses on best practices and action (Jeppsen, 2013:Online). However, since the emerging of the global economic crisis which has influenced economies all over the world, the contribution of the private sector institutions is diminishing, thus affecting manner in which PPPs should be operating (Greve & Hodge, 2013:1).

The NIE framework is used to evaluate PPPs as an alternative public procurement method using the following elements.

2.2.5.1 Social and political rhetoric

PPP's existence in a particular policy arena or local area raises strong opinions, not only because there is involvement of a private partner making profit out of public service provision, but as a result of ideological dislike by many politicians, professionals, and union members and many other local actors (Jeffares *et al*, 2013:171). Public buy-in and support are essential to safeguard the triumph of PPPs, where these partnerships are to supply important public goods (OECD, 2008:Online). Devising and administering large projects such as a PPP with success requires state's interventions on policy issues and regulatory framework. Chung and Meissner (2011:7) assert that the design, therefore, of a PPP requires thorough preparatory work and detailed knowledge in the respective sector regarding the political, economic, legal, institutional, financial and social context or resource. Consultation with stakeholders and winning their support is an essential. If stakeholder objection is highly noticeable, support from political authorities for PPPs may also decrease, thus increasing the risks on the PPP to deliver what is expected (OECD, 2008:Online). The increase in political risk may not only deter private sector participation in a PPP but reduce competitiveness for the PPP project. The absence of clear rules on roles each party should play escalates potential for politics and responsibilities to the parties in a

relationship to be misunderstood (Johnston & Gudergan, 2007:571). OECD (2011:Online) outlines three main considerations that may have implications on PPP project as “political climate in which the project is evaluated”; “climate in which the project proceeds”; and the “climate in which disputes are resolved”. All these considerations emphasise the importance of consultation to level the playing ground for a proper take off of the PPP project.

Rosenau (1999:18) argues that as the result of differing intentions of the contracting two parties, the private sector partner may be promoting the need to focus on prioritising shareholders returns and taking measured risks. Negative public perceptions about PPPs emerge from perceptions that taxpayers may not support a PPP as some are perceived to lack transparency (OECD, 2011:Online; Flinders, 2005:230). However, full disclosure may also not be possible for the private sector due to protection of proprietary information to ensure maintenance of competitive advantage over other players in the industry (Rosenau, 1999:31; Flinders, 2005:231).

2.2.5.2 Risks associated with PPPs

Risk management and risk allocation can influence the contract and the actual PPP collaboration. Mapping, transferring, and allocating any other forms of risk management, do not eliminate risk itself but rather create new forms of uncertainty which may be hidden from the risk manager (Power, 2008:76). Boardman and Vining (2012:12) contend that the gain of risk transfer to the private sector partner is zero, as the risk is merely transferred to another partner and not eliminated. Reporting and monitoring of the risks objectives on a continuous basis does not guarantee the project’s success as unforeseen risks can emerge anytime during the execution stage of the project (Jeppsen, 2013:Online). The processes of defining and mapping risks, make the PPP partners comfortable and secure knowing that there is a plan in place for mitigating any potential known risks. The consciousness of the probability of the risk estimates and the fact that private and public actors have different expectations and acceptance levels of risk, are of great significance in the initial consideration of the amount of risks to be transferred (Monteiro, 2010:273). This awareness of the probability of risk should not result in an abandoning of risk

considerations, but only that the parties should be alert not to entirely depend on the risk assessments and risk mitigation plans.

Jeppsen (2013:Online) argues that PPP risk management is importantly differently because unlike in the normal business considerations the private sector regards its public partner as a risk. Public sector has a high means to absorb risks because of the traditional understanding and belief in governments to have resources (Monteiro, 2010:262).

In PPPs, the joining of tasks creates an increased incentive to overcome most of the risks. Monteiro (2010:270) asserts that the degree of efficiency depends on the degree and effect of the risk allocation to the private sector partner. He argues that private sector partner only operates efficiently if they have financial interests at stake and if the risks that are transferred to them are risks that they can handle.

Since the public partner retains the liability to ensure the performance of any duty towards the community it serves, PPP arrangements should contain appropriate governance structures to ensure adequate performance and to minimise the risks associated with using private partner contractors in a public sector environment (Torres & Pina, 2001:603). The allocation of risk to the private sector should drive the PPP procurement method towards efficiency compared to traditional procurement (Grimsey & Lewis, 2007:177).

In PPPs emphasis is placed on the optimal risk transfer as risks are perceived to be inherent in the project. The optimum allocation of risks encourages both partners to fully commit to achieving the objectives of the agreement by all means (Reeves, 2010:Online). According to OECD (2011:Online), in formal risk analysis exercise, an acceptance by parties involved is a necessity as an established capital procurement process will expose government to a number of hard to manage risks. Finders (2005:226) maintains that since the state is duty bound to prevent failure in providing essential services, the ability of the public sector partner to transfer risk to the private sector partner becomes non-existent. This to an extent nullifies the benefits of PPPs.

Under PFI model in the UK, failed partnerships forced the government to intervene in form of providing subsidies or taking over the project (OECD, 2011:Online). In the context of outsourcing, holdup risks become a common element as public sector partner can become too dependent on the specialist provider of an outsourced activity and that the specialist

will use the opportunity to increase fees beyond some previously agreed rate (Hill & Jones, 2007:326). Grimsey and Lewis (2007:177) profess that the public sector ability to transfer risk to the private sector renders PPP to be more cost efficient compared to the traditional procurement.

Palmer (2009:Online) pronounces that governments are able to mitigate some risks by adopting various approaches for managing risks within each phase of the partnership. Training and sharing experiences with other countries could be helpful in developing the capacity for government to manage and monitor a PPP arrangement.

2.2.5.3 Equity, access and improved performance

The reduction of operating costs and enhanced performance are usually regarded as important benefits of PPPs (OECD 2011:Online). Performance and quality need to be monitored to ensure the private partner is not compromising it in pursuit of efficiencies by focusing more on cost reductions and maximising profits for the shareholders (McKee, Edwards & Atun, 2006:892).

Rosenau (1999:13) professes the use of externalities to measure cost performance. These are sometimes deliberately ignored by both parties. The danger is that if externalities are ignored completely, in the long term, cost containment may be compromised and unattainable resulting in lost VfM considerations in accepting the initial project. Cost escalation can be contained in a partnership if externalities are discounted (OECD, 2011:Online).

Rosenau (1999:14) holds the view that equity can be attained where there is competition. However, equity can turn into risk in provision of services affecting vulnerable poor people such as social grants (OECD, 2011:Online). Presently, access to SASSA services is free to all beneficiaries. The beneficiaries use direct face-to-face interaction using local offices when they apply for grants or to query something relating to their existing grants. SASSA uses Cash Payment Services (CPS) to pay out the cash benefits to beneficiaries whether it is at a pay-point or by a transfer to a commercial bank.

2.2.5.4 Governance

Millward and Provan (2000:360) define governance “as an inclusive term concerned with creating the conditions for ordered rule and collective action, often including agents in private and non-profit sectors as well as within the public sector”. Governance in PPPs raises a number of problems, most of which have economic proportions (Reeves, 2013:Online).

Establishing systems that enhance accountability and transparency is essential in PPP arrangements (Demirag & Khadaroo, 2008:456; Forrer *et al*, 2010:477). This would make PPPs more accessible and widely recognised. Systematic means and processes have to be in position to rectify points of disagreement to avoid delaying the project (OECD, 2011:Online). The essence of PPPs requires a governance model that allows for some future adjustments as long as both parties agree to them and accept responsibility for such changes (Hodge, 2010:152). According to OECD (2011:Online) governance issues in partnerships occur because of ignoring considerations such as technical-rational issues; unintended social effects; and risk analysis.

2.2.5.5 Transaction costs

Transaction costs including setting up PPPs, negotiating the details, legal processes, monitoring, procurement costs are referred to as reasons for failure of PPPs (Reeves, 2013:Online). Transaction costs are linked with set-up and implementing transactions within the PPP to avoid exploitation of one party by another (OECD, 2011:Online; Buitelaar, 2004:2542). When considering VfM, the total costs of PPP should be lower in a PPP compared to the traditional public procurement method (Reeves, 2013:Online). Contracts for PPPs that are well structured have a potential to minimise transaction costs (OECD, 2008:Online; Royer, 1999:47). An all-inclusive contract that include information on potential PPP difficulties and the exact costs estimation for future execution of the PPP agreement is hard to generate (OECD, 2011:Online). Limitation of bounded rationality and provision of false information by either of the parties in a PPP may lead to unfinished projects at higher costs than initially planned (Buitelaar, 2004:2542).

Rosenau (1999:11) asserts that it is not possible to determine in a PPP which partner is more or less accountable but government usually assumes more accountability when

partnerships do not succeed. This is common in where provision of public services is involved. Mechanisms in form of penalties are usually applicable as punishment for non-performance by the private sector partner (Flinders, 2005:226). PPPs use private sector commercial practices to scan decisions on capital goods expenditure.

Boardman and Vining (2012:130) argue that transactions costs are usually high in countries that are developed as compared to other developing countries. Since PPP approaches encourage private sector efficiency, an expectation of reduced total project costs is not unjustifiable. Whether PPPs are used as a public procurement tool or a decision-making and implementation tool, they are expected to secure the economic and financial ends of minimising the on-budget expenditure of government on public services (Hudon & Zaato, 2010:Online).

2.2.5.6 Ownership Rights

Decisions about asset ownership are significant as control over assets provides the owner of the asset bargaining power when parties terminate the PPP relationship (Royer, 1999:52). The owner of an asset has a choice in determining how such asset should be utilised and the circumstances and conditions under which it can be used within the ambit of the law as specified in a contract (Holmstrom & Roberts, 1998:Online). Blanc-Brude, Goldsmith and Valila (2006:5) concur that ownership of an asset guarantees the owner rights of deciding what to do about the asset in case the contract is terminated. In a PPP assets control is transferred to the private sector partner who then assumes control rights for the term of the agreement (Grimsey & Lewis, 2007:177).

Buitelaar (2004:2544) defines a user right “as a set of formal rules that defines and attenuates the right to use property and in that way coordinates changes in property on a particular site”. In divergence to transaction cost economics, ownership rights models conclude that all bargaining occurring after investments are made is efficient (Royer, 1999:51). In practice, ownership rights are essential in social services sector if PPPs are employed (OECD, 2011:Online). Completed structures after the expiry of the PPP term of agreement are given back to the government (OECD, 2011:Online). The levels where the ownership rights are not taken into account during the PPP development process have no influence on this institutional environment (Buitelaar, 2004:2548).

2.2.5.7 Cost of operation

One of the fundamental reasons for entering into a PPP is that such an arrangement delivers increased efficiencies at reduced costs (OECD, 2011:Online). Partly this is due to the adoption of private sector commercial approach to maximise performance and minimise cost or be eliminated by the competition (OECD, 2011:Online). The studies of PFI in UK did not found corroboration of gained efficiencies suggesting that PPPs may be more suitable to certain sectors only (OECD, 2011:Online). Further studies on the application of PPPs in defence in the UK found that PPP arrangements do not always result to efficiency (Parker & Hartley, 2003:105). This leads to disputes over the claims of efficiency associated with PPPs. According to Reeves (2013:Online) the use of different methods in determining VfM create inconsistencies amongst various sectors or projects. In the UK, PFI initiatives make use of a Public Service Comparator (PSC), which is an estimate of cost that the government would pay were it to deliver a service by itself (OECD, 2011:Online). The PSC is also employed in South Africa in calculating the VfM.

Officials may be tempted to overestimate the PSC to obtain quick approval for projects that are inferior. OECD (2011:Online) advocate the use of outside institution for the verification of costing methodologies, as the efficiency argument can become debatable if determined by the interested parties in a project.

Empirical evidence shows that in delivering services, public organisations can be as more efficient as private sector institutions (Hall, 2008:Online). Furthermore, in assessing PPPs the assumption of superiority of the private sector partnership efficiency falls away.

2.2.6 Public- Private Partnerships in social assistance

According to Blanken and Dewulf (2010:36), increasing costs of providing services are forcing governments to look for new modern ways of delivering quality services cheaper. The move to new modern ways of procuring public goods is inspired by the state's ability to effectively allocate risks to the private sector (OECD, 2011:Online).

The distinctive nature of the social assistance system in South Africa makes it hard to evaluate if a PPP will succeed or fail as it has never been tried in a large scale. It was only tried in 2003 between Free State Department of Social Development and AllPay (National

Treasury, 2002:Online). This condition seeks to support the relevance in use of the qualitative elements of the NIE approach. Given the policy-sensitive nature of social security assistance in South Africa, stakeholder involvement has become important.

Regarding PPPs in social assistance and similar areas of social safety nets, there is no broad experience (Chung & Meissner, 2011:13). The reason for this is that social assistance does not represent a separate market like in the case of basic social services or the social insurance sector. Social assistance is not based on the user contributions or fees as it represents a tax financed benefit of poverty relief. Chung and Meissner (2011:13) concur that the nature of social assistance or social grants does not create many business opportunities to attract private partners in developed as well as in less developed countries. There is a minute possibility for private activities regarding administration services as well as delivery or payment services. Internationally, there have been no studies assessing the viability of PPPs in the disbursement of social grants, thus reflecting the differences in the administration and implementation of social security policies, socio-economic and institutional contexts in different countries. In the South African context, no empirically based research that focused on South African instances of PPPs in social grant payments was found. To bridge the knowledge gap, the research study is an opportunity to generate research that assess the viability of PPPs as an alternative method in management and payment of social security grants and other public goods in the South African context.

Opponents of PPPs have always argued about government's ability to raise financing capital at lower interest rates as the main reason for keeping financing PPP within the state (De Bettignies & Ross, 2009:358). There will be no efficiency gains if the price of the PPP is higher than what the government would pay under the traditional procurement (OECD, 2008:Online). The other source of resistance to a PPP is the suspicion that it may entail a loss of local jobs either in a long or short term which is often seen as even more unacceptable especially to the labour unions (Jeffares *et al*, 2013:171). Labour unions argue that it takes longer to realise the loss of actual jobs in a PPP. Both staff and union representatives are often very much against innovative approaches that threaten job level and their attitudes to a PPP can be shadowed by uncertainty over this potential outcome (Jeffares, *et al*, 2013:171).

2.3 PPP CHALLENGES IN SOUTH AFRICAN SOCIAL SERVICES SECTOR

PPPs in general present governance and public management officials with several challenges. PPPs in social services sector in South Africa are at an advanced stage and that the all sectors continue to be crowded with different challenges. One of the key challenges for PPPs in South Africa, which is emphasised in both theory and practise, is the size of the market for the social services. The size of the disbursement of social grant projects is too large to constitute a well-functioning market but it is described as too expensive compared to the gains of winning the contract (SASSA, 2010:14).

The first challenge of PPPs is in the areas of risk transfer financial implications for partners, management and enforcement of contractual agreements, unsupportive political environment, and governance issues (Hodge & Greve, 2010:153). These challenges also include poor infrastructure such as roads, water, suitable building structures, information and communication technology in the most rural towns at some parts of the country. The market for the distribution of social assistance grants has been dominated by two service providers, Cash Payment Services (CPS) and AllPay. The two companies have been involved in the disbursement of social assistance grants in different nine provincial social development departments before and after the establishment of SASSA. This has made it difficult to attract local service providers (except when they become Broad Based Black Economic Empowerment (BBBEE) partners in compliance to PPPFA) due to large capital outlays and huge cash guarantees needed to construct and rebuild the infrastructure necessary to perform at acceptable optimal level. However, the new market possibilities may attract foreign investors and contractors for full utilisation of the PPP potential as competition is expanded. Although the competition in South Africa is strong, it is argued from the public sector perspective that competition can be even better with the participation of foreign actors as it would be beneficial to the economy and provision of services at a better price (OECD, 2010:Online).

National Treasury published a PPP standard model to meet some of these challenges which have been acknowledged as stumbling blocks towards the advancement of the PPP objectives (National Treasury, 2004:Online). These standard models from National Treasury are meant to reduce transaction cost and increase knowledge sharing in the

industry by standardising the PPP process so that all South African government departments, municipalities and government entities, apply the same practice. The importance of standardisation is also addressed in the contracting authority perspective which emphasises the use of all-inclusive standard contracts and tender documentation to ease the procurement process and management of contracts in a PPP (Arrowsmith, 2011:121). The practice of PPP has become an integrated part of the public procurement after a number of years as practice converge and the central players agree on a standard.

The PPP unit under the National Treasury developed processes to encourage and public actors in national departments, state enterprises, municipalities and provincial governments departments to apply the PPP standard model to the degree it fits the project to be undertaken under PPP (National Treasury, 2004:Online). The suggestion calling for extensive use of standardised PPP contracts and tender material is welcomed by many countries in the world, especially from the private sector perspective as it is viewed as an improvement in the procurement process for PPPs, knowledge sharing and learning (Jeppsen, 2013:Online). In most countries, each new PPP project has a new contract formulation and as a result the contractors and their legal advisors have to use many resources on assessing the contract which can be involving and costly.

Greve (2010:504) argues that theory on standardisation of the PPP industry is limited as the standardisation in the long-run benefits powerful companies and consultants who are in position to take advantage of economies of scale as government might only tender one or two PPPs per decade. A number of influential companies and consultants become more active in lobbying for the use of PPPs to occupy the gap left by government to increase their market share in an industry.

The second challenge relates to shortage of procurement expertise on the side of government. The transactions in PPPs are complex and government officials may lack specialist experience and skills in dealing with complicated issues. The lack of global experience in dealing with PPPs may expose the public sector during negotiations with private sector partners (KPMG, 2014:Online). Decisions taken at the earliest stages of the negotiations can have long-term financial, legal and technical consequences. Experienced officials can perform proper assessment of the objectives and consequences of the PPP

and be able to identify any potential pitfalls before government enters into a long term commitment. The parties involved in any PPP negotiations must understand their differing objectives and priorities and should strive to find common areas where they can succeed.

The third challenge relates to the public opinion. The decision makers within government may be convinced of the value that will be added by a PPP, the citizens may still need to be won over (KPMG, 2014:Online). Details of partnerships are often difficult to explain to the voters. Dialogue with stakeholders can identify areas of concerns prior to the final decision to implement the project is taken and to ensure ownership of the project by all those who are involved. Information dissemination to stakeholders is the key activity in process of communicating.

The fourth challenge is the political will. The political will to steer through PPPs over the long term is critical as without it, private sector operators may look for investment opportunities elsewhere. The supportive political environment must be created for the risk to be transferred. It is argued that politicians engage in PPPs because they can buy now and pay later, meaning providing infrastructure for current voters and pushing the payments to future taxpayers (Jeppsen, 2013:Online). The support of PPPs by politicians may generate popularity among the electorate whilst at the same time creating an opportunity with private businesses for the establishment of a long term association personally benefiting the politicians in future (Greve *et al*, 2010:596). The politicians' interest can be described as a political cycle approach, where no long-term concerns exist and re-election and short-term value maximisation are in focus (Monteiro, 2010:264).

The fifth challenge relates to the implementation of a PPP contract is still a major problem. In PPP negotiations the private partner is often involved earlier in the public decision-making process, compared to traditional procurement and the contract is often more extensive (Klijn, 2010:71). The drafting and negotiation of the contract is a complex and resource demanding process. It is often argued that the private sector has an initial advantage as negotiation experience is more established in the private sector (Parker & Figueira, 2010:513).

2.4 CONCLUSION

PPPs are not always a success. A large number of PPP projects are terminated owing to a variety of institutional and strategic barriers. The argument for PPPs remains the idea of value for money and efficiency. The basis for the idea is the theoretical justification that market competition and better incentives will create public services that are better than what the government currently provides. PPPs can provide public officials with an option approach to the provision of cost effective public services.

Although research on the topic is limited, there has been a wide coverage of PPPs in sectors such as economic infrastructure. Since there is no progression in social assistance in South Africa, gaps exist as to what has been researched in other sectors compared to social assistance. Consequently, the need to explore the suitability of a PPP in the disbursement of cash transfers for social grants.

This chapter provided details on the theoretical framework of the research study. Legislative requirement underpinnings the research study were also discussed in the chapter. The theoretical framework outlined in this chapter provided insight that South Africa, despite being a developing country, has a relatively solid PPP foundation supported by the legislative prescripts and open market policies. The PPP dedicated unit at the National Treasury provides an added advantage in terms of the skills, expertise necessary to support government departments, municipalities and public entities right at the point of conducting the feasibility studies for potential PPPs.

In the next chapter SASSA's public procurement practices will be discussed. It will analyse the impact of PPPs on the operations of SASSA and identify, through the empirical study, problems facing SASSA in the distribution of grants to the beneficiaries. The chapter will look at the selected case study and its impact on improvement of social grant payments. Moreover, the chapter will lay the foundation for whether a decision can be taken to use a PPP as a procurement method in the social services sector or not.

CHAPTER 3

PUBLIC PROCUREMENT PRACTICES IN THE SOUTH AFRICAN SOCIAL SECURITY AGENCY

3.1 INTRODUCTION

In the previous chapter, a comprehensive literature review was conducted on some of the major concepts that pertain to PPPs. An overview of the public procurement processes, globally and in South Africa along with a discussion of certain PPP schools of thought and the Neo-Institutional Economics (NIE) were provided. Chapter two discussed certain issues on public procurement and the relevance of PPPs as an alternative procurement method.

Public procurement takes place in a competitive environment where there is high public and political expectations for service delivery improvements (Amber & Badenhorst-Weiss, 2012:Online; Eyaa & Oluka, 2011:35). The traditional view among professional public procurement experts has been that the major goal of public procurement should be providing an organisation with best-value goods and services (value for money) (Kelman, 2008:26). In South Africa, public procurement has been used as a public policy tool to create a platform for the involvement of the previously disadvantaged groups during the apartheid era so that they can play a meaningful role in the growth of the economy in the country (Amber & Badenhorst-Weiss, 2012:Online; Bolton, 2006:193). Furthermore, public procurement is critical to the South African government public service delivery transformation and local business development by promoting aims which are, arguably, secondary to the primary aim of public procurement such as using public procurement to promote social, industrial or environmental policies (Ambe & Badenhorst-Weiss, 2012:Online).

This chapter provides an overview of the procurement practices in and by SASSA as well as the legislative framework relevant to public procurement. The chapter also looks at the selected case study and how it impacts on public service delivery improvement relating to the disbursement of social grants. Finally, the chapter also lays a foundation for whether a decision can be taken to use PPP as a procurement method in the social services sector or not.

3.2 LEGISLATIVE FRAMEWORK FOR PUBLIC PROCUREMENT OF GOODS AND SERVICES

Legislative systems regulating control for the delivery of public services vary from country to country. The financial regulations within the public sector do not foresee public services being funded and provided by the private sector (Corner, 2006:38). Legislation had to be introduced to make possible the delivery of public services by the private sector using a PPP contract. The PPP legislative framework in South Africa is guided by Treasury Regulation 16 in terms of the Public Finance Management Act (PFMA) 1 of 1999 as amended by Act 2 of 1999 (National Treasury, 2004:Online).

3.2.1 The Public Finance Management Act 1 of 1999 as amended by Act 2 of 1999)

PFMA is the mainstay of the government's efforts to build-up and improve financial management in the South African public sector. The South African PPPs policy was introduced in 1999 and contains details of the framework for the establishing partnerships to deliver public related services (National Treasury, 2004:Online). The Act prescribes the general structure for public procurement that must be followed by all government departments (national and provincial when procuring public goods and services (De la Harpe, 2009:Online).

3.2.2 National Treasury Public Private Partnerships Regulation 16, 2003

PPPs in South Africa are regulated by PFMA Regulation 16 and local governments are governed by the Local Government Municipal Systems Act 1 of 2000 and the Municipal Finance Management Act 56 of 2003. Both regulations are not prescriptive of the project funding structure, and allow for government contribution to initial capital outlay, operational costs, or both (National Treasury, 2004:Online). Payment to the private partner could be through a unitary charge paid by the government entity involved. The Treasury Regulations ensures that the monetary cost of PPP arrangements does not expose the government to risks. The procurement procedures are contained in the Treasury Regulations. The National Treasury regulates PPPs by national and provincial governments and public entities and the PPP unit at National Treasury plays a hands-on role in assisting projects to comply with the regulated path.

Regulation 16 provides precise and detailed instructions for PPPs. The accounting officer is required to conduct a feasibility analysis that, amongst other things, illustrates that the agreement:

- is affordable to the government institution;
- offers a value-for-money solution;
- transfers financial, technical and operational risk to the private party; and
- has been consulted with affected stakeholders.

Ultimately, the feasibility study needs to show that the PPP will facilitate operational and strategic benefits that will assist the institution to promote its objectives and government policy (National Treasury, 2004:Online). Once the feasibility has been assured, a procurement procedure needs to be complied with. Procurement may proceed with the consent of the Treasury (national or provincial). The procurement procedure ensures that the PPP arrangement is fair, equitable, transparent, competitive and cost-effective, and in line with other legislation (e.g. Broad Based Black Economic Empowerment). A second report must be compiled illustrating the preferred bid exhibit, and, amongst other things, the same criteria as the feasibility. This must be submitted to the Treasury for approval. The contracting phase requires a third report to be submitted to Treasury for approval. Again, the report must illustrate that the chosen party, among other things, exhibits the same criteria as the feasibility. A management plan must also be included (National Treasury, 2004:Online). The accounting officer is then responsible for ensuring that the PPP agreement is properly implemented, managed, enforced, monitored and reported on.

3.2.3 General Supply Chain Management Procurement Guidelines

According to National Treasury (2004:Online), “the guidelines are issued by the government, not only as a prescription of standards of behaviour, ethics and accountability which it requires of its public service, but also as a statement of the Government's commitment to a procurement system which enables the emergence of sustainable small-medium-and micro businesses which will add to the common wealth of the country and the achievement of enhanced economic and social well-being of all South Africans”.

3.2.4 Other statutory and regulatory framework

The PPP manual and standardised PPP provisions are the National Treasury's foundation PPP guidance documents. The manual consists of modules, with each module of the PPP manual being issued as a National Treasury PPP practice note in terms of the PFMA (National Treasury, 2004:Online). The South African Regulation of PPPs module was issued as National Treasury PPP Practice Note Number 02 of 2004, regulation 16 of the PFMA as a regulation governing PPPs in South Africa.

The statutory regulations relating to the Code of Good Practice for Black Economic Empowerment (BEE) in PPPs are outlined by National Treasury Public Private Partnership Practice Note Number 03 of 2004 (National Treasury, 2004:Online). The code describes the policy framework, how to apply BEE policy in the structure of a PPP and how to apply PPP BEE policy in each phase of the PPP project cycle (National Treasury, 2004:Online).

National Treasury Public Private Partnership Practice Note Number 04 deals with the PPP inception (National Treasury, 2004:Online). This involves the institution registering the project with the relevant treasury, the appointment of the project leader, the attracting of a transaction advisor, the receiving and evaluating of transaction advisor bids, and the finalisation and signing of the contract with the transaction advisor (National Treasury, 2004:Online). The Practice Note outlines the procurement steps, which need to be followed and explains how to apply the Code of Good Practice for BEE in PPPs in procuring the transaction advisor (National Treasury, 2004:Online).

National Treasury Public Private Partnership Practice Note Number 05 of 2004 deals with conducting feasibility study of the PPP project (National Treasury, 2004:Online). The Practice Note outlines and explains the core concepts of affordability, risk and value for money to determine whether traditional public sector procurement or a PPP, is the best choice for the proposed project (National Treasury, 2004:Online). National Treasury Public Private Partnership Practice Note Number 06 of 2004 deals with procurement processes of a PPP. It establishes best practice in procurement of PPPs (National Treasury, 2004:Online). The management of the PPP agreement is outlined in National Treasury Public Private Partnership Practice Note Number 07 of 2004 (National Treasury,

2004:Online). This is intended to help the institution to put effective mechanisms in place to manage the implementation of the PPP agreement once it is signed (National Treasury, 2004:Online).

The Auditing of PPPs is dealt with in the National Treasury Public Private Partnership Practice Note Number 08 of 2004. It describes the powers and functions of the Auditor-General, and the scope of financial performance, and forensic audits. It also outlines the role of the institution's internal audit in PPP projects (National Treasury, 2004: Online).

3.2.5 The Constitution of the Republic of South Africa, 1996

The Constitution is the supreme law of the country and law or conduct inconsistent with it is invalid to the extent of the inconsistency (section 1(c) and 2). Section 217 (1) of the Constitution requires an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, when contracting for goods or services, to have a system which is fair, equitable, transparent, competitive and cost effective (De la Harpe, 2009:Online). These elements are globally recognised to cover principles good governance (De la Harpe, 2009:Online).

3.3 THE NATURE OF PUBLIC PROCUREMENT IN PUBLIC SECTOR

Watermeyer (2012:Online) defines procurement “as a succession of logically related actions occurring or performed in a definite manner and which culminate in the completion of a major deliverable or the attainment of a milestone”. Public procurement refers to the government activity of purchasing the goods and services necessary to carry out its functions (Arrowsmith, 2011:1). Procurement involves the buying of commodities and contracting of goods and services if such acquisition is affected with resources from government funds (Ambe & Badenhorst-Weiss, 2012:Online).

According to Kerzner (2009:840), procurement “is a process where two parties with different objectives interact in a given market segment”. Hommen and Rolfstam (2009:20) define public procurement “as the acquisition (through buying or purchasing) of goods and services by government or public organisations”. Ambe and Badenhorst-Weiss, (2012:Online) contend that the concept of public procurement can be referred to as procurement planning, contract placement and contract administration. Procurement

processes are supported by methods (i.e. a documented, systematically-ordered collection of rules or approaches) and procedures (i.e. the formal steps to be taken in the performance of a specific task), which are informed and shaped by the policy of an organisation (Arrowsmith, 2011:2). Procurement activities commence once the need for procurement is identified and end when the transaction is completed (De la Harpe,2009:Online).

According to Watermeyer (2012:Online), an organisation shall develop and document its procurement system in a manner which is fair, equitable, competitive and cost-effective and which may, subject to the policies of an organisation and any prevailing legislation, include the promotion of other objectives, in accordance with some of the standard requirements outlined in Table 3.1below:

Table 3.1: Basic procurement system requirements

Attribute	Basic system requirements
Fair	The process of offer and acceptance is conducted impartially without bias and provides participating parties simultaneous and timely access to the same information. Terms and conditions for performing the work do not unfairly prejudice the interests of the parties.
Equitable	The only grounds for not awarding a contract to a tenderer who complies with all requirements are restrictions from doing business with the organisation, lack of capability or capacity, legal impediments and conflicts of interest.
Transparent	The procurement process and criteria upon which decisions are to be made shall be publicised. Decisions (award and intermediate) are made publicly available together with reasons for those decisions. It is possible to verify that criteria were applied. The requirements of procurement documents are presented in a clear, unambiguous, comprehensive and understandable manner.
Competitive	The system provides for appropriate levels of competition to ensure cost-effective and best value outcomes.

Attribute	Basic system requirements
Cost effective	The processes, procedures and methods are standardised with sufficient flexibility to attain best value outcomes in respect of quality, timing and price, and the least resources to effectively manage and control procurement processes

Source: Adapted from Watermeyer (2012:Online)

South African government has used public procurement as a tool to address socio-economic ills of the past as well as stimulating economic activities, and protecting local businesses from foreign competition (Amber & Badenhorst-Weiss, 2012:Online; Bolton, 2006:194). The size of the public procurement is estimated to vary between 10 to 15% of the gross domestic product (GDP) in most of OECD countries and as high as 30 to 40% of GDP in developing countries (Kirton, 2013: Online). In the Middle East and Africa, government purchases are estimated between 9 to 13% of GDP and as much as 20% of GDP in other developing economies (Gul, 2010:1). The size of government spending allows public procurement to be used as a policy tool for economic growth and economic transformation (Kirton, 2013:Online). Public procurement may be used to promote economic goals such as employment (Arrowsmith, 2011:11). Maloney *et al* (2000:803), emphasise on the important role that public sector organisations play by encouraging engagement and participation, the form of conditional grants and service level agreements

In the past years public sector supply chain in South Africa has undergone transformation through the introduction of procurement reforms (Ambe & Badenhorst-Weiss, 2011:1100). Public procurement reforms in South Africa are meant to address two focus areas which are the promotion of principles of good governance and the introduction of a procurement preference system to include communities that were excluded from participating in government procurement (Ambe & Badenhorst-Weiss, 2012:Online). The procurement reform processes are embedded in Section 76(4)(C) of the Public Finance Management Act No1 of 1999 (PFMA) and the Preferential Procurement Policy Framework Act No 5 of 2000 (PPPFA) (Amber & Badenhorst-Weiss, 2012:Online).

In 2003, the National Treasury adopted a supply chain management (SCM) document entitled “Policy to guide uniformity in procurement reform process in government” to

replace all outdated procurement and provincial practice notices (Amber & Badenhorst-Weiss, 2012:Online). The principle of the policy guide is to give managers a framework to manage whilst ensuring the constitutional requirement of transparency and accountability (Amber & Badenhorst-Weiss, 2012:Online).

Any public sector outsourcing or procurement tender process requires careful considerations of various legislative constraints under which it is conducted. The legislation and Treasury Regulations allow government departments to develop own supply chain management policies and procurement systems (Amber & Badenhorst-Weiss, 2012:Online; Hanks *et al*, 2008:Online). National Treasury regulation allow government departments and municipalities to establish procurement committees such as bid specification, bid evaluation and bid adjudication (Amber & Badenhorst-Weiss, 2012:Online). Ambe and Badenhorst-Weiss (2012:Online) assert that each public procurement processes should promote principles such as segregation of duties, greater efficiency and risk management.

In PPPs competitive tendering is meant to help avoid adverse selection of partners, as private partners are assumed to act efficient in an environment where there is a higher number of competitors (Jeppsen, 2013:Online). The danger with most PPP contracts implemented for the development of the infrastructure in various countries is the recognition that competitive tendering is influenced by the possibility of re-negotiation (Boardman & Vining, 2012:8). If the private partner expects to re-negotiate during the implementation phase it is likely that the final offer might be lower than originally expected, as eventual losses are expected to be covered at a later stage. Research has shown that re-negotiation of elements in the PPP contract occurs on average after two years (Parker & Figueira, 2010:534).

SASSA, being a public entity under the National Department of Social Development is guided by the same public procurement framework and standards developed by the National Treasury for government departments and public entities at national, provincial and local spheres.

3.6.3 Standard procurement procedures in South Africa

Government department are expected to solicit bids for the procurement of public goods in accordance with the organisation's documented procurement policy using one of the procurement procedures as outlined in Table 3.2 (ISO, 2010:Online). A competitive selection procedure should result in the awarding of contract to a preferred bidder in-line with the requirements of, and the evaluation criteria stated in, the bid document. Negotiations on items such as the scope of work, the methodology, staffing and the terms of the contract may take place with the preferred bidder should not change the competitive position of tenderers or alter the scope of the final (Watermeyer, 2012:Online). Standard procurement procedures are listed and briefly explained in Table 3.2 which also describes categories of procurement and circumstances under which they shall apply.

3.3.1.1 The open procedure

The open procedure for public procurement is perhaps the most widely applied procurement procedure (Treumer & Arrowsmith, 2012:11). In the open procedure the contracting authority publishes a full description (tendering documentation) of the project or service in subject, with clear evaluation criteria and sub-criteria and subsequently all interested actors can submit offers to the tender. For example, it is a requirement for bids to be advertised through the Government Tender Bulletin (GTB) hosted by National Treasury which is a portal for all larger public procurement projects above the R500 000 (five hundred thousand rand) threshold in South Africa.

The contracting authority selects the winner among the submitted offers, based on the evaluation criteria. The open procedure is useful for projects where the contracting authority knows the exact specifications of the work to be done and where there is no complex risk sharing (Treumer & Arrowsmith, 2012:12). The open procedure can be resource demanding for the contracting authority, as all interested service providers can submit their offer and thus many irrelevant or non-responsive offers can be received.

Table 3.2: Standard procurement procedures in South Africa

Designation	Description
Negotiated procedure	Tender offers are solicited from a single tenderer.
Nomination procedure	Tenders that satisfy prescribed criteria are entered into an electronic database. Tenderers are invited to submit tender offers based on search criteria and their position in the database. Tenderers are repositioned in the database upon appointment or upon submission of a tender offer.
Open procedure	Tenderers may submit tender offers in response to an advertisement by the organisation.
Proposal procedure using the two envelope system	Tenderers submit technical and financial proposals in two envelopes. The financial proposal is only opened should the technical proposal be found to be acceptable.
Proposal procedure using two stage bidding system	Non-financial proposals are called for. Tenderers are invited from those that submitted acceptable proposals based on revised procurement documents. Alternatively, a contract is negotiated with the tenderer scoring the highest number of evaluation points.
Qualified procedure	A call for expressions of interest is advertised and thereafter only those tenderers, who have expressed interest, satisfy objective criteria and who are selected to submit tender offers, are invited to do so.
Quotation procedure	Tender offers are solicited from not less than three tenderers in any manner the organisation chooses, subject to the procedures being fair, equitable, transparent, competitive and cost-effective.
Shopping procedure	Written or verbal offers are solicited in respect of readily available obtained from three sources. The supplies are purchased from source providing the lowest price once it is confirmed in writing.

Source: Adapted from International Organisation for Standards (ISO) (2010:Online)

3.3.1.2 Restricted procedure

In restricted procedure the contracting authority calls for expression of interest from interested tenderers, based on a tender note and a short project description. Contracts under restricted procedure also have to be advertised through the GTB hosted by the

National Treasury which is a portal for all larger public procurement projects above the R500 000 (five hundred thousand rand) threshold in South Africa. The contracting authority then selects a number of bidders, minimum three which they consider suitable for the project. This selection is based on the tenderers' technical expertise, experience and financial record. After the selection, the pre-qualified tenderers receive the full tender documentation and subsequently they submit their offer.

A shortcoming of the restricted procedure may be that the contracting authority has to know all specification concerning the process before formulating the tender documentation and if the information sharing in the technical dialogue is limited, when the contracting authority might have difficulties in capturing the innovation of the market (Burnett, 2011:4).

3.3.1.3 *Negotiated procedure*

The procedure allows for the contracting authority to consult the tenderer of their choice and negotiate directly with them. The negotiation procedure is divided in two: The negotiation procedure with a prior notice, where the contracting authority has to advertise the contract in the GTB and consider all interested companies. The second form of negotiation process is negotiation without publication of a contract note.

Under this procedure the contracting authority can negotiate directly with the actor of their choice without competition. In both processes the contracting authority has to strongly uphold the SCM principles of transparency and apply to detailed rules (Treumer & Arrowsmith, 2012:12). In negotiation with a notice, the negotiation occurs after the awarding and this can be a threat to the VfM aspect, as negotiation only occurs with one tenderer and the lack of competition might decrease incentives for innovative and low-price solutions (Burnett, 2011:63-64).

The bid evaluation criteria forms the foundation on which the final offer for the project will be made regardless of which procurement procedure the contracting authority decides to pursue (Jeppsen, 2013:Online). The bid evaluation criteria should be stated transparently and comprehensible in the initial tendering documentation, so that the potential tenderers know which criteria they are being evaluated upon. The directive allows for projects to be awarded on either lowest price or most economic advantageous project. The bid evaluation

criteria have to be weighted, so that the potential tenderers can see which criteria the contracting authority ranks the highest (Treumer & Arrowsmith, 2012:14). The more the contracting authority knows about the subject matter, the easier it can be to formulate the evaluation criteria and weights (Burnett, 2009:195).

3.3.1.4 *Competitive negotiation*

The open, restricted and the negotiation procedure have been and still are widely applied procurement strategies in South Africa. However, the open and the restricted procedures leave little room for negotiations between the client department and the prospective service provider and it is required that the client department can dictate all aspects and specification for the project before the tendering procedure starts, which often is not possible for complex projects such as PPPs (Savvides, 2011:29). Competitive negotiation was introduced to offer the necessary flexibility in public procurement in recognition that public procurement especially for PPPs had become more complex, with aspects of outsourcing, long-term contracting with the private sector and private finance (Savvides, 2011:32; Treumer & Arrowsmith, 2012:16).

The use of competitive negotiation is restricted to complex projects, of which the contracting authority cannot define the solution or even the problem and specification which will respond to their needs and demands (Savvides, 2011:32).

The process of competitive negotiation is partitioned into three phases: the advertising stage; the negotiation phase; and the selection phase. In competitive negotiation, negotiations are concluded with enough number of suppliers or contractors to promote competition (Savvides, 2011:27). Furthermore, correspondence on new information or enquiries relating to the bid is communicated by the client department to all prospective bidders on an equal basis. Bidders who succeed the negotiation stage are further invited to submit final offers with respect to all aspects of their proposals.

In the advertising stage the contracting authority is obliged to advertise the contract notice as in the open and restricted procedures (Savvides, 2011:28; Treumer & Arrowsmith, 2012:66). The contract notice has to include a short description of the project and express

the award and sub-criteria. In competitive negotiation the contracting authority is obliged to award with regards to the most economic advantageous solution.

If the contracting authority makes any significant change to the contract notice subsequently to the publishing, then it is obliged to publish the revised version, so that interested tenderers can respond to the new conditions (Savvides, 2011:32). Treumer and Arrowsmith (2012:67) argue that it is often challenging to formulate the contract notice sufficiently, as it has to describe the projects extensively enough to attract relevant tenders and apply with the legal requirements for contract notices, but still be flexible and leave room for adjustments in the negotiation.

The selection of the pre-qualified companies is based on criteria set by the procurement directive and the private companies can, among others, be excluded on grounds of lack of experience, financial and technical capabilities (Treumer & Arrowsmith, 2012: 68). The interpretation of the directive differs from country to country and the number of companies invited to participate in the negotiation varies, although most countries use four to uphold competition and securing efficient use of procurement resources (Treumer & Arrowsmith, 2012:69).

After the pre-qualification and before the actual negotiations are initiated, the contracting authority can chose to hold a technical negotiation to ensure a reasonable formulation of the tender documentation which are send to the potential tenderers before the negotiation is initiated (Savvides, 2011:28).

3.6.4 Procurement practices at SASSA

Watermeyer (2012:Online), identifies six activities within which the procurement framework should be establish to ensure effective delivering of services. In government, procurement processes need to be managed and controlled within this framework. Governance activities must be linked to deliverables in the public procurement process (Watermeyer, 2012:Online). Public procurement typically focusses on value for money. There is a need for state departments to focus in efficiency when procuring goods and services to their constituencies (Watermeyer, 2012:Online). Since public procurement policy prescribes a

notable share of GDP, any inefficient process would result into wasteful expenditure (Kirton, 2013:Online).

Organisations apply policies to manage usage and implementation of procurement procedures and assignment of responsibilities (Watermeyer, 2012:Online). A policy is defined “as the senior management’s directives, set of purposes, principles and rules of action that guide an organisation” (Handfield *et al*, 2009:87). Public procurement policy at and by SASSA is entrenched in the Constitution of South Africa (Section 217 of 1996).

It is important to note that SASSA’s public procurement practices are governed by its public procurement policy. SASSA’s public procurement policy is built on the values of fairness, equitability, transparency, competitiveness and cost effectiveness (SASSA, 2012c:4). These five principles are the standards against which all public procurement is measured by a state institution. The system that SASSA utilises is designed to guarantee competition and transparency in line with the provisions of Section 217 (1) of the Constitution of the Republic of South Africa. It demonstrates that all undertakings to purchase goods, works and services (including consultants) are handled through a Request for Quotes (RFQ) and open bids. The responsibility cost centre managers are accountable for the sensible use of the SASSA’s resources in compliance with public policies, procedures and applicable legislation.

As part of its business, SASSA procures public goods and services to be used by various branches through the Supply Chain Management unit. SASSA’s supply chain consists of different divisions, ranging from demand management to provisioning management. The activities include demand planning, acquisition, asset management, storing and delivery to end users. SASSA follows the principles of value for money, open and effective competition, ethics and fair dealing, accountability and reporting, and equity.

The SASSA SCM Code of Conduct sets out the core values and behaviour for all members of the supply chain unit as it encourages members to work openly; fair and honestly at all times. All public procurement transactions and interactions with suppliers including supplier selection and evaluation are subject to the provisions outlined in SASSA’s Code of Ethics and SCM policy (SASSA, 2012c:7). Figure 3.1 below illustrates the link of the activities and

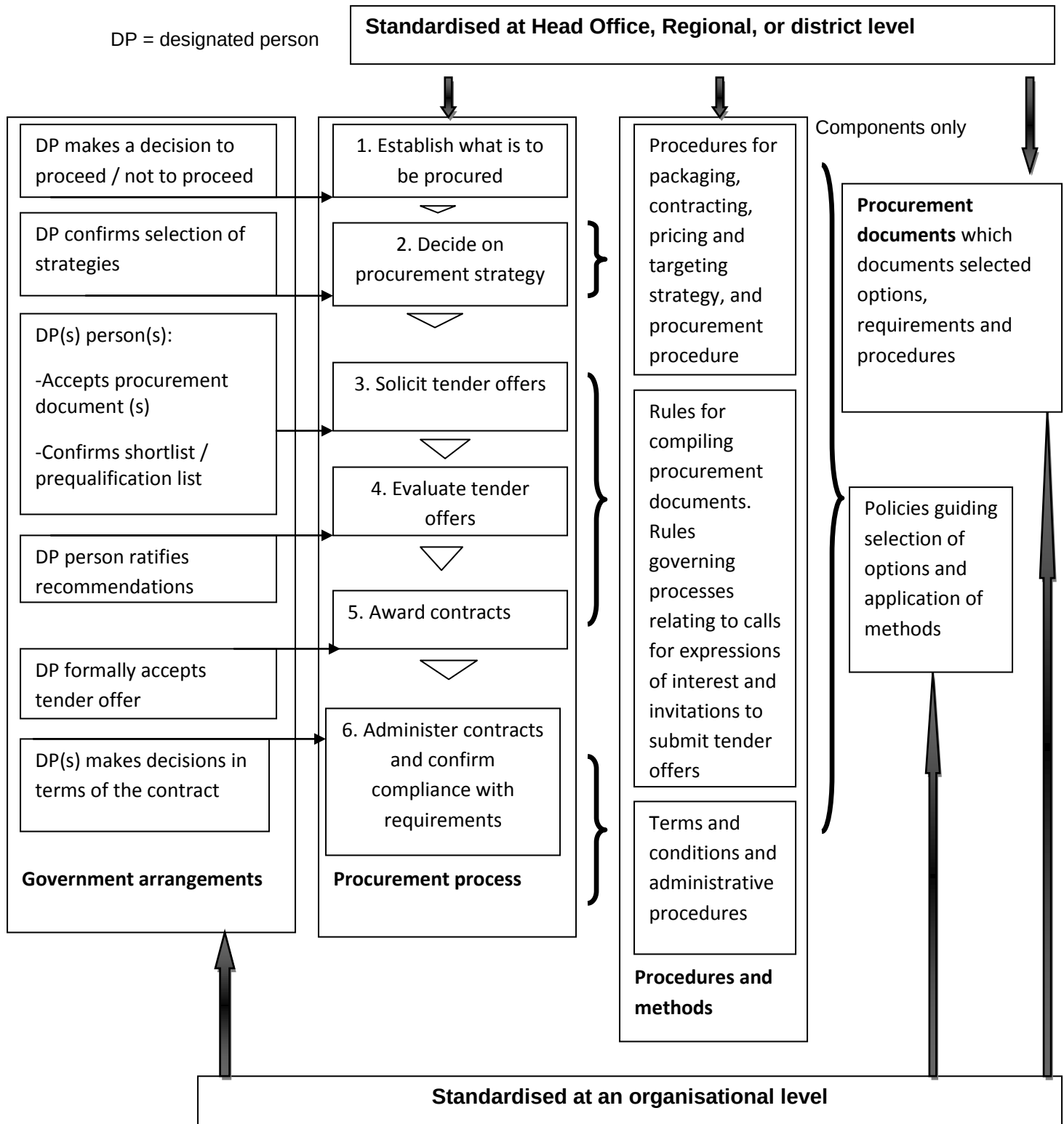
milestones together with procurement processes and procedures in a standardised procurement system at SASSA. The public procurement process is supported by the principle of a decentralised organisational structure. SASSA is composed of a Head Office and nine provincial offices, each of which has its own public procurement structures such as a bid specification committee, bid evaluation committee and bid adjudication committee that can adjudicate over bids not exceeding five million rand (R5 million).

Central procurement processes common to both Head Office and its provincial offices are advertised and adjudicated over by the procurement committees at Head Office. Awards for bids above R5 million are adjudicated by the SASSA Bid Adjudication Committee which recommends to the Chief Executive Officer (CEO) for approval. Letters of awards and contracts above R5 million are signed by the CEO (SASSA, 2012c:8).

Petty cash is used to procure goods and services with value not exceeding R500 inclusive of Value Added Tax (VAT) in line with the internal petty cash procedures. A minimum of three quotations sourced from the database of suppliers are utilised when procuring goods and services of a rand value up to R500,000 (including VAT). The Preferential Procurement Policy Framework Act (PPPFA), Act 5 of 2000 and its associated Regulations are applied for all procurement equal to or above R30,000 (VAT included). The 80/20 preference point system is applicable to quotations with a Rand value equal to or above R30,000 and up to a Rand value of R1 million. A 90/10 preference point system is applicable to bid above R1 million including all applicable taxes (National Treasury, 2007:Online).

Furthermore, suppliers must submit original valid tax clearance certificates and BBBEE Status Level Verification Certificates issued by accredited verification agencies for all price quotations and competitive bids exceeding the value of R30,000 (VAT included).

Figure 3.1 Standardised procurement systems in SASSA



Source: Adapted from Watermeyer (2011:2)

Bidders who do not qualify for the BBBEE preference points are not disqualified from the bidding process but are allocated points out of 90 or 80 for price only and zero (0) points out of 10 or 20 for BBBEE. Competitive bids for rand value above R500,000 (VAT included) are advertised through the GTB and extensive coverage also in other appropriate media.

The SASSA public procurement policy makes provision for urgent and or emergency situations whereby an action is necessary in order to avoid a dangerous or risky situation, misery or wants to procure goods and services (SASSA, 2012c:14). Goods above the value of R1 million procured in this manner are included in a report made to the National Treasury and Auditor General to that effect within ten (10) working days. SASSA procurement policy allows the Agency to participate in National Transversal Contracts for the duration of the term of such contract.

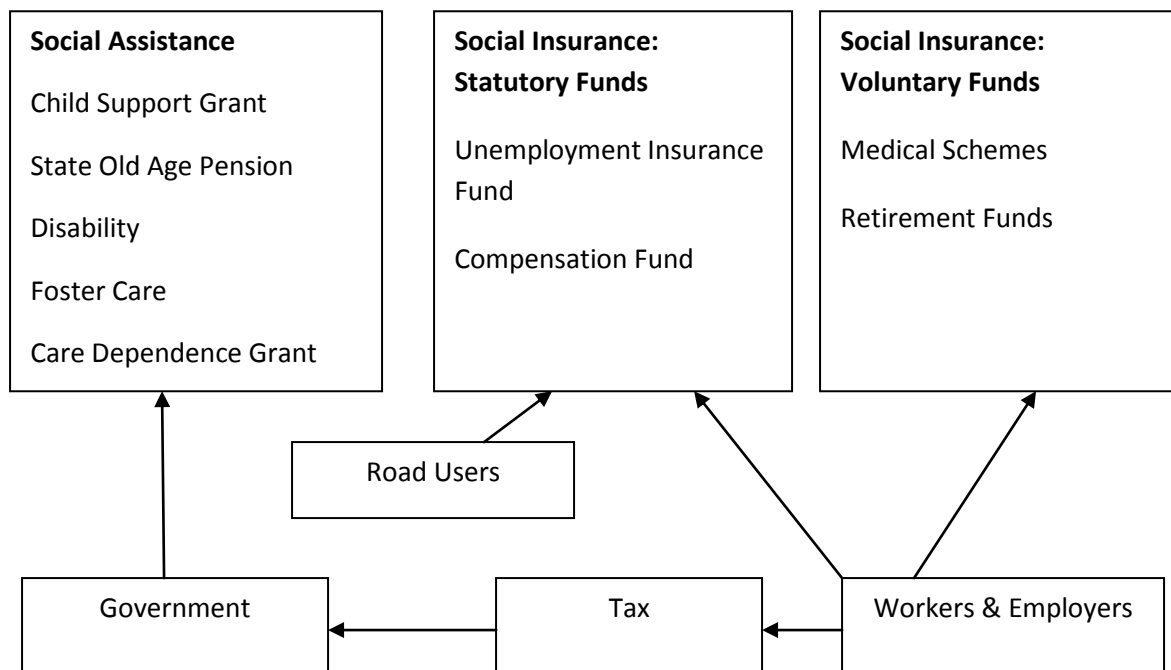
3.4 OVERVIEW OF SOUTH AFRICA'S SOCIAL SECURITY SYSTEM

There are five major social assistance grants: the Child Support Grant (CSG), the State Old-Age Pension (OAP), the Disability Grant (DG), the Foster Care Grant (FCG) and the Care Dependency Grant (CDG) (SASSA, 2012d:Online). The eligibility criteria for the grants differ. Government is also responsible for the three primary social insurance mechanisms: the Unemployment Insurance Fund (UIF), the Compensation Funds (CF) and the Road Accident Fund (RAF). The state regulates voluntary funds, including voluntary insurance schemes, such as medical schemes and retirement funds. In the South African context, social assistance grants refers to non-contributory and means tested benefits provided by government to certain categories of people (National Planning Commission, 2011:Online). Social grants are financed through tax revenues. The elderly in South Africa has two main sources of income: state old pensions and private pensions. Figure 3.2 illustrates the basic architecture of South Africa's current social security system.

The main goal of the Child Support Grant is to ensure that the primary caregivers of children living in poverty are able to finance the basic needs of those children. Based on the number of beneficiaries, the grant is the largest cash transfer programme in South Africa (National Planning Commission, 2011:Online). The immediate objective of cash transfer programmes is to alleviate hardship among vulnerable groups. Bhorat and van der

Westhuizen (2011:27) demonstrate that such grants are critical for reducing poverty and inequality in an environment where unemployment worsens inequality. In terms of the coverage and gaps, about three quarters of the elderly are eligible for the Old-Age Pension, almost all of whom are receiving it whilst about 6% of working age population receives disability grants (National Planning Commission, 2011:Online). Approximately 60% of the children in the income bracket are covered by the Child Support Grant who receives a child grant of some form of social assistance.

Figure 3.2 Social security in South Africa



Source: National Planning Commission (2011:Online)

As at 31 December 2012, a total of approximately 16 million social grants were being provided by SASSA. The figures in Table 3.4 illustrate the types of grants which are accessed by beneficiaries in all nine provinces in South Africa. As is evident in the figures, by far the most grants (71%) being disbursed are Child Support Grants. This is followed by Old Age Grants (18%) and Disability Grants at 7%. In South Africa, almost half of the beneficiaries live in rural areas (either in villages or on farms) and half live in urban settlement (Hawkins & Gordon, 2012:Online). Formal urban- or town settlements are

occupied by 19% of beneficiaries, followed by informal urban or town settlements (17%) and formal metropolitan settlements (11%).

Table 3.3: Total number of social grants by grant type and region as at 31 December 2012

Region	Grant Type							
	South African Old Grant (SAOG)	War Veteran Grant (WVG)	Disability Grant (DG)	Grant In Aid (GIA)	Care Dependancy Grant (CDG)	Foster Care Grant (FCG)	Child Support Grant (CSG)	Total
EC	503,810	78	185,913	9,064	18,359	109,034	1,852,147	2,678,405
FS	169,336	9	88,040	1,132	5,765	38,050	631,210	933,542
GP	416,222	151	123,915	1,548	15,615	56,736	1,559,585	2,173,722
KZN	585,986	88	319,171	28,897	35,913	132,916	2,766,951	3,869,922
LP	391,019	49	88,859	10,629	11,657	53,686	1,570,065	2,125,964
MP	224,968	28	82,200	2,749	8,517	33,598	1,049,136	1,401,196
NW	215,140	18	87,216	3,970	8,291	39,727	746,299	1,100,661
NC	74,023	18	49,795	4,203	4,445	13,408	274,073	419,965
WC	258,117	167	154,954	9,437	10,654	27,738	854,473	1,315,540
Total	2,838,621	606	1,180,063	71,629	119,216	504,893	11,303,939	16,018,967

Source: SASSA SOCPEN system (SASSA, 2012d:Online)

3.5 SOCIAL SECURITY BENEFIT TRANSFERS IN SOUTH AFRICA

SASSA uses two payment methods namely, cash and electronic. The cash payment method referred to as “pull” approach entails the payment of social grants at a specific place and day at a pay-point usually located close to the recipient’s residence (Kaniki, 2008:7). These cash payments are in a form of cash disbursed by a contracted payment contractor or access via a retail outlet. The transaction costs incurred by recipients of grants under the pull approach can be material as time and money can be spent on travelling to the pay-points. Electronic payments or “push” approach are done through the banks whereby the beneficiary accesses the cash through an Automated Teller Machine (ATM) of choice and location using the SASSA debit card. Typical bank charges can significantly reduce the value of cash transfers. The beneficiaries are provided with SASSA debit cards which they can use to withdraw cash either from a pay-point or an ATM. Table

3.5 below illustrates that at the end of December 2012, 7.2 million beneficiaries were paid at pay-points whilst the remaining 3,5 million withdrew their money from ATMs.

Table 3.4: Beneficiaries Receiving Payments at Automated Clearing Bureau (ACB), Cash and Institutions

Region	Total beneficiaries	Pay points	ACB
KZN	2,472,630	1,799,954	672,676
EC	1,759,974	957,821	802,153
GP	1,534,691	1,227,986	306,705
LP	1,372,819	930,878	441,941
WC	960,580	553,914	406,666
MP	908,755	607,112	301,643
NW	754,457	443,753	310,704
FS	664,249	480,419	183,830
NC	290,182	195,308	94,874
Total	10,718,337	7,197,145	3,521,192

Source: SASSA SOCPEN system (SASSA, 2012d:Online)

Cellphone banking is one of the most promising innovations given the reluctance by the banking sector in setting up the ATMs in rural areas due to high set up costs and risks. Some beneficiaries use point of sale (POS) at various shopping malls and big merchant stores to cash their grants.

The National Treasury through the National Department of Social Development allocates to SASSA more than 105 billion rand per annum to transfer to over 16 million beneficiaries. As reflected in Table 3.6, SASSA on average spends R8,6 billion per month on grants.

A variety of social assistance benefits are provided under the social grant system. These benefits include the following: old age grant, child support grant, disability grant, care dependency grant, foster child grant, grant in aid and war veterans' grant. Social Relief of Distress (SRD) is provided to the qualifying individuals as a form of additional grant in addition to the existing grants (SASSA, 2010:12-13).

Table 3.5: Rand Value of Grants at 31 December 2012

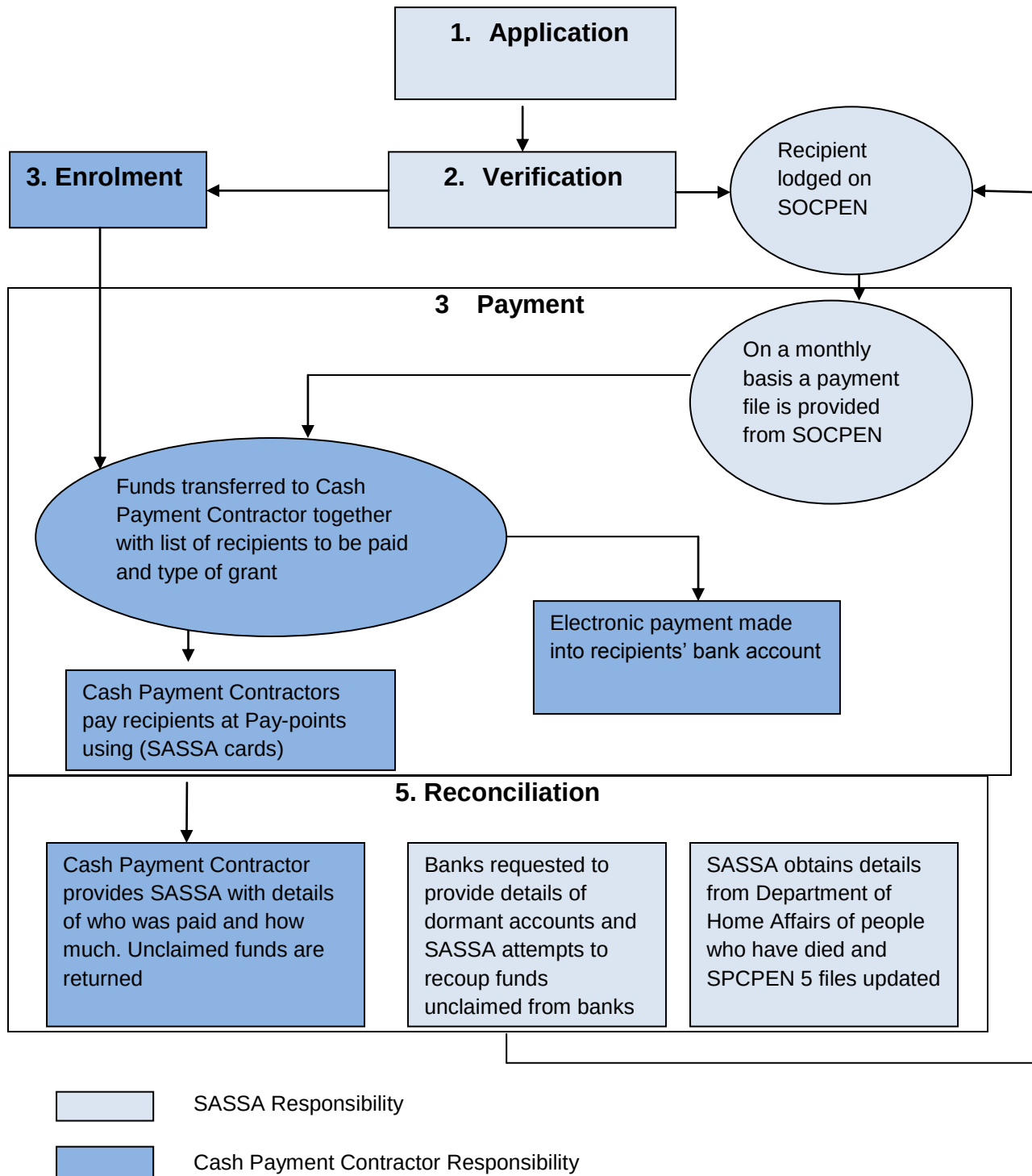
Grant Type	Budget Allocation R'000	First Quarter Expenditure R'000	Second Quarter Expenditure R'000	Third Quarter Expenditure R'000	Cumulative Expenditure 31 Dec 2012 R'000
Old Age	39,323,120	10,008,460	10,078,895	10,150,334	30,237,689
War Veterans	12,903	2,667	2,461	2,269	7,397
Disability	19,152,387	4,026,410	4,007,028	3,936,107	11,969,545
Grant in Aid	188,143	504,126	509,610	516,233	1,529,969
Foster child Care	5,931,643	1,324,348	1,382,516	1,418,594	4,125,458
Dependency	1,856,901	464,529	469,065	471,838	1,405,432
Child Support	38,237,291	9,439,984	9,529,346	9,565,380	28,534,710
Other (SRD)	165,328	27,470	57,469	55,109	140,048
Total	104,867,716	25,797,994	26,036,390	26,115,864	77,950,248

Source: SASSA SOCPEN system (SASSA, 2012d:Online)

Social assistance benefit transfers include all aspects relating to getting the benefit from the SASSA to the beneficiary (SASSA, 2010:32). The process includes enrolment, the issuing of a SASSA debit card, creating a bank account for the beneficiary and the transfer of the benefit, in most instances cash. A proper infrastructure designed to support business, constitutes the backbone of all operations in the administration of and transfer of social security benefits (SASSA, 2010:36). A distinction is made between an infrastructure for benefit administration and benefit transfers.

The social assistance benefit transfer process commences when the beneficiary's application has been approved. The process effectively starts with the screening of the beneficiary and confirmation that the applicant was successful. The process of paying social grants is illustrated in Figure 3.3. The process includes attesting (Interview the customer to ascertain information submitted and ensure its completeness and accuracy) before the application is captured on SOCPEN as well as quality assuring the information and documents as provided by the customer (SASSA, 2010:37).

Figure 3.3: Payment process of social grants



Source: Adapted from Hawkins & Gordon at Finmark Trust (2012:Online)

The beneficiary is enrolled on the SASSA's Social Assistance Benefit Data Base. The beneficiary is then issued with a SASSA card that can be used by the beneficiary to access the benefits via a multitude of payment channels, including ATMs, Point of Sale (PoS) devices, retail outlets, banks, and other accredited service providers. In order for the transfer to be made to the correct beneficiary, an individual account is created for each beneficiary. SASSA ensures that funds are available to make the necessary transfers. A process to reconcile the payment concludes the transfer.

3.6 CASE STUDY: ALLPAY AND FREE STATE DEPARTMENT OF SOCIAL DEVELOPMENT

The PPP in social grants was the first in South Africa intended to allocate much of the risk to the private party for a development of a system that reduces costs of providing social grants (National Treasury, 2002:Online). The PPP was structured by Free State Department of Social Development (FSDSD) for the payment of social security benefits. The expiry of the province's out-sourcing contract for the payment of social grants on 31 March 2003 necessitated a tight procurement and negotiation process over the few months, and a seamless phase-in of the new system planned for implementation from 01 April 2003. The output specifications for the project were determined in accordance with National Norms and Standards for Social Security issued by the National Department of Social Development (NDSD). In terms of the PPP proposal, the service provider would be responsible for delivering a complete service to the public, including the establishment and maintenance of the necessary IT systems, pay-points, and help-desk functions (National Treasury, 2004:Online). FSDSD was tasked with monitoring compliance with standards as the payment to the service provider was directly linked to the unitary charge payments made over the life of the contract.

Transaction Advisor to the FSDSD for this project was Ernst & Young. At the time, the Free State Department of Social Development was making monthly social grant payments at 164 pay-points, to approximately 230 000 beneficiaries, at a total of an estimated R110m per month.

In 2004, AllPay Free State Pty (Ltd) was successful in being awarded a three-year contract for the payment of social disbursements to beneficiaries in the Free State Province. The contract was a renewal on an existing contract. The contract capitalised on the established service infrastructure that was operational for the previous five years. The renewed contract was building on established service delivery with specific adjustments and additions specified and allowed for by both parties.

The contextualisation of new requirements were compiled into a focused renewal project. The project aimed at addressing and detailing all items required for the successful continuation of improved service delivery as stipulated in the Service Agreement. The development and implementation of the supplementary requirements in the new contract were defined in project context and referred to as the Contract Renewal Implementation (CRI) Project.

3.6.1 The PPP structure and the nature of the contract

In multi-bidder procurement, the lowest cost is deemed to be obtained precisely because of the competition effect between bidders in a competitive market (Hudon & Zaato, 2010:Online). Bajari, McMillan and Tadelis, (2009:373) argue that in a situation of oligopoly or monopoly (where competition is low or non-existent), prices should be negotiated based on previous experiences or similar projects. In the case of the Social Grant Payment System, FSDSD issued a request for proposal to various service providers with the final approval by the National Treasury although questions on how competitive the accepted bidder's price was a subject of debate. The PPP between AllPay (Pty) Ltd (the private partner) and FSDSD was structured as Design, Finance and Operate (DFO) starting from 1 April 2003 for a period of three (3) years. In line with the proposal, 40% of the equity was allocated to the Black Economic Empowerment (BEE) Partner. The contract allowed 30% of the work in Year 1, 35% in Year 2 and 45% in Year 3. The successful bidding partner was to provide 100% financing of the project with the FSDSD reimbursing the private sector partner for all the amounts transferred and paid to the beneficiaries whilst a service fee was paid by the department to the private partner for each transfer made to the beneficiary. The expected amount to be paid by the government for the duration of the contract was R260 million. The net present value (NPV) to the government could not be

determined. The agreement between the two parties can be referred to as a cost –plus contract, where the general contractor is paid a fee and reimbursed for the costs incurred to complete the project (Bajari *et al*, 2009:357).

The PPP analysis is grouped into themes according to the Neo-Classical approach looking at the factors that influenced the structuring of the contract between the two parties.

3.6.1.1 Social and political rhetoric

The democratic conduct of procurement is observed through the criteria of stakeholder participation, accountability and transparency (Hudon & Zaato, 2010:Online). The stakeholder consultation stage to amass public support and enlist stakeholder participation plays a key role in the public decision making process as this is viewed as good for the democratic process and principles of good governance.

Hudon and Zaato (2010:Online), argue for the purpose of a democratic debate to allow the electorate to raise their concerns if the PPP project is perceived to have negative effects due to its complexity. The deliberate distortion of details and the secrecy surrounding final contractual obligations on PPP negotiations may have an effect on transparency and public accountability, but also on the ability of electorate to participate actively in the public debate (Hudon & Zaato, 2010:Online). There seems to have been no debate regarding the procurement mechanism, and the debate seems to have concentrated on the FSDSD-AllPay PPP project itself. A diligent and open democratic debate should have considered the relevance and tradeoffs of using this mode of procurement. It appears that the FSDSD concluded the Service Level Agreement (SLA) with AllPay Free State after minimal consultation with the relevant legislative oversight committees. The SLA was drawn up in the absence of any input from civil society interest groups. In addition, neither SLA was made public with the result that recipients of social grants remained unaware of the service standards they are entitled to.

3.6.1.2 Risk

Standardised PPP contracts contain a “risk matrix” that spells out how the risk should be allocated between the private and the public sector (Iossa & Martimort, 2012:Online). In public procurement, PPPs may yield maximum benefits for delivering services where

uncertainty is limited so that an efficient risk allocation can be achieved (Iossa & Martimort, 2012:Online). PPPs can deliver efficiency gains for highly innovative and complex services where risks are high and it is difficult for the public partner to commit to transfer such high risks to the private sector (Iossa & Martimort, 2012:Online).

The FSDSD-AllPay PPP project was fully financed by the private partner. This would be beneficial if the public partner (FSDSD) was willing to pay a premium to protect itself against financial risk (Hudon & Zaato, 2010:Online). If AllPay had financial problems, the risk would immediately be shifted back to the FSDSD, which would have no other choice but to either help financially. Some specific issues in the SLA had the effect of shifting power away from FSDSD and toward AllPay. The issues included no offsetting benefits for the additional risk incurred by FSDSD, skewed penalties for cancellation and opaque cost structure (lacking detail on what it contained).

3.6.1.3 *Cost reductions*

Whether PPPs are used as a procurement mechanism or a decision making and implementation tool, they are expected to secure the economic and financial ends of minimising the on-budget expenditure of government on public services and infrastructure (Hudon & Zaato, 2010:Online). The advocates of the New Public Management (NPM) argue that the public sector could achieve significant efficiency gains by applying competitive market strategies where efficiency is understood as the arrangement which provides the most desired output for the least input (De Bettignies & Ross, 2010:138).

3.6.1.4 *Equity, access and performance improvement*

PPPs assume that equity, accessibility and high quality of service would be ensured to the targeted beneficiaries, that is, the poor and deprived sections of the population. Performance can be observed by proxy through the criteria of efficiency, effectiveness and economy, and tries to ensure VfM (Hudon & Zaato, 2010:Online).

The contractual agreement did not provide any guarantees to the FSDSD in terms of value for money. When considering the competition effect, a conclusion can be drawn that FSDSD was left worse off. The PPP agreement did provide for special privileges to the poor under various contract clauses which included services such as preparation and

clean-up of the pay point, provision of seating facilities at pay points, provision of security to the beneficiaries at pay points, all payment equipment being able to operate at places where no electricity is available and no over-crowding takes place at any pay point.

3.6.1.5 Governance

An important aspect of public procurement is the manner in which subcontracts are awarded. Under traditional procurement, any good or service that would cost more than R500,000 would need to go through a call to tender process (National Treasury, 2005:Online). Goods and services procured by the private partner on behalf of government could be used to circumvent the call to tender process by enabling the private partner to choose the contractor itself or to do the work in-house for a price that cannot be determined through competition or negotiation (Hudon & Zaato, 2010:Online). PPPs are essential procurement contracts and run the risk of producing distorted results if the contract is not written properly from the beginning. Furthermore, because the contracts are typically very long and complex and cover every aspect of a project, a small imprecision can have regrettable consequences regarding risks and benefits, usually to the detriment of the public sector (Hudon & Zaato, 2010:Online). This also stresses a need for public sector expertise to be on the same level with firms that often have extensive experience in PPPs. Ernst and Young's expertise was secured as a transaction advisor to the FSDSD.

The bidding process is important in ensuring the lowest cost and the best quality, especially in a context where projects are tailor-made to meet the needs of the department (Hudon & Zaato, 2010:Online). The PPP was entered into with the aim of providing increased efficiency and security in the delivery of social security grants within the province of Free State.

3.7 PPP AS AN ALTERNATIVE PUBLIC PROCUREMENT METHOD

The public sector move from an input-oriented, rules-based public service towards private sector models of funding, management and control remains a critical element of series of managerial and procurement reforms introduced since early 1970s to modernise public services in OECD nation states (Broadbent & Guthrie, 2008:152; Guthrie, *et al*, 1999:210).

PPP was developed to accommodate not only infrastructure costs associated with toll roads, corrective facilities, energy, waste treatment, water, housing but other public services (Palmer, 2009:Online). PPP policy has emerged to assist public sectors develop the necessary skills base to procure other public goods for improvisation of service delivery methods (Palmer, 2009:Online).

In a PPP, the role of the government has changed from being the dominating actor in a bureaucratic system towards being part of a governance structure where businesses, public, and the government can influence legislation and shape the collaboration among the essential stakeholders (Wettenhall, 2010:27). The PPP policy tool, which is known and applied today, emerged with the New Public Management (NPM) approach which rose from the United Kingdom in the 1980s. The advocates of NPM argued that the public sector could achieve efficiency gains from applying competitive market mechanisms where efficiency is understood as the arrangement which provides most desired output for least input (De Bettignies & Ross, 2010:138). Bovaird (2010:59) argues that from the position of efficiency, public interest should be divided from the public services, so government focuses on policy formulation and leave implementation to the private sector and non-profit organisations. As advocated by Klijn (2010:71), the cornerstone on the application of market approaches such as competition and value for money (VfM) would lead to increase in efficiency, thus resulting in reduction of government spending. The empirical evidence in other countries indicates that history and national administrative cultures matter for the introduction and success of PPPs (Bovaird, 2010:64; Greve *et al*, 2010:603).

Confusion often exists in differentiating the PPP concept from privatisation. The primary goal of entering into a PPP is to improve the management of activities that remain under public ownership by applying private sector practices; therefore, privatisation should be let out of any PPP discussions. PPPs allow for greater predictability of costs for the government and revenues for the private firm since both of these are articulated in the contract (Sciulli, 2010:Online). However, it can also be reasoned that by locking itself into such a long-term contract, the government faces the risk of not being able to re-negotiate the contract if and when circumstances and needs change over time.

The business case for the use of PPPs is to ensure that the project corresponds with government policy objectives, examines the financial impact to government and the benefits of the project outweigh the costs (Sciulli, 2010:Online). Jackson (2012:Online) argues that VfM lies in striking the best balance between the economy efficiency and effectiveness in using resources. Millions of rands are wasted due to inefficient and ineffective procurement systems, policies and procedures as well as failure to take appropriate actions to stop violation of procurement rules thus resulting in poor service delivery (Ntayi *et al*, 2009:514).

The opponents of PPPs are significant, but indifferently PPP as policy tools have been widely applied and promoted by governments (Jeppsen, 2013:Online). Weihe (2009:3) argues that a global idea of PPP has become prevalent in PPP literature and policy as the idea presents the introduction of PPP as a shift away from control and command form of governing towards a horizontal trust based approach to public and private collaboration.

A procurement system needs to be designed around government objectives which promotes economy, efficiency, and equity (Watermeyer, 2013:Online).

3.8 CONCLUSION

PPP is an economic activity a government department and state agencies have to pursue in order to fulfil their functions, as these institutions cannot provide all goods and services in-house.

The discourse surrounding PPP, both politically and amongst populations, has, however, changed with the global economic crisis and there has been a growing skepticism towards the practice of profit-driven companies' take on public interest and this has influenced the practice of PPP (Greve & Hodge, 2013:213).

The next chapter focuses on the empirical research in order to assess PPPs as an alternative procurement method in appointing a private partner for the disbursement of social grants by SASSA

CHAPTER 4

PUBLIC PRIVATE PARTNERSHIP AS AN ALTERNATIVE PROCUREMENT METHOD: EMPIRICAL FINDINGS

4.1 INTRODUCTION

In the previous chapter, a comprehensive public procurement process was discussed. The following section constitutes the empirical study. It contains a comprehensive explanation of the research methodology that was followed. A limited discussion of the findings will be provided in this section. The findings of the research study will also be presented with additional analysis of the data. The chapter begins by highlighting how the questionnaire was developed, the research and design.

4.2 DEVELOPMENT OF THE QUESTIONNAIRE

A number of references were explored and analysed to obtain a better understanding of the implications of the PPP approach to public procurement in a political complex environment such as provision of social services. A literature review of PPPs and other public procurement policy sensitive areas was conducted to comprehend some of the challenges surrounding the PPP arrangement. The interviews, data from the FSDSD / AllPay case study and books and journals, newspapers clips were used to build a theoretical base for the mini dissertation and for the development of the questionnaire. The intention of the research study was to comprehend and assess perceptions and familiarity of PPPs in an informed population of the key players in the social services sector (OECD, 2011:Online). The research questions were compiled as a data collection method, and applied the principles established in various authoritative texts on research methodology, including those by Mouton (2001:34). The questionnaire focused on the respondents' experiences as SASSA, National Treasury, stakeholders including the officials from the Development Bank of Southern Africa (DBSA), private business as well as members of the public. The questionnaire was made up of closed-ended and Likert-scale-type questions and statements. A pilot study was undertaken which involved two SASSA officials. This was to ensure clarity and relevance of the questions. Following minor adaptations, the questionnaire was assessed by two respondents drawn from the participants.

4.3 THE STUDY POPULATION

The population for the research observation and survey must be carefully chosen and defined. In terms of the quantitative and qualitative research methods which were also used in this research study “there are no rules for sample size in qualitative inquiry”. Sample size depends on what the researcher as the principal research instrument wants to know, the purpose of the inquiry, what is at stake, what will be useful, what will have credibility, and what can be done with available, but limited research resources (Anderson & Arsenault, 1998:123). The target population for this study consisted of officials with knowledge of PPPs as well as has an understanding of the public procurement processes within the South African government environment. Various organisational profiles were studied and the people in terms of the profiles were contacted to participate in the research and to confirm that they have knowledge of how PPPs function. Participants were invited to participate voluntarily in the study. The population was made of sixteen officials, all of whom have knowledge of the public procurement processes. Out of the sixteen identified, thirteen agreed to participate while three were unwilling due to prior commitments.

This is a purposive non-probability sample, which means that there is a low probability that the sample is representative of the entire population of South African experts in the researched field (Welman *et al*, 2005: 67-69). However, the sample may be regarded as representative because the respondents come from a diverse range of industries, managerial experience, age groups, genders, qualifications and demographics.

4.4 DATA COLLECTION

Data collection was conducted by means of a literature review and a questionnaire. The questionnaires were emailed while some were delivered personally to the identified participants, to fast track the response time and reflect an image of appreciation for their participation in the study. A questionnaire was distributed and each questionnaire was accompanied with a covering letter giving an undertaking of confidentiality, adherence to ethics, and where the completed forms can be returned as well as encourages the participants to participate with a sense of integrity. .

The questionnaires were distributed among the selected study population during one of the respondents' lectures. The respondents were asked to complete the questionnaires by marking their answers with an "X" or "√" in the appropriate box. The questionnaires were collected from the participants and statistically analysed in order to draw inferences from the information provided.

4.5 DATA ANALYSIS

The sample was relatively small. The purpose of the study was to assess the perceptions and understanding of the PPP procurement process and not to undertake a quantitative survey. Consequently, the limited number of respondents was considered applicable. The data collected from the respondents is perceived as expressions of the respondents' understanding of PPP, procurement while the researcher's understanding of these expressions formed the basis of the analysis. The analysis addresses the findings as applicable to both the private sector and the public sector and the stakeholders. A follow-up was conducted with a small number of semi-structured interviews with some knowledgeable officials of the service providers to SASSA. How the respondents perceive the PPP model can highly influence both the general public's acceptance of the model which in turn can influence SASSA and the National Treasury with respect to the decision to use the PPP model for selecting private sector partners for the more effectively, efficiently and economical disbursement of social assistance grants (OECD, 2011:Online).

Data was collected using a 5-point Likert-scale type questionnaire (Annexure A). The basis of a 5-point Likert type ranging from strongly disagree (1) to strongly agree (5) with respect to all the statements, the respondents were requested to indicate the degree to which they agree or disagree to all the statements. The content analysis was executed by using a spreadsheet where the answers from the respondents were aligned next to each other and each interview response was allocated a segment on the template. The themes were captured and for each identified theme, the number of mentions was tallied utilising frequency analysis, and rank-ordered from highest to lowest. The frequency distributions and percentages are displayed graphically in the form of tables or bar charts.

The data collected from the follow-up semi-structured interviews (Annexure B) was analysed using a content analysis and frequency analysis techniques in order to identify common themes.

4.6 FINDINGS OF THE STUDY

The key elements of the NIE-framework were used to structure questions for interviews with each interviewee asked the same questions. Twelve (12) out of a sample of twelve respondents returned or agreed to the interviews which represents a 100% response rate. The questions were intended to explore general perceptions about PPPs and specific circumstances and outcomes related to the use of the PPP model as an alternative procurement method compared to the traditional government procurement method (OECD, 2011:Online). The responses were then analysed and grouped into themes according to the elements of the NIE-framework approach taking into consideration the factors that influenced the procurement using the PPP and how the perceptions on how the procurement process leading to the PPP should be structured as well critical areas surrounding the monitoring of performance outcomes of the PPP.

4.6.1 Analysis of data from questionnaires

This section provides the respondents' responses to the statements and questions put to them as well as an analysis of the responses. The researcher made use of the statistical analysis techniques. The following observations were made:

Question 1:

How would you rate competitiveness of the SA market place in terms of a comprehensive PPP tendering for social services projects?

The following responses were gathered from a sample of twelve (12) participants.

Not competitive at all	Somewhat competitive	Adequately competitive	Competitive	Very competitive
2	3	2	4	1

The graphic responses are illustrated in figure 4.1.

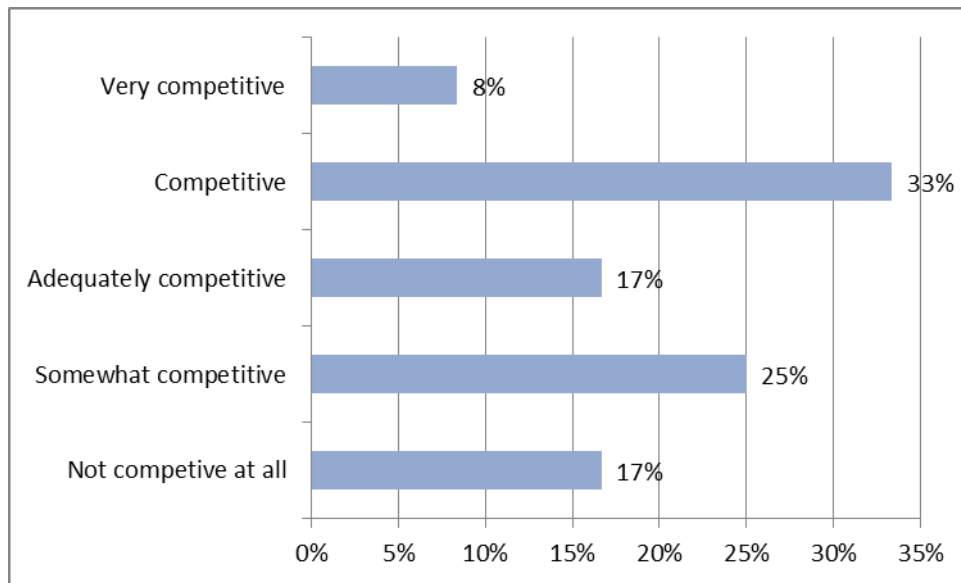


Figure: 4.1

To question 1 of the data collection questionnaire, the respondents were asked on how they rate competitiveness of the SA market place in terms of comprehensive PPP tendering for social services projects.

About 58% of the participants agree that there is a competitive market in South Africa in terms of PPP tendering to attract both domestic and international private partners. This means that a strong competitive market is essential to achieve success with PPPs. The responses are an indication that there is a market in the social services sector which can attract a number of private business partners.

About 25% of the participants felt the market is somewhat competitive. The competitiveness of the market varies by sector. The majority of PPPs in South Africa, where the market is already at the high level of competitiveness, are infrastructure related projects with only a small number that is in existence in the social sector which includes health and water services. This market is still at a developing stage.

It is important to note that comparatively, some provinces in South Africa, such as Gauteng, Western Cape and KwaZulu Natal, are able to attract more businesses with

financial muscle to bid on the PPP projects. The competitiveness of the local market can be increased by engaging businesses outside of the country.

17% of respondents expressed some doubt about the competitiveness of the market for social services. Given the financial constraints of the South African social services sector, the limiting growth may discourage businesses from entering this market. Under public procurement, social grants are considered as public goods, characterised by non-excludability and non-rivalry (individual consumer cannot be excluded from consuming it, and the consumption by one individual does not reduce consumption possibilities for others), or merit good, for which public intervention is needed to improve the economy's efficiency to allocate resources.

Question 2

What do you think are the general factors that lead to a successful PPP? (Rate from 1-5, with 1 as strongly disagree and 5 strongly agree).

This question was divided into statements ranging from 2.1 to 2.8. Some of the factors that play an essential role in determining the success of the PPP project in infrastructure and social services are outlined in this section.

Statement 2.1

PPP projects are delivered faster than traditional procurement methods as they utilise private expertise and skills

The following responses were gathered from a sample of twelve (12) participants.

Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
8	3	1	0	0

The graphic responses are illustrated in figure 4.2.

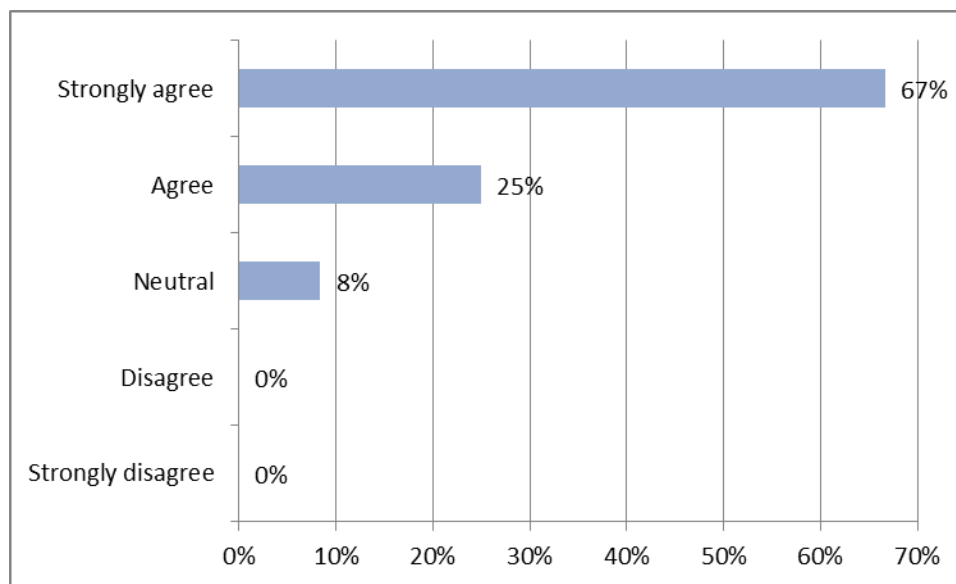


Figure 4.2

About 92% overwhelmingly agreed that projects are delivered faster utilising the private sector expertise and skills. The response is a strong indication that PPPs are able to deliver quality services, at less costs, in-time and operating efficiency of the end result by private sector utilised procedures. This assertion by the respondents concurs with literature, which demonstrates that for a public sector institution to partner a private sector enterprise can also raise effectiveness in the development process in that it leads to the pooling of the expertise, resources, and skills in a collaboration fashion rather than a purely competitive one, bringing together the strengths of diverse backgrounds for the public good (Mackintosh, 1992:210).

The performance of PPPs has particular importance in the wider political environment as they reflect commitments made by politicians which involve the spending of public money (raising questions of efficiency and value for money) and the achievement of benefits for service users (raising issues of responsiveness and quality) (Jeffares *et al*, 2013:173).

The remaining 8% of the respondents remained neutral which may indicate a degree of not understanding the PPP model in the social services sector or informed opinions are doubtful about the ability of PPP projects to deliver faster. PPPs are always believed to deliver services faster than the traditional procurement methods because of the private sector expertise and skills. The perception that government employees do not have

expertise and skills to execute complex projects was not affirmed by the responses from the respondents. The failure of some PPPs in the past to deliver outcomes as expected may lead to respondents being indifferent as to whether the private sector partner is able to deliver faster compared to the delivery by government institutions.

Statement 2.2

When comparing PPP with traditional procurement methods the tendering and negotiation for PPP are longer and competitive.

The following responses were gathered from a sample of twelve (12) participants. The graphic responses are illustrated in figure 4.3.

Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
1	7	4	0	0

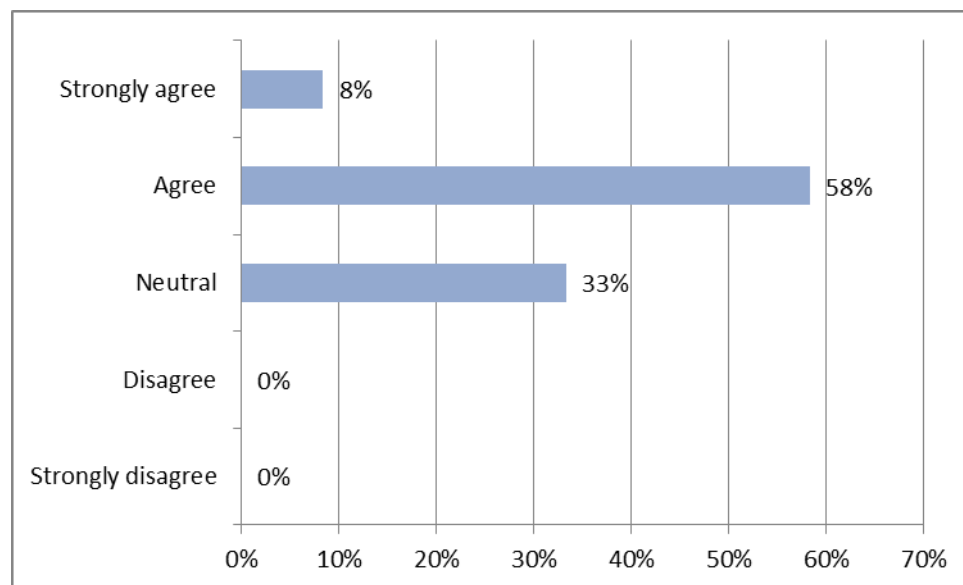


Figure 4.3

On whether the tendering and negotiation for PPP takes longer, 66% of the respondents responded positively. One of the reasons for the delay in finalising tenders is the lack of assessment from the bidders and longer bidding rounds that the PPP project requires at the outset of each transaction. The other reason for the delay is associated with the fact

that PPPs rely on having a well-structured and detailed output specification prior to the commencement of bidding. One of the reasons for the delays is attributed to the size and complexity of a PPP project in the social services sector, which requires a preferred procurement method to be adapted to satisfy international norms and standards, and to ensure effective involvement of financing institutions and developers. One participant also pointed out the reason for the longer tender period for the time it takes to conduct the feasibility study for approval by the National Treasury before the tendering process could even begin. Another participant pointed out ambiguous rules for competition increasing the risk of delays through legal challenges by bidders who may not have the requested solution. Also highlighted was that it also takes longer to conclude a traditional procurement tender. The tender processes for PPPs are more complex. The PPP tendering process includes the request for qualification (RFQ) or expression of interest (EOI) phase, request for proposals (RFP) phase and negotiation and completion phase.

Common criticisms from literature of PPP tender processes are that they take too long, are too expensive and complicated, and lack dialogue and flexibility due to probity requirements (Van Grieken & Morgan-Payler, 2012:Online). The response supports the view that a simplified and procurement process will lower transaction costs and shorten the time taken in negotiating and completing deals (Fombad, 2013:19). The government can avoid costly design efforts by establishing a tendering process that will avoid costly designs exercises in the first tendering stage and ensure participation of private bidders (United nations (UNESCAP, 2011:Online).

There are, however, some strong doubts among certain categories of people. 33% of the respondents are unsure or neutral on how long it takes to finalise the tender and negotiations for PPP in SASSA at this point in time. The neutral response could indicate the participants' lack of knowledge and understanding of how the PPP tendering and negotiation process works.

Statement 2.3

Value for money is the key indicator of a successful PPP project.

The following responses were gathered from a sample of twelve (12) participants.

Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
1	10	0	1	0

The graphic responses are illustrated in figure 4.4.

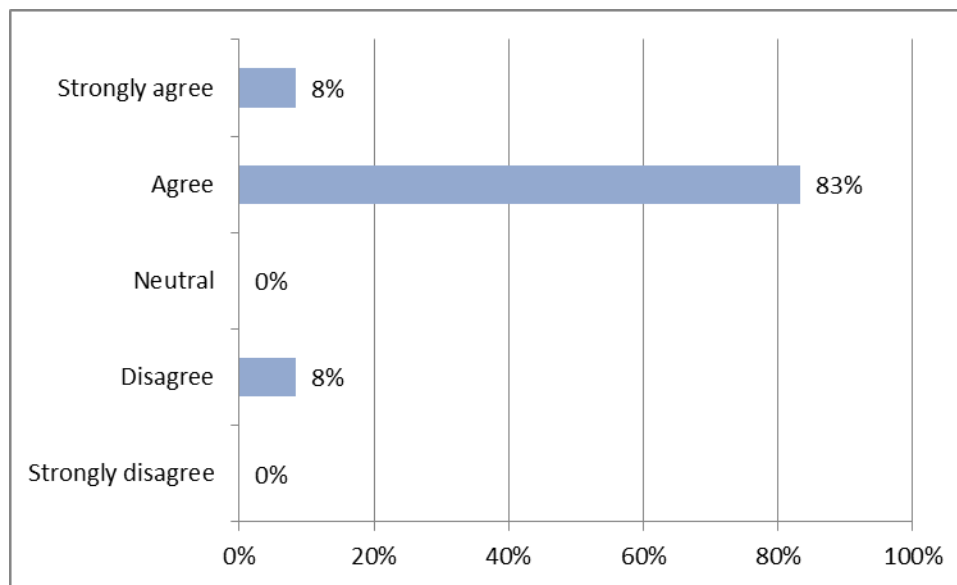


Figure 4.4

The purpose of the question was to establish whether the respondents perceive VfM as the most important indicator for a PPP to succeed.

The respondents to the questionnaire generally expressed opinions that are in line with this ideological trend on VfM. 92% of the respondents agreed that VfM is the most important key indicator of a successful PPP project. Value for money includes both qualitative and quantitative aspects that focus on three elements: economy, efficiency and effectiveness (Barnett *et al*, 2010: Online). The government needs to deliver public services with technical and economic efficiency and technical and economic effectiveness (Burger & Hawkesworth, 2011:Online).

Given the financial constraints identified by the respondents as limiting growth of the South African social services sector, PPPs are regarded as a means to unlock private finance and achieve maximum blend of funding required for the infrastructure necessary for the possibly improved disbursement of social assistance grants. The rigour and due diligence involved in PPP analyses during the feasibility study provide value for money.

However, 8% of the respondents who disagreed do not consider the VfM as the most important indicator of the success in a PPP. The choice between using a PPP and traditional procurement may be skewed by factors other than value for money (Burger & Hawkesworth, 2011:Online).

Important factors such as social costs and benefits are usually excluded in the calculation of the value for money (OECD, 2011:Online). Though necessary to ensure the success of a PPP project, the assessment of VfM is insufficient to ensure that a project will deliver VfM (Burger & Hawkesworth, 2011:Online). There is no contrast with the responses to question 1 on competitiveness of the South African market for social services sector as VfM cannot be attained if there are too few bidders. Effective risk transfer to the private partner is the prerequisite to ensure VfM. Having a private partner is not in itself sufficient to ensure VfM.

Statement 2.4

Quality and quantity of service output that the private partner delivers must be clearly measured to deal with possible cost and quality trade-offs

The following responses were gathered from a sample of twelve (12) participants.

Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
5	7	0	0	0

The graphic responses are illustrated in figure 4.5.

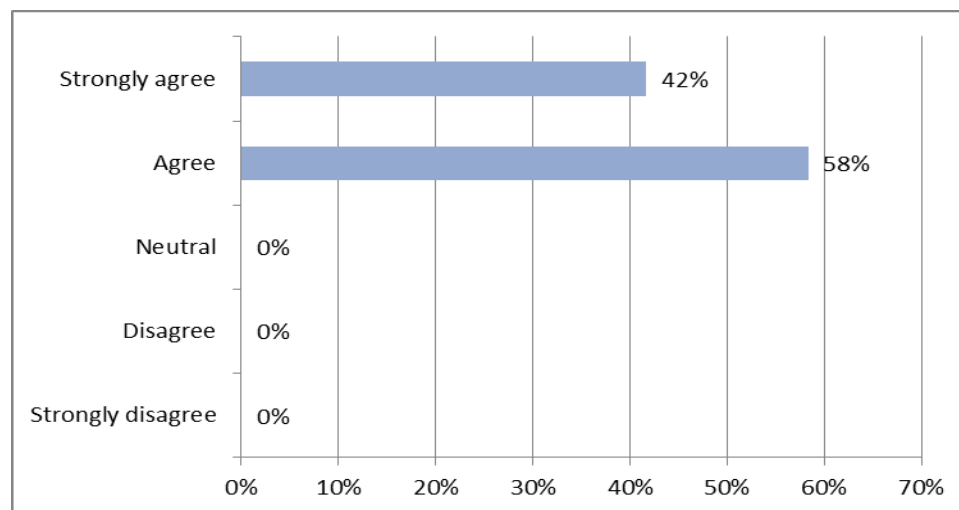


Figure 4.5

All the respondents (100%) agree that in order to deal with possible cost and quality tradeoffs, quality and quantity of service output to be delivered must be clearly measured. This means government needs to make a judgment call on which appropriate services to deliver and determine for each service what constitutes the optional combination of quantity, quality and service standards (Burger & Hawkesworth, 2011:Online). One respondent referred to customer service as a very important factor in service delivery, particularly when dealing with complaints and mechanisms. Factors such as delivery; timeliness; information; professionalism; and staff attitudes can drive up customer satisfaction at an institution such as SASSA.

The respondents also pointed out that the financial benefit of partnerships must be measured by the high quality of services at a lower cost. This is supported by the literature, which argues that a PPP can deliver high quality services at lower costs than those services provided by government through traditional procurement methods (Moszoro & Gasiorowski, 2008:Online). The higher quality is achieved by bringing together the strengths from both the public and private sectors.

Statement 2.5

Political preferences towards private sector service delivery contributed in the past towards a preference for procurement through PPPs

The following responses were gathered from a sample of twelve (12) participants.

Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
1	9	0	2	0

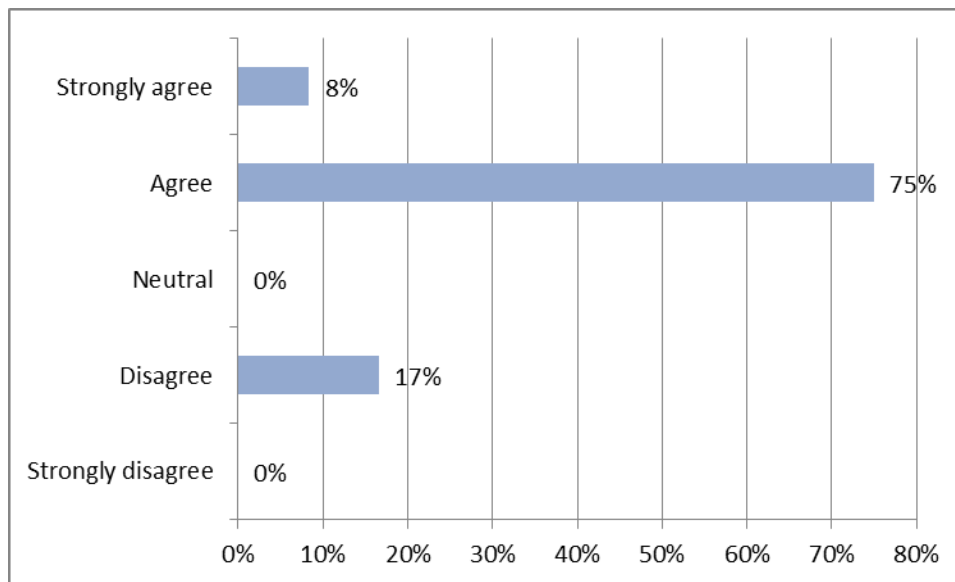


Figure 4.6

The respondents to statement 2.5 of the questionnaire were given an opportunity to express their views on whether political preferences towards private sector service delivery in the past contributed towards a preference for procurement through PPPs. The purpose of the statement was to determine if the respondents believed that political pressure plays a role in awarding of the contract for a PPP. The responses to the statement are reflected in Figure 4.6 above.

Of the respondents who participated in the study, 83% felt that there have been political preferences towards private sector in the awarding of tenders. The first factor in favour of the introduction of market mechanisms is the political will. Sustained political support and commitment are essential, particularly for large PPP projects and projects representing a first attempt at developing and implementing PPP. The response is an indication that public sector commitment can be the translation of political will into the political and cultural mainstreams of the government and public authorities in order to ensure the required government support for PPP.

This is required to generate and maintain sufficient private interest and to allay any concerns over potential public reaction notably related to associate promises of increased service provision or quality standards. In cases where a project is politically or strategically

important, a government might prefer to use PPP and not traditional procurement (OECD, 2011:Online). The influence by the politicians tends to favour a procurement method that will deliver promised services faster, at a higher quality and at a lower cost. The idea of the partnership is to fast-track services utilising private sector skills and expertise whilst transferring the risk at the same time.

Some of the respondents (17%) disagreed with the statement in that the selection of the method of procurement depends on the influence of political ideology in a particular country. If the government for some reason believes that service delivery can best be achieved using a traditional procurement method, political preference will be towards the selection through traditional procurement.

Statement 2.6

Minimising transaction costs requires minimum project value for a PPP to be put in place.

The following responses were gathered from a sample of twelve (12) participants.

Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
0	4	3	5	0

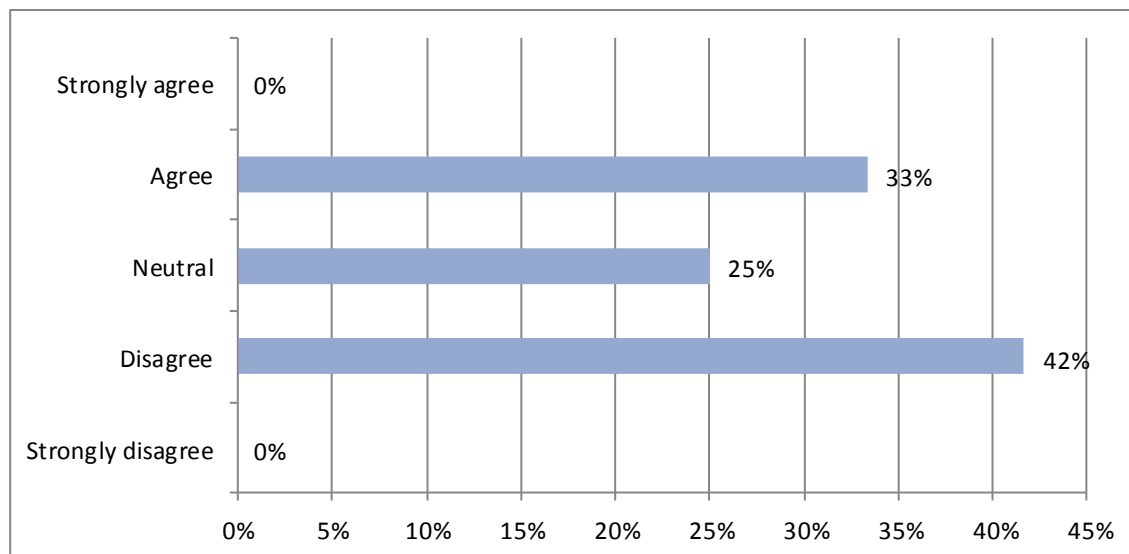


Figure 4.7

The aim of statement 2.6 was to determine the respondents understanding of the relationship between minimum costs and minimum project value taking into consideration the consequences of inflation. The graphic responses are illustrated in figure 4.7 above.

About 33% of the respondents agreed that a minimum project value is required. One of the primary beneficial outcomes for the public sector when considering the utilisation of PPP model is cost reductions (OECD 2011:Online). This means that PPPs should be less expensive for the public sector than the traditional procurement. Savings from economies of scale and the reduction of margins are the two elements that result in cost reductions and should compete during the bidding process (OECD, 2011:Online). As the majority of the costs associated with public project delivery can be incurred over a long time period, they should all be estimated into rands at net present value (NPV) to allow for easier comparison of figures without decision makers having to account for cost increases due to inflation (Burger & Hawkesworth, 2011:Online). In order to determine value for money, transaction costs have to be minimised and a minimum project value for a PPP had to be put in place.

25% of the respondents remained neutral; an indication of the lack of knowledge of the concept of net present value (NPV) whilst 42% disagreed with the statement. The respondents who disagreed could not provide reasons for disagreeing.

Statement 2.7

The rules in place impede attaining the maximum value for money by creating incentives to prefer one form of procurement over the other

The following responses were gathered from a sample of twelve (12) participants. The graphic responses are illustrated in figure 4.8.

Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
0	7	1	4	0

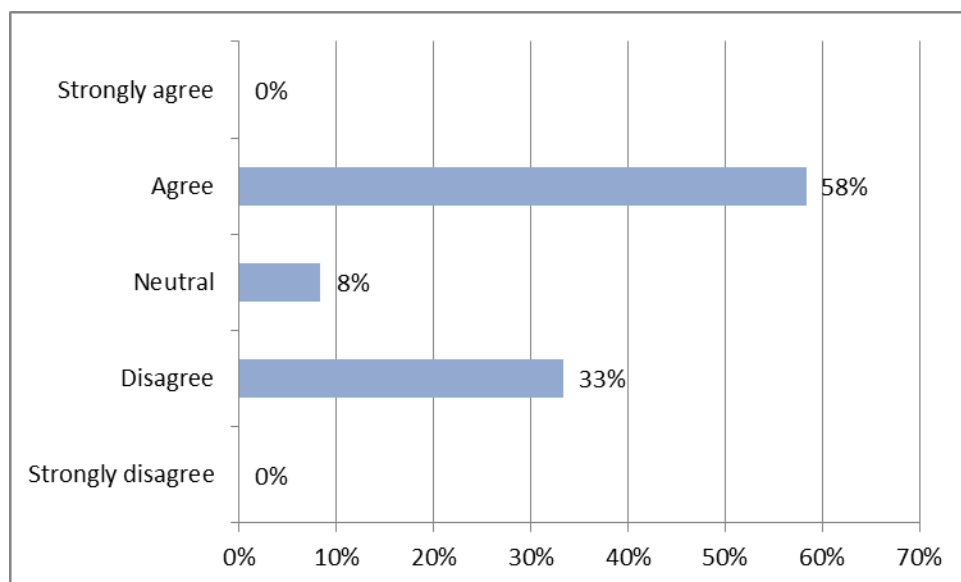


Figure 4.8

About 58% of the participants agreed that rules in place impede attainment of maximum value and need revision. The National Treasury's PPP guidelines and processes are regarded particularly as too bureaucratic and the time it takes to receive feedback in each step is extremely long. This is an indication that to attract investors in order to foster competition, the legal framework of every project needs to be clear, transparent and predictable. Access to information and the decision-making process needs to be open and equitable (OECD, 2012:Online).

However, 33% of the respondents disagreed with the statement. The respondents reported that they do not have adequate information to assert on rules impeding the attainment of value for money. In most countries, both traditional procurement and PPPs are managed and regulated in terms of existing laws and regulations pertaining to procurement and contract law (OECD, 2011:Online). A stable regulatory environment with strong integrity will reduce the costs to business and enhance the chances that a project represents value for money (OECD, 2012:Online).

About 8% of the respondents remained neutral to statement 2.7. This is an indication that the respondents are unsure or have no knowledge of the rules and regulations governing the procurement of public goods using PPPs. Where procurement law does not apply to

PPP, the government has to consider the degree to which the requirements for traditional procurement and PPPs are aligned (OECD, 2011:Online). The government needs to do so to ensure that what is demanded from line departments using the two forms of procurement (traditional procurement and PPP project) does not create incentive to prefer one form of procurement to the other based on grounds other than value for money, efficiency and effectiveness (Burger & Hawkesworth, 2011:Online). Lessons learnt from the challenges experienced in the execution of PPPs can be used as inputs in updating the current rules.

Statement 2.8

Supportive political environment needs to be in place to adequately transfer risks from the public sector to the private sector.

The following responses were gathered from a sample of twelve (12) participants. The graphic responses are illustrated in figure 4.9.

Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
0	6	5	0	1

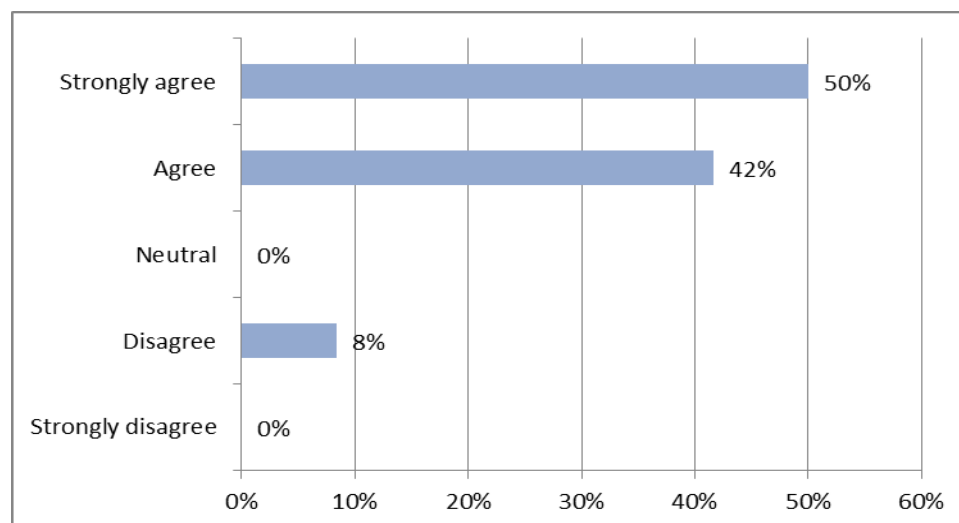


Figure 4.9

About 92 % of the respondents agree that a supportive political environment needs to be in place for risks to be adequately transferred from the public sector to the private sector. One

of the main advantages of the PPP approach mentioned by respondents was that the public and private sectors can share risks at different stages and risks would be allocated to the party who is able to best manage it. The studies show that partnerships achieve better value for money because it becomes possible to allocate risk to the partner best able to manage that risk (Grimsey & Lewis, 2005:346).

50% responses of strongly agree from the participants is an indication that a PPP approach requires strong political commitment and legislative support. Sustained political support and commitment are essential, particularly for large projects such as social assistance grants and projects representing a first attempt at developing and implementing a PPP.

8% of the respondents disagreed. They perceive other factors such as risk allocation, available financial market, favourable legal framework, strong private consortium, procurement process; technology and knowledge transfer and opportunities for innovation play a critical role in the success of the PPP project.

Question 3

What improvements need to be made in SA to improve the decision- making process, tendering for and execution of PPPs?

Statement 3.1

Value for money analysis

The following responses were gathered from a sample of twelve (12) participants.

Decision	Tendering	Execution	All Phases	Don't know
5	1	0	6	0

Statement 3.2

Contract compliance

The following responses were gathered from a sample of twelve (12) participants.

Decision	Tendering	Execution	All Phases	Don't know

1	3	6	2	0
---	---	---	---	---

Statement 3.3

Private and public partner accountability

The following responses were gathered from a sample of twelve (12) participants.

Decision	Tendering	Execution	All Phases	Don't know
0	0	8	4	0

Statement 3.4

Labour union relationships

The following responses were gathered from a sample of twelve (12) participants.

Decision	Tendering	Execution	All Phases	Don't know
4	1	3	4	0

Graphic responses for statements 3.1 to 3.4 are illustrated in figure 4.10 below:

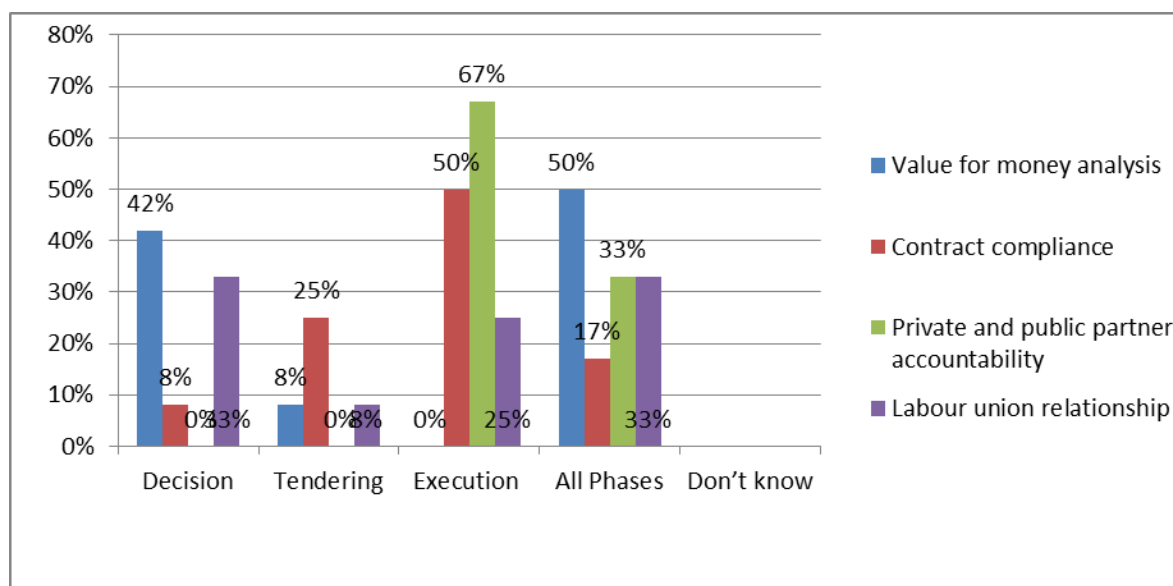


Figure: 4.10

The respondents to statements 3.1 to 3.4 of the data collection questionnaire were asked to express their opinion on improvements they feel need to be made in SA to in the

decision-making process, tendering for and execution of PPPs. The purpose of the question was to determine what improvements need to be made to improve the decision-making process, tendering processes as well as execution of PPPs.

For statement 3.1 relating to value for money, 42% of the respondents felt that the decision-making process relating to value for money analyses and 8% for tendering, need to be improved whilst 50% of the respondents felt all the phases of the tendering process need to be improved. It can be inferred that there is no consultation with potential bidders and partners to ensure that proposed PPP design meet both parties' requirements.

To statement 3.2, 8% of the respondents felt the decision on contract compliance has to be improved for a PPP to be efficient whilst 25% were of the opinion that contract compliance has to be addressed during the tendering phase. 50% of the respondents argue for the improvement of execution of a contract as the key to a successful PPP. This is an indication that the key staff of the public sector institution does not have the required technical and managerial skills and an established protocol to work with the private sector enterprise. In most instances, both parties are not familiar with the details of the contract and do not strive for an atmosphere of mutual respect as it should.

With reference to statement 3.3 on private and public accountability, 67% of the respondents felt the execution of and 33% felt decision, tendering and execution have to be improved. Execution becomes difficult if the appointed bidder lacks knowledge and experience of the local market resulting in price fluctuations and extended negotiations which are difficult to manage during the execution of the project. One respondent cited the cost of participation in a tender as expensive because government has to hire advisors at high costs to support both the public and the private parties. The selected bidder should have a detailed plan for ongoing communication with the community on how the implementation of the project will take place.

To statement 3.4, 33% of the respondents felt the decision relating to labour union relationships need to be improved. It can be inferred that there is a lack of regular and consistent dialogue among labour unions, government and their employees to set out the objectives and strategy for PPP. Information on worker issues should be shared to allay

speculation and unfounded concerns. 8% of the respondents felt that the improvements should apply to tendering, 25% for execution and the remaining 33% felt that all phases need improvement.

Question 4

What is the general impression of the use of PPPs in providing social services in South Africa?

The following responses were gathered from a sample of twelve (12) participants.

Should always be used	Should always be explored as an option in any sector	Should be used / explored for most sectors	Should only be used / explored in some sectors	Should never be used
0	2	6	3	1

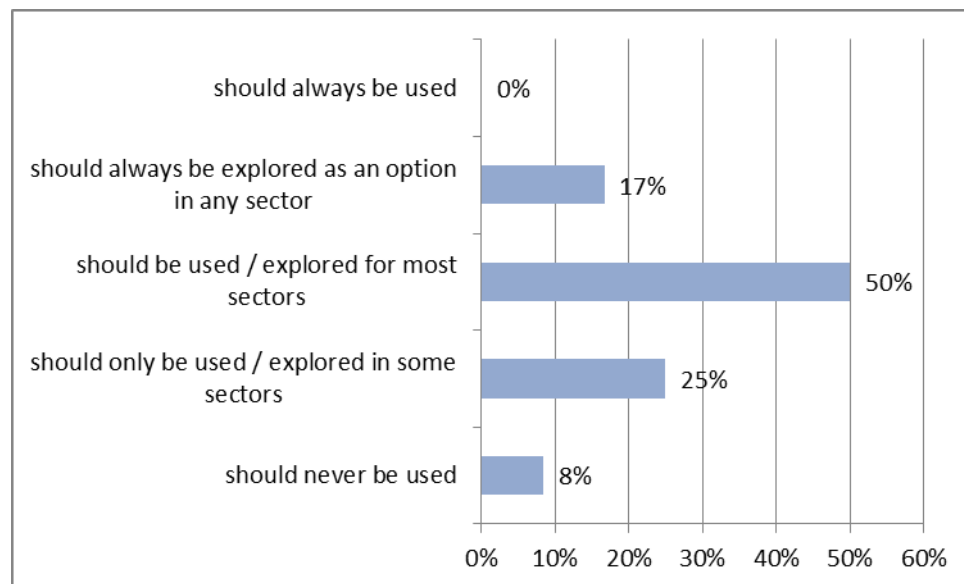


Figure 4.11

According to the interviewees, PPPs can influence the South African government with respect to their decisions to use the PPP model in the social services sector. In statement 4 of the data collection questionnaire, the participants were asked to express their opinions

and provide their perceptions on use of PPPs in the social services sector for the disbursement of social assistance grants at SASSA. Figure 4.11 illustrates the opinions of the respondents to question 4:

The results revealed the use of PPPs as an alternative procurement method in providing social services in South Africa was appropriate. The partnership between the public sector and the private sector in the social domain presumes not only collaboration, but a combination of advantages specific to the private sector which is more competitive and efficient compared to the public sector which is responsible to society for public expenditure. The thinking is shared by 17% of the respondents who indicated that PPPs should always be explored as an option in any sector whilst 50% of those interviewed felt that the model should be used or explored for most sectors. A built-in mechanism for public participation throughout the PPP process would enhance accountability (Fombad, 2013:23). UNECA (2005:Online) advocates for a widely representative participatory decision-making process that takes into account concerns of stakeholders, including those who may be adversely affected by the decision to choose a PPP model.

The response from the respondents revealed that a partnership between government and the private sector is considered important to ensure efficiency in service delivery and enable SASSA to realise its mandate. The remaining 20% of the participants felt that PPPs are relevant if used in some sectors whilst 8% stated that they should never be used in providing social services in South Africa. According to one of the respondents, PPPs should never be used. Moreover, SASSA was established as an Agency to perform this function which was previously a responsibility of the various provincial departments of Social Development prior to its establishment and as such does not understand why the function should be transferred to the private sector.

Question 5

How would you rate the success of PPPs in the social services sector in South Africa?

The following responses were gathered from a sample of twelve (12) participants.

Top performer	Above average success	Average success	Somewhat successful	Unsuccessful
0	5	4	3	0

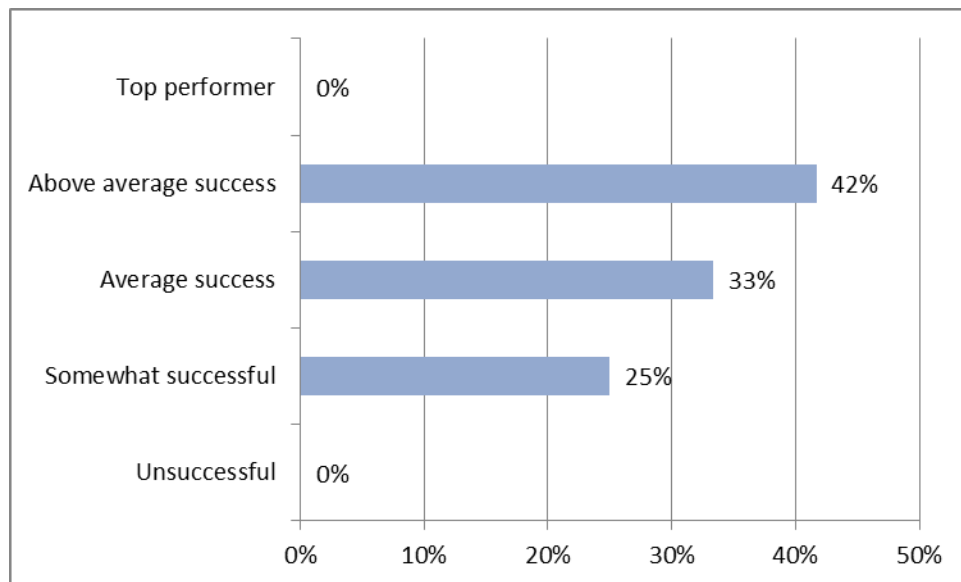


Figure 4.12

The aim of question 5 was to provide the respondents an opportunity to express their views about the successes of PPPs in the social services sector. The graphic responses are illustrated in figure 4.12 above.

42% of the respondents agree that the success of PPPs in social services is above average when they are used compared to the traditional methods. This means that PPPs are viewed as vehicles that can bridge the gap between the need for investment in service delivery projects in the social sector and the ability of the government to pay for those investments. Performance can be observed by proxy through the criteria of efficiency, effectiveness and economy, and tries to ensure VfM (Hudon & Zaato, 2010:Online). Fombad (2013:20) argues for the establishment of a complaints handling mechanism for customers with guidelines that record such complaints and monitor and evaluate service delivery as recourse for the dis-satisfied customers.

The respondents representing 33% of the total sample perceive the success of PPPs as average. There is an agreement that the efforts of the government to achieve all-round

economic development for its people need to be complimented by the private sector. Public sector organisations and private sectors institutions can come together to build people-oriented movements and through that process social sector development can be achieved. The remaining 25% of the respondents are of the view that PPPs are somewhat successful. Some PPP units have not become what the government may have hoped they would, but their efforts, nevertheless, offer valuable lessons.

Question 6

How do you rate the quality of services under PPP compared to the service provided under traditional procurement by other institutions in the social services sector?

The following responses were gathered from a sample of twelve (12) participants.

Above all	Above average success	Average success	Somewhat successful	Below
0	4	6	2	0

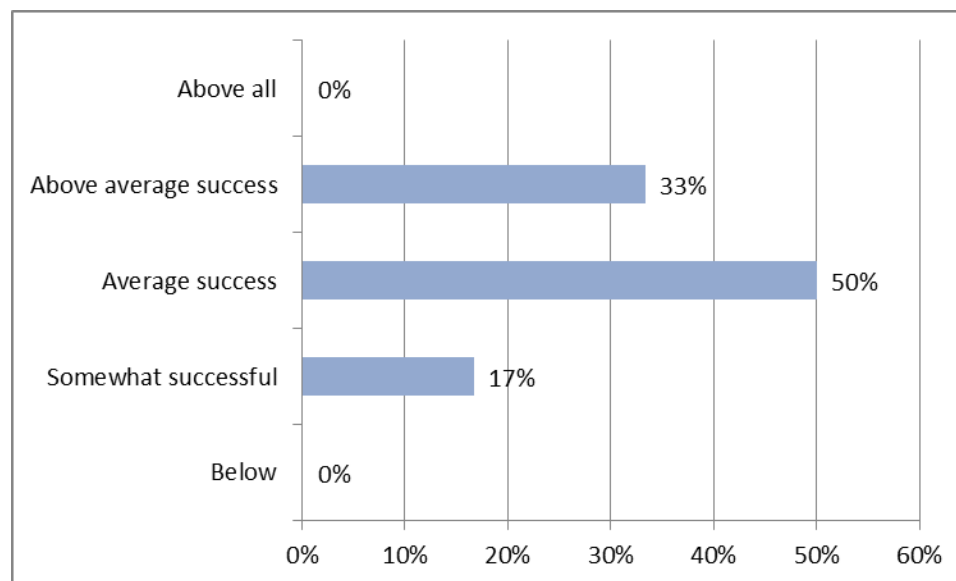


Figure 4.13

The respondents to question 6 were afforded an opportunity to rate the quality of the services under PPPs by other institutions in the same sector as compared to the quality of

service where a traditional procurement method is used. The graphic responses are illustrated in figure 4.13 above.

The quality of services under a PPP compared to the traditional procurement method has increased. 83% of the participants indicated success whilst the remaining 17% also agreed that the quality of services is somehow successful. For example, the respondents pointed out that the quality of services has improved at Chief Albert Luthuli Hospital in KwaZulu-Natal since the introduction of PPP. The concept of higher quality that result from knowledge transfer from the private sector is supported by the literature which argues that a PPP has greater potential in delivering high quality services at lower costs (Moszoro & Gasiorowski, 2008:Online).

Question 7

Do you feel that PPP model is appropriate for designing, financing and operating the grants disbursement model for SASSA?

The following responses were gathered from a sample of twelve (12) participants. The graphic responses are illustrated in figure 4.14.

PPP procurement methods are always superior	PPP procurement methods are usually superior	Depends on the project	Traditional procurement methods are usually superior	Traditional procurement methods are always superior
1	5	5	1	0

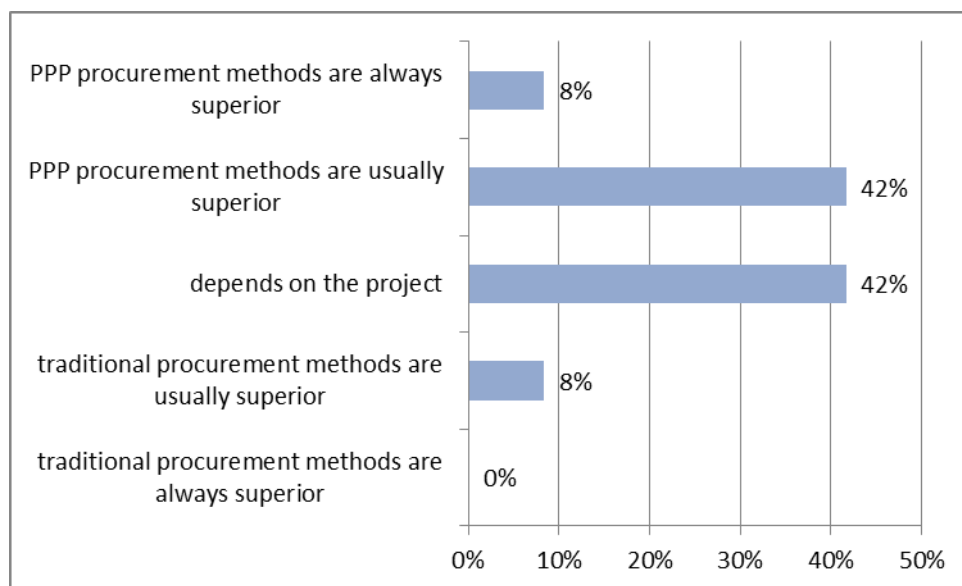


Figure 4.14

50 % of the respondents indicated that a Design, Finance Operate (DFO) PPP model is appropriate and can be used for the disbursement of social grants. In a DFO PPP model, the private sector partner gets paid on the basis of transactions. Since the model focuses on outcomes, risks related to design and maintenance of the database of beneficiaries are that of a private sector enterprise.

42% of the participants were of the opinion that the appropriateness of the DFO PPP model depends on the size of the project undertaken. Payment of social grants is more complex and requires a combination of different models as there is no single PPP model that can meet a project's expectations and satisfy a project's location and its technical and financial features. For example, for a new project, a Build, Operate, Transfer (BOT) type of model may be suitable in a matured market while a Build, Own, Operate (BOO) or DFO type of model may be more appropriate in a developing or untested market.

However, 8% of the respondents felt the traditional procurement methods were superior compared to the PPP model. Since the main objective of a private sector partner is to maximise profits, the respondents view the payments of social grants as a public good which must be performed by the state. Furthermore, they see no reason why this function

should be subjected to a PPP than the normal traditional procurement if the Agency does not have the capacity to perform the function.

4.6.2 Analysis of data collected from the semi-structured interviews

As a follow-up to the data collection questionnaire, semi-structured interviews were used as a technique to collect data. The aim was to select knowledgeable participants from the SASSA service providers and officials who could provide data regarding use of PPPs in the South African context. The researcher directed the interaction with participants in a semi-structured manner using open-ended questions which conformed to the aim of the investigation. The researcher communicated directly with the respondents who clarified some aspects of the questions put to them.

Six (6) knowledgeable experts from the private sector, SASSA and the community agreed to participate in the interviews. The data collected during the interview was coded and clustered in seven themes and analysed as follows:

Theme 1

The participants' understanding of market competitiveness

The theme was derived from question 1 of the interview schedule (see ANNEXURE B). The purpose of this question was to determine whether participants understood the need for a competitive market environment for the currently utilised PPP model to operate successfully in a social services environment such as the disbursement of grants.

Participants' responses were as follows:

Price regulation and incentive based regulations in PPPs to increase outputs	Competition in award of construction and service contracts	Equal chance to every business to compete regardless of size and origin to of the enterprise	Value for money
17%	16%	17%	50%

All the participants understand the importance of competition in the market as healthy if it is meant to improve the quality of services and reduce costs. This is an indication of their knowledge of the environment for a PPP project to succeed. 50% of the participants stated that effective competition must allow service providers to compete amongst themselves to lower costs and drive up value for money. 17% of the respondents indicated price regulation and incentive based regulations in PPPs to increase outputs as encouraged by competition. 17% of participants indicated that in South Africa there is an adequate pool of local businesses which are able to compete to warrant the existing PPP model for the disbursement of social assistance grants. The remaining 83% of the respondents did not agree that every company could stand an equal opportunity as resources might be a limiting factor for small local businesses. They indicated that over the last ten years the market for the disbursement of social assistance grants by SASSA has been dominated by two influential players, AllPay and Cash Payment Services. This created a somewhat monopolistic competitive environment that prevented new entrants to the market, especially local businesses. Consequently, there is the perception that the market is not competitive. On the other hand, there is the perception that protection of local businesses by the state reduces opportunities for foreign businesses (OECD, 2011:Online). 16% of the respondents indicated there is competition which plays a role in the awarding of construction and service contracts.

Theme 2

Issues that discourage private sector involvement in PPPs

Theme 2 was emanated from question 2 of the interview schedule. The purpose of the question was to determine the most important issues that discourage the involvement of private sector institutions from participating in PPPs in the social services.

The participants' responses about issues that discourage private sector involvement in PPPs were as follows:

Lack of skills and expertise from the public sector institutions	Lack of incentives in the social services sector	Fear of policy changes if the new government comes to power	Long and costly tendering process
17%	16%	50%	17%

50% of the participants' fear policy changes if the new government comes into power. 17% of the participants stated that there is a shortage of skills and relevant knowledge in public sector institutions. The similar number of participants was of the opinion that the long and costly tendering process discourages businesses from participating in the tender process. 16% of the participants stated the lack of incentives in the social services sector.

Theme 3

Manage the effective transfer of risks

Theme 3 emanated from question 3 of the interview schedule. This question endeavoured to determine the respondents understanding of the risk transfer and risk allocation to PPPs.

Participants' responses about how government should manage the effective transfer of risks to the private sector in the disbursement of social grants were as follows:

Maximum transfer of risk to the private sector partner	The public sector partner to manage certain types of risks in a PPP	Competition and contestability	Monitoring and evaluation of risks
50%	17%	17%	16%

All participants were of the opinion that the public sector must manage certain types of risks in a PPP. This is an indication that the public sector partner need to put a plan in place as the failure of project means all risks return to the public sector partner. 50% of the respondents stated that government can effectively manage risk through maximum transfer of risk to private sector partners as the party with a capacity to manage the risk. 17% of the

participants felt competition and contestability has to be present for the risk to be effectively transferred to the private sector partner. The same number of participants felt the public sector partner should manage certain types of risks in a PPP. 16% of the respondents stated that the risk can be managed by monitoring and evaluation of thereof.

Theme 4

Governance issues in PPPs

The aim of theme 4 was to outline corporate governance issues which the respondents believe are critical for the success of a PPP.

Participants' responses about corporate government issues in PPPs were as follows:

Implementation of the PPP contract	Transparency on how the PPP award decisions are made	Penalties resulting from non-compliance by either partner	Accountability from both private sector and public sector partners
17%	33%	33%	17%

33% of the participants pointed out that there is no transparency in the decisions to award a contract in a PPP. This is of serious concern given that transparency is embedded and guaranteed in the South African Constitution of 1996. 33% of the respondents indicated that there is no transparency on how penalties are applied in circumstances of non-compliance. This reflects government's inability to implement the service level agreement (SLA). 17% of the respondents indicated that implementation of the PPP contract is a corporate governance issue. The same number of participants raised accountability from both the public sector partners and private sector partners as cause for concern in PPPs.

Theme 5

Use if PPPs as an alternative procurement method

Theme 5 emanated from questions 5, 6, 7, 9, and 10 of the interview schedule. The purpose of clustering this theme was to understand the factors that lead to the failure of

PPP as well as identify the benefits it would bring to SASSA if used as an alternative procurement method. The following responses were gathered from the participants:

PPPs are more complex and difficult to manage	PPPs can produce quality results if implemented in line with negotiated terms of the contract	PPPs will never work where the return on investment is not guaranteed
33%	50%	17%

A large amount of data was generated from the responses to the clustered questions.

50% of the participants stated incorrect implementation of negotiated terms of contract resulting in sacrificing quality of the services. 33% stated that PPPs are more complex and difficult to manage. The public sector does not have skilled employees to manage and implement the PPPs. 17% of the respondents stated that private sector partnerships deliberately lower the costs to qualify for the award. Consequently, they withdrew from the contract when they realise that no return on investment will be realised.

The participants' responses about the potential benefits of PPPs were as follows:

Improved services by reducing queues at pay-points	Lower costs of operating business for the government	Releasing resources for the government to deliver on other promises	Improved infrastructure in rural parts of the country	Value for money
17%	33%	17%	17%	16%

33% of the respondents felt that the public can benefit from PPP as it lowers the cost to operate business for the government. 17% of the respondents stated that improvement of services by reducing queues at pay-points would be a benefit to SASSA, whilst the same number stated that the benefit included releasing resources for the government to deliver on other services. The same number of respondents viewed the improvement of infrastructure in rural parts of South Africa as a benefit of a PPP.

The participants' responses about the structuring of the transaction costs were as follows:

Government cover the bidding costs as part of total project costs	Government pays the private sector partner transaction amount	Government only pays once the service is delivered
50%	17%	33%

50% of the respondents stated that government can cover the bidding costs as part of the total project costs to encourage innovative ideas from the private enterprises. 33% of the respondents felt that the government should only pay costs to the private sector partner when the service is delivered while 17% of the respondents stated that costs should be structured such that the government pays the private sector partner the transaction fee.

The participants' responded as follows:

Help to transfer the skills from the private sector partner to the public sector officials	Improved services by reducing queues at pay-points	Improved quality of services or goods to be provided
33%	50%	17%

50% of the respondents stated that a PPP will improve services by reducing queues at pay-points while 33% of the respondents believed that PPPs help to transfer skills from the private sector partner to the public sector official. 17% of the respondents indicated that PPP will result in improved quality of goods or services. The participants responded as follows:

Reduce costs for the government	Negotiate better contract in order to maximise profits	Take over employees of the state for skilling for the duration of a PPP agreement
50%	17%	33%

50% of the respondents stated that the role the private sector partner can play in a PPP is to reduce costs for the government whilst 33% indicated that the private partner could skill the state employees for the duration of a PPP contract. 17% of the respondents stated that the role of private sector is to negotiate a better contract in order to maximise profits.

Theme 6

Importance of stakeholder management

Theme 6 emanated from question 8. The aim of the statement was to determine strategies that can be used to engage stakeholders.

The participants responded as follows:

Engagement and collaboration with stakeholders on why the PPP from the inception	Communication plan for each stage of PPP	Creation of network of stakeholders group from the public and private sector
50%	33%	17%

50% of the respondents regarded engagement and collaboration with stakeholders as a strategy to get buy-in from the inception of the project idea. Engagement and collaboration between stakeholders is a pre-requisite that creates awareness, development of trust, and a willingness to work together and create a shared vision for the future. 33% of the respondents stated that a communication plan has to be developed for each stage of the PPP project whilst 17% of the respondents indicated the creation of a network of stakeholders from the public and private sector as a key strategy to manage stakeholders.

Theme 7

Essential components of the PPP in the social services sector

Theme 7 emanated from clustering questions 11 and 12 of the interview schedule.

The participants responded as follows:

Design-Finance- Operate (DFO)	Design-Build-Finance-Operate (DBFO)	Design-Build-Operate (DBO)
50%	33%	17%

50% of the respondents indicated Design-Finance-Operate (DFO) as a suitable PPP model for social grants disbursement. They indicated that the problem with the DFO is it can only be implemented for a shorter period. 33% of the respondents indicated a Design-Build-Finance-Operate (DBFO). They felt the private partner should contribute by improving the infrastructure in rural areas. 17% of the respondents indicated Design-Build-Operate (DBO) as an appropriate PPP model.

The participants responded as follows:

Effective project appraisal and selection	Effective risk allocation	Political support	Accountability	Government expertise
17%	33%	17%	17%	16%

33% of the respondents regarded effective risk allocation as an essential component of a PPP for the social services sector. 17% of the respondents indicated effective project appraisal and selection as a key component, while the same number indicated political support and accountability as key components. 16% of the respondents indicated government expertise in managing PPPs as an essential component.

4.7 SUMMARY OF MAJOR FINDINGS AND ANALYSIS

Below, the major findings and analyses respond to the objectives of the research.

The research provided a clear indication that a competitive market is an important consideration as to whether a PPP model is an appropriate public procurement method compared to the traditional procurement methods (OECD, 2011:Online). The success of a PPP project can be measured when a competitive environment is maintained throughout

the procurement process. Competitive environment is created by the participation of a high number of respected bidders, with the objective of winning the contract and bid that achieves VfM. The market should accommodate a reasonable number of prospective bidders that are able and willing to bid in order to participate (OECD, 2011:Online).

PPPs are regarded as a means to unlock private finance and achieve the maximum blend of funding required for the infrastructure necessary for the disbursement of social assistance grants.

This research revealed factors which contribute to the lengthy tender process. The delays are attributed paying lot of attention on design quality, innovations, operational plans and exhaustive requirements for the legal documentation and departure schedules. For example, in Australia, the average time from EOI to financial close for social infrastructure PPP projects is approximately 14 to 19 months. The average timeline in the UK is longer than 20 months whilst in Canada, the average procurement times have been reduced from 18 months to 16 months. In South Africa, the range is between 20 months to 36 months (Van Grieken & Morgan-Payler, 2012:Online). Lengthy tendering periods can lead to increased transaction costs thereby reducing the economic benefit of the PPP. A lengthy tendering process may deter prospective bidders thereby reducing competition for contracts and the potential for lower costs and better value for money under PPP. Some of the areas where PPPs have experienced challenges relate to the value for money analysis; contract compliance; private and public partner accountability; and labour union relationships.

The findings indicated that service quality and the quantity of output expected from the PPP has to be measured and documented in the contract. However, it is not possible to define every aspect outcomes from a PPP in a contract.

The findings revealed validity of the notion of lower costs which is raised by those who advocate New Public Management (NPM). They argue that the public sector could achieve significant efficiency gains by applying competitive market strategies where efficiency is understood as the arrangement which provide the desired output for least input by ensuring

that provision of public services is comparable at a lower cost (De Bettignies & Ross, 2010:138).

The research provided a clear indication that it is a normal practice in most countries to regulate PPPs using the same laws used for traditional procurement. Government administration and regulations should facilitate investment through eliminating bureaucracy and red-tape (OECD, 2012:Online). Coordination of the approval processes is necessary to remove regulatory obstacles in order to deliver PPPs.

The research highlighted the role of the PPP unit established under National Treasury as that of providing technical assistance through all phases of the PPP life cycle. A formal National Treasury authorisation of any national and provincial PPP project is required in terms of the South African PPP regulations (National Treasury, 2004:Online).

The findings revealed that it is fundamental to have a legal framework that does not discourage investment by creating barriers to entry to the market (OECD, 2012:Online). The introduction of the private finance in the social services sector requires a stable environment. The establishment of a sound regulation framework should also increase benefits to the government by ensuring that the project operates efficiently.

The research findings indicated and emphasised the concept of risk allocation as a central element of the public sector perspective which describes how the risk should be kept by the one closest to the risk, but it was subsequently acknowledged that the private sector partner charges a price for taking the risk. It is essential that a public authority should only transfer the risks the private partner is able to handle. This would merely constitute a fee and not mitigate the risk. Furthermore, it was affirmed that risk allocation is often a hurdle in the procurement of PPPs and the bidders often challenge the proposed risk allocation because it represents a large cost to them. Another important aspect in academia is the PPP debate on sharing and allocation of risk. Optimally, the risk should be held by the partner who bears the risk with least cost to those who are closest to the risk and eventual mitigation.

It can be generalised from the research findings that the existence of political willingness for a public sector institution to enter into a PPP agreement with the private sector, are key

factors that determine whether or not a PPP will survive in the long-run. Political support is required to generate and maintain sufficient private interest and to allay any concerns over potential public reaction, notably related to associate promises of increased service provision or quality standards. Public sector commitment is the translation of political will into the political and cultural mainstream of the government and public authorities to solicit the required government support for PPP.

The research findings provided a clear indication that there will always be a risk in PPP designs including unrealistic combination of desirable features that will deem the projects unsustainable and as result, difficult to implement. Often the parties lack the experience and expertise of what is an acceptable deal. Consequently, there are continuous negotiations which are not in everyone's best interest. This process results in an extended procurement process.

Certain key elements in a contract are not monitored or explained. These include, amongst others, the scope of a PPP project, rights and obligations of parties, service quality, and performance, procedures for monitoring and enforcing performance. During the contract negotiations between the two parties, the government may have to guard against manipulation of the PPP design and process by the prospective bidder to its advantage.

The findings revealed that the quality of services under a PPP is well managed if it is specified at the outset and in terms of the contract agreement, where both public service rendering partners agree that such quality will not be compromised throughout the life of the PPP.

4.8 CONCLUSION

This chapter looked at the procedure followed in the research for the collection of data from the literature review, semi-structured interviews with knowledgeable officials from government and the private sector, and addressed the findings, analyses and discussion of the results of the questionnaire. The main purpose was to reflect the results of the research study in order to assess the use of PPPs as an alternative procurement method in selecting a private sector partner for the disbursement of social grants in South Africa.

The chapter also provided information on what role PPPs can play to assist SASSA in the disbursement of grants to its beneficiaries. Furthermore, the procedures which should be implemented to accommodate PPPs in SASSA's organisational structures to secure success were discussed.

The argument for PPPs remains the idea of VfM and efficiency and risk transfer. The basis for the idea is the theoretical justification that market competition and better incentives will create public services that are better than what the government currently provides. The function for the payment of social grants is currently outsourced to Cash Paymaster, an independent service provider. PPPs can provide public officials with an option approach to the provision of cost effective public services. While research on the topic is limited, there has been a wide coverage of PPPs in sectors such as economic infrastructure. Since there is a distinct lack of events in social assistance in South Africa, gaps exist to what had been researched in other sectors compared to social assistance. Consequently, there is a need to explore the suitability of a PPP as a procurement method in the disbursement of social assistance grants to the beneficiaries.

The next chapter addresses the conclusions and recommendations on whether PPPs can be utilised as an alternative procurement method for the distribution of social grants to beneficiaries at SASSA. The research study provides suggestions for future research.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

This chapter details the conclusions and recommendations relating to the findings of the study. The recommendations offered are as a result of conclusions drawn in the research. The chapter aims to assess whether PPPs are appropriate and effective procurement mechanisms for the delivery of public services, such as the disbursement of social grants by SASSA. The framework can be applied to assist other government departments or public entities to formulate their strategies to counter the challenges of procurement, especially when dealing with complex projects where the government departments or entities perform feasibility studies to determine whether a PPP model can be used to deliver public services.

5.2 CONCLUSIONS

Conclusions are dealt with in this section. The South African PPP framework provides an essential instrument for attracting such investments. PPPs can enable the government to fulfill its responsibilities in an efficient delivery of socio-economic goods and services. The private sector has the comparative advantage to undertake financial innovations that make use of existing technology to improve access to financial services by the poor and underprivileged (Kaniki, 2008:8).

PPPs are no longer concentrating on procurement of social infrastructure costs associated with toll roads, corrective facilities, energy, waste treatment, water, housing but also on other public services (Palmer, 2009:Online). PPP policy has also evolved as the South African public sector developed the necessary skills-base to procure other public goods for improvisation of service delivery methods. The PPP policies are adopted to address the lack of managerial capacity in government as well as the need to stop the continued dependence of state enterprises on state subsidies (Palmer, 2009:Online).

Whilst the NIE approach takes into consideration important qualitative elements including political environment, transfer of risk, evaluation methods including VfM, and market

operating environment, PPP performance, it does not neglect quantitative factors in the assessment of PPP outcomes, such as transaction costs (OECD, 2011:Online).

The focus of the study was to assess PPPs as an alternative public procurement method by SASSA. This was aimed at determining whether this method of procurement can be used in the appointment of the service provider for the disbursement of social grants or SASSA should continue with the *status quo*, i.e. continue to outsource the service.

Recommendations stemming from the logical conclusions will be dealt with in the next section together with the theoretical implications of the findings. The following conclusions were drawn from the study. The conclusions are grouped in themes using the NIE-framework.

5.2.1 Theme 1: Social and Political Rhetoric

The public consultation stage to amass public support and secure stakeholder participation plays a critical role in the public decision- making process as it is not only viewed as good for the democratic process but also as principles of good governance (Hudon & Zaato, 2010:Online). Electoral concerns seem to play an authoritative role in shaping the public debate to enable the various partners to understand the importance of getting the project completed (Hudon & Zaato, 2010:Online). Hudon and Zaato (2010:Online) further argue that the level of sensitivity of PPP to electoral concerns may have negative effects on the democratic process.

Many of the practical problems currently being experienced in the implementation of PPPs can be traced back to poor targeting and inadequate planning at community level. Stakeholder opposition to a PPP project can lead to its failure. Capturing and addressing of stakeholder inputs is essential to the success of PPP projects. This makes stakeholder participation to adopt a PPP model as one of the key considerations that should be made before a final decision is taken on which approach to use.

One commentative argument of PPP is concerned with the role of the politicians recommending for PPP and their underlying intentions. It is argued that politicians engage in PPPs because they can provide infrastructure for current voters and pushing the

payments to future taxpayers. By supporting PPPs, the politicians generate both popularity among voters and establish a close relationship to private finance institutions and businesses, where the politician might want to be re-elected in future (Greve *et al*, 2010:596). The politicians' interest can be described as a political cycle approach, where no long term concerns exist and re-election and short-term value maximisation is in focus (Monteiro, 2010:264). The other actors that are involved in the PPP establishment and management have, as the politicians, subjective goals of the PPP engagement.

The study revealed that there is a general agreement among the respondents (87%) that PPPs can be used as an alternative procurement method in the provision of social grants. Political influence as agreed by 83% of the respondents contributed towards favouring the private sector partner in delivering public services in the past. The reason being the private partner is assumed to have skills and expertise to deliver in a short period which may convince the electorate to continue voting for the same political party as it is seen to be delivering. Participation by all relevant stakeholders is viewed as critical because it promotes transparency and accountability as well as ownership of the process. The PPP model, Design Fund Operate (DFO) is viewed as the most appropriate design although the complexity of a project undertaken should determine the appropriate model which should be adopted. The PPP between the Free State Provincial Department of Social Development and AllPay in 2004-2007 was based on the DFO model.

5.2.2 Theme 2: Risk

To ensure that the private sector partner operates efficiently and delivers VfM, a sufficient, amount of risk needs to be transferred to the private sector partner. The extent of risk transfer can be assessed by reference to the overall risk characteristics of a PPP, where the specific aim for separable contracts and non-separable contracts is to determine whether the public sector or the private sector partner has an asset in a PPP (Bovis, 2010:391).

The challenge of risk management and risk sharing concerns attempts to make risks and rewards commensurate with each other to drive the needed private sector participation

(Speakman & Koivisto, 2013:Online). These risks include contingent risks, political predictability risks and the technical and market risks that exist in any PPP.

Monteiro (2010:264) cautions that when managers in the private sector partner are protected from (financial) risk, their focus will only be on maximising profits for the shareholders, and pay little attention on the success of the project.

The global economic crisis has affected the understanding of risk management and challenged the traditions and perceptions of risk allocation (Jeppsen, 2013:Online). Connolly and Wall (2012:47) assert that if governments took on the financial obligations from private PPP partners that are in financial difficulties, the risk will shift towards the public sector partner again. In the long run this can have an essential effect of the negotiation of risk allocation in PPP contracts as the private sector partner might be willing to take on more risk as they know that government will step in if finance gets scarce (Jeppsen, 2013:Online). Connolly and Wall (2012:36) assert that transfer of risk can be overrated in the PPPs which are formulated in times of crisis. Since the PPP function is central to an important public service provision, the government cannot consent to the PPP and the private sector partner to default. The consequences both politically and for the population would be significant (Jeppsen, 2013:Online). If the situation is allowed to prevail, the government will be compelled to subsidise the private sector enterprise or take over the financial or management obligation of the PPP, at huge costs (Monteiro, 2010:275). The subsidisation of the private sector partner in a PPP is likely to create a relationship which by no means fulfils the aims and efficiency incentives as a normal PPP (Greve & Hodge, 2013:11).

Political risk can take many forms, and new environmental or employment legislation is highly relevant for current PPPs (Parker & Figueira, 2010:213). The political risk can also be as a result of the initial political approach to PPP. Flyvbjerg (2005:59) and Monteiro (2010:276) assert that politicians often have an optimism bias, where policies are based on success cases and thereby not on average cases which results in overestimated revenues and underestimated costs. The PPP is most likely to fail if the framing of the project proposal follows this tendency (Jeppsen, 2013:Online).

A supportive political environment is, therefore, necessary for risks to be adequately transferred from the public sector to the private sector. If the private sector partner is to manage the PPP efficiently, then the whole-life cost and financial risk needs to be transferred to the private sector partner and this relates well to the arguments on the importance of private finance in PPPs.

Respondents from the study agree that risk is critical in PPP agreements. 92% of the respondents indicated the importance of political support to transfer the risk. This support is essential as it has always been the case in the past where the private sector partner failed to execute the tasks assigned in the PPP. The risk is transferred back to government at the expense of the taxpayers.

5.2.3 Theme 3: Cost Reduction

PPPs have been found to deliver project outcomes on time and on budget than traditional arrangements (Posner *et al*, 2009:Online). It is argued that the state does not procure complex projects regularly. Therefore, it is not compelled to retain such a capacity. One of the most significant limitations of a PPP is that government expenditure to the PPP, in the long run, is higher than the cost of a traditional procurement (Boardman & Vining, 2012:14; Parker & Figueira, 2010:514).

The establishment of a PPP is undertaken on normative assumptions about the added technical efficiency of private business and the bundling of tasks which increase efficiency and minimise the whole-life costs of the project (Boardman & Vining, 2010:15). These assumptions are often transferred and applied directly in the project appraisals and budgets on which decisions are made (Jeppsen, 2013:Online). Jeppsen (2013:Online) contends that instruments used to generate project appraisals, evaluation and budgets, are thus powerful as they can change the appearance and perception of the PPP by distorting the project value and the costs and benefits.

The opponents of PPPs emphasise that PPP reviews, evaluation and studies, are often made by organisations and institution, which have an interest in the promotion of PPP and thus may over-emphasise the benefits of PPP (Hodge *et al*, 2010:8). The biasness may lean towards approval of PPP projects which, if evaluated unbiased, would not seem

applicable and eventually this could result in more failed PPPs (Jeppsen, 2013:Online). Hodge (2010:569) cautions against the use of the term evaluation because it is used often without further explanation of whose criteria are applied in the evaluation or which stakeholder interest is used as a benchmark for success.

There is a history of the neo-liberal account of numerical and accountable indicators which can easily be compared and used for statistics having an influence on the evaluation and review of PPPs (Jeppsen, 2013:Online). *On-time* and *on-budget* is one of the most applied evaluation criteria, which measures whether the project has finished on time and to what extent it kept to the budget. The concerns for this *ex-post* evaluation form are that it only covers the early phases of the PPP project and neglects the incentives related to bundling of tasks and does not relate to the size of the budget indicating that all projects can be successful if the budget is large enough (Boardman & Vining, 2010:16).

The most applied PPP project assessment form is the VfM method, where the value of outcome is measured against the value of inputs. The VfM evaluation assesses the PPP project against a Public Sector Comparator (PSC), which represent the cost of the project if it had been a traditional procurement project. Jeppsen, (2013:Online) argues that the use of a VfM as a benchmark can be problematic, as the actual cost of the PSC is difficult to estimate in practice.

Furthermore, the calculation of VfM is based on Net Present Values (NPV) of future payments and the size of the discount rate used for this calculation is essential, as a high discount rate makes the future payments appear smaller. PPPs often have a limited down payment and higher future payments compared to the PSC which have high initial investments and lower future costs. In applying a higher discount rate the PPP appear cheaper than the PSC (Boardman & Vining, 2010:166; Hodge, 2010:572). Boardman and Vining (2010:355) contend that governments in applying the above presented evaluation methods, distort the actual cost of PPP, both with a too high discount rate and by neglecting the Total Social Cost (TSC) of the PPP. The TSC of a PPP project should not only include construction costs but also transaction costs, cost of negotiation and monitoring, and the potential cost of quality decline for the beneficiaries of the project. The assessment of these aspects provides the government with a comprehensive and accurate

picture of the actual costs, effects and externalities of the PPP project on society. Consequently, they can make a more informed choice (Jeppsen, 2013: Online).

By including stakeholder motivation and behaviour social cost, a detailed understanding of the PPP is created and together with the audit focused evaluation instruments applied by government, will create a more realistic review of the outcomes and externalities of the PPP project (Boardman & Vining, 2010:3; Hodge, 2010:582).

The global economic crisis around the world has also influenced the acceptance of VfM as a critical tool and measure on PPP evaluation (Boardman & Vining, 2010:354). Jeffares *et al* (2013:173), argue that the crisis has created a call for a more standardised evaluation method for PPPs as the VfM have shown to be incomplete and insufficient. The participants in the study acknowledged the significant progress towards establishing a strong PPP market in South Africa that provides opportunities to deliver critical projects and services to the people of South Africa.

To reduce costs, one needs a competitive environment. About 83% of the respondents from the study agree that there is a competitive market in South Africa, for the infrastructure PPP projects and social services projects. About 67% of the respondents agree that the tendering and negotiation processes for PPP takes longer thus creating unnecessary costly designs and prolonged tender processes. If SASSA were to engage in a PPP, it has to look for a tendering process such as competitive negotiation to reduce the costs and encourage service providers that can successfully deliver on the project to submit their bids. The role by the Broad Based Black Economic Empowerment (BBBEE) partner of each prospective bidder has to be investigated and incorporated in the tender specifications so that it can be part of the proposal from the bidding companies.

All (100%) the respondents also agree that a PPP agreement should incorporate mechanism on how quality and quantity of output will be measured. The outputs must be clearly defined and mechanisms for monitoring and reporting put in place as part of the tender specification document. Service providers need to agree on the terms of the contract relating to user expectations to meet expected service standards. Only 33% of the respondents agree to the determination of the minimum project value as a base for

determining the extent of the cost increases due to inflation. The project minimum value can be used to avoid the post contract negotiations as inflation needs to be incorporated in the cost structure.

5.2.4 Theme 4: Equity, Access and Performance improvement

Performance of a PPP can be observed by proxy through the criteria of efficiency, effectiveness and economy, and attempts to ensure VfM (Hudon & Zaato, 2010:Online). Performance and quality can be compromised by the private sector partner in pursuit of efficiencies as the through cost reductions (McKee, Edwards & Atun, 2006:892).

Partnership performance may create long term relationship that may continue beyond the delivery of a particular project (Jeffares *et al*, 2013:170). These performance outputs are unlikely to be specified in the formal partnership agreement and it is possible that they will not be fully shared, even amongst the partners, let alone, the intended beneficiaries or general public. Jeffares *et al* (2013:171) suggest the definition and refinement of these understandings of partnership performance as well as contextulisation and prioritising them alongside the service performance ambitions and then work out ways of collecting data to explore them. Boardman and Vining (2010:181), advocate inclusion of such an ambitious approach within the rubric of cost benefit analysis.

Performance of the PPP has particular importance as it reflects commitments made by politicians which involve public funds. About 92% of the respondents responded positively to the use of PPP compared to the traditional procurement method. PPPs utilise private expertise and skills which government does not have. All (100%) the respondents agreed on the degree of success given the history of PPPs in the country compared to the failure identified with the use of traditional procurement methods. However, the rate of success as illustrated in the literature review depends on a number of factors; hence not all PPPs have succeeded.

VfM is regarded as the most important key indicator of a successful PPP project. 92% of the respondents agreed. If a PPP approach is used in social services, government has to ensure the evaluation method to determine VfM incorporates both social costs and benefits.

The participants were cautious on whether the rules and regulations governing the formation of PPP have a negative effect on the attainment of maximum value. 58% agreed that the life cycle of a PPP project needs to be revisited. One argument put forth was that most regulations favour a PPP model where user clients are charged a fee for the services rendered. The PPP cannot be judged by the same rules on occasion a user does not pay for a service.

5.2.5 Theme 5: Governance

Skelcher (2010:293) asserts that the concept of governance can be defined as the process which prescribes who should be accountable for the conduct of the PPP. Modern forms of public governance are concerned with stakeholder inclusion and the recognition that multiple goals are present in the process (Bovaird, 2010:60). This is also the case in PPPs which can complicate the governance of the project as the aim may differ between the partners. Furthermore, the aspect of democratic governance, where public organisations are required to account for their actions, can be difficult in PPPs (Jeppsen, 2013:Online). The principle of democracy requires that governments have transparency in all processes of government, including transparency in input and output throughout the stages of PPP.

From this public-choice theory perspective, the key problem of PPP is the lack of accountability among the partners involved. The politicians' accountability towards the electorate is critical, as the real cost of the PPP should not be the responsibility of future generations, but rather the politicians signing the contract (Monteiro, 2010:267). However, Jeppsen (2013:Online) contends that the long term PPP contract binds both future politicians and taxpayers to payments and services which they did not vote for and this constitutes a democratic deficit and a policy lock in.

The democratic conduct of procurement is observed through the criteria of public participation, accountability and transparency (Hudon & Zaato, 2010:Online). The debate on the nature of project may suffer from being drowned into the debate over procurement and would certainly can benefit from stronger public scrutiny and greater transparency.

Over the last two decades, there has been a rapid increase of international accountability standards to encourage and guide corporate responsibility (Gilbert *et al*, 2010:24). These standards provide multinational companies ways to systematically assess measure audit and communicate the social and environmental behaviour and performance of organisations. These standards are relevant as all PPPs operate within a corporate governance structure.

The coverage and the degree of detail in the contract is believed by many to constitute the function of the partnership, but research has shown that these formal governance structures are not the sole determinant for the governance processes or actual functioning of the PPP (Weihe, 2009:18). The relationships established with a PPP have by some, been described through the Principle-Agent theory which is occupied with delegation of responsibilities (De Bettignies & Ross, 2010:137; Klijn, 2010:69). Collaborative advantage and an efficient project are secured if the collaboration is based on reliable governance structures and processes, relational contracting and trust (Bovaird, 2010:59).

In relation to PPPs, the difference between the public governance and the private governance entail that the PPP organisation becomes a multi-organisation, with several governance expectation and institutional logics that respond differently to change (Skelcher, 2010:301). To find the appropriate governance balance between the tight contract that protect public interest, and trust based and loose partnerships that secures innovation, is a challenge and this can create tension in the PPP negotiation thus leading to delays (Skelcher, 2010:303). Furthermore, it is important to recognise that there are a number of elements which are unique for each partnership, as the surrounding environment and the commitment of the project managers, etc. and research have shown that these elements are highly influential on the success of the project and the partners' perception of the level of success (Weihe, 2009: 49).

One area where government is receiving disapproval relates to its inability to impose penalty clauses where there is a breach of contractual responsibilities. This has led to several service providers willingly providing inferior services whilst on the other hand, charging the expected fees, unfairly maximising profits at the expense of the taxpayers and electorate in general. The respondents in the research agree that there are areas where

the government has to tighten its public decision- making process. These include contract compliance where penalties for non-compliance have to be included in the contract. Another area of agreement among the respondents is an improvement to both the private sector and public sector partner accountability.

5.3 RECOMMENDATIONS

Confusion often exists in differentiating the PPP concept from outsourcing and privatisation. As the primary objective of entering into PPP is to improve the management of activities that remain under public ownership by applying private sector practices, privatisation should be let out of any PPP discussions (Palmer,2009:Online). However, PPPs also have private element in them and perform services that are traditionally reserved for government (Burger, 2006:Online).

PPPs allow for greater predictability of costs for the government and revenues for the private partner since both of these are included in the contract (Sciulli, 2010:Online). However, it can also be reasoned that by locking itself into such a long-term contract, the government faces the risk of not being able to re-negotiate the contract if and when circumstances and needs change over time (Sciulli, 2010:Online). The business case for the use of PPPs is to ensure that the project corresponds with government policy objectives, examines the financial impact to government and the benefits of the project outweigh the costs (Sciulli, 2010:Online).

Following the observation and findings from the study and the conclusions drawn, the following recommendations are put forward.

5.3.1 Community engagement and participation

Community dialogue and participation in the PPP project process need to take place at an initial stage of the project to ensure the buy-in from both the politicians and electorate that will be affected by the PPP decision. A diligent and open democratic debate should be considered as well as the relevance and trade-offs of using this mode of procurement (Hudon & Zaato,2010:Online). The use of the Community Development Committee could assist with development, tendering and contract award, and facilitate training. The

community has to feature more prominently in the PPP project selection and implementation process. If SASSA considers following the route of PPP in appointing a private sector partner, the Service Level Agreement (SLA) has to be concluded after minimal consultation with the relevant legislative oversight committees. The SLA cannot be drawn up without input from civil society interest groups. In addition, SLA must be made public so that the recipients of social grants remain aware of the service standards they are entitled to.

5.3.2 Tender and contract documentation

A popular criticism encountered during the tendering stage for PPP is directed at the rapid increase of specifications and conditions of contract used. Regardless of which procurement process the public authority applies, many important decisions are made before the private sector partner is involved and the preparation of the tender documentation is essential for the process. Legally, the selection of the final partner is made by relating the final offer to the bid evaluation criteria of the tender documentation and the formulation of the bid evaluation criteria is thus essential for a successful partner selection and the eventual partnerships. Public authorities need significant knowledge and awareness of their needs in order to formulate the bid evaluation criteria and the regulatory perspective perceives this as a challenge. This is also emphasised by the private sector perspective which affirms the importance of the contracting authority's procurement skills and ability to estimate whether the project is suitable for PPP.

The success of the partner selection and eventually the PPP depends on the expertise of the civil servants or legal advisors who formulate the bid evaluation criteria.

In some incidents the implicit meaning of the bid evaluation criteria is clarified during the procurement process, but if any significant changes are made, then the tender has to be re-advertised to avoid litigations. The strict legal interpretation is not described as a challenge in South Africa as private sector is an integrated part of the PPP industry, and is expected as they know the legal practices.

In both restricted procedure and competitive negotiation, the public authority publishes a tender notice to call for pre-qualification application from the private sector enterprises. The

content of the notice varies, but often limited information about the PPP project is included and from the private sector perspective, this causes frustration. When the tender notice only contains the very general specifications of the project, then private sector companies have limited information on which to decide whether to apply for pre-qualification. Consequently, the companies apply for pre-qualification and when presented with the full tender documentation, they may decide not to submit a final offer. The private sector considers this phase of the tender process as a waste of resources for both the private and government.

From this perspective the tender notice should only have a short description of the length of the contract, the procurement application form and the overall characteristics of the project. Subsequently, the private sector should enlighten the authority on what they can offer after an eventual pre-qualification. For example, their experience, who they work with and how they plan to finance the project. By the contracting authority perspective, it is affirmed that that companies could withdraw after they have been pre-qualified. However, this is often not the case.

There seems to be an agreement among the interviewees, regardless of sector, that the usefulness of the tender briefing session can be questioned. During the briefing session the bidders ask very general questions for fear of revealing their business ideas to their competitors and deliberately avoid asking questions on technical details. This practice is noted with regret as the tender documentation is not challenging and the companies do not receive the complete details of the project. Consequently, there is always a final bidder who has fundamentally misinterpreted the tender material and the project.

The private sector perceives the tender briefing session process as a resource demanding exercise because even after the clarification, the public sector partner's expectations might not be clear. Consequently, the company may refrain from submitting a final offer or end up submitting an offer which reconciles the wishes of the public sector actor. In instances where the final submitted offer has misinterpreted the wishes of the public sector partner, the private sector emphasises a significant loss and waste of resources.

The legal demands for equal treatment, non-discrimination and transparency do not allow for modification in this matter. It could be argued that the private sector's concerns to maintain confidentiality may hinder a more in-depth discussion of the tender documentation which is to some extent also recognised theoretically. However, it could also be argued that if the public authority published a thorough tender documentation, this obstacle could be limited. The argument of allowing *ex post* negotiation, in order to ease the contract negotiation, could also provide a solution to this problem, but as this would require a significant change in PPP legislation.

5.3.3 The standardised PPP model for social services sector

Both from the private and public sector the perspective and the attributes of PPPs are many, both in relation to total life cost of the projects and in relation to VfM as well as on-time and on-budget delivery. It should be borne in mind that the interviewees to a large extent are fully integrated in the South African PPP industry and thus might not be responsive to the criticism of, for example, the VfM promise of PPP. Furthermore, the private sector perspective may have an interest in presenting PPP positively, as they would benefit from an increase in the appliance of a PPP. Based on the choice of interviewees during the data collection in this study, it was expected that a general criticism of the PPP would not be raised.

The analysis interestingly presents that a divergence exists in the perceptions of central the PPP elements. The aspect of risk assessment and allocation is perceived as central from both the private and public sectors' perspective, but a disagreement has been detected a perception of whether the risk is being allocated rationally and whether it is placed at the most capable partner. This disagreement although expected might be an expensive area of any PPP contract. The public and private sector partners will most likely strive to bear as little an expensive risk, as possible.

The decision as to who will be responsible for financing the project has to be made at the inception stage of the project. If the project is to be financed in whole by the private sector partner, it will be beneficial only if SASSA is willing to pay a premium to protect itself against financial risk (Hudon & Zaato, 2010:Online). If the private sector partner has

financial problems, the risk will be reverted without hesitation to SASSA, which will have no choice but to provide financial assistance. Specific issues in the SLA may have the effect of shifting power away from client department towards the private sector partner (Hudon & Zaato, 2010:Online). The issues should include offsetting benefits for the additional risk incurred by SASSA, stiff penalties for cancellation and opaque cost structure (Hudon & Zaato, 2010:Online).

However, it is interesting that the private sector perspective describes how the public sector partners attempt to throw as much risk as possible on the private sector partner, indifferent or unaware of the costs. Even though the contracting authority acknowledges that the risk should be placed where it is cheapest to mitigate, this might be difficult to execute in practice. The reason for the quarrel could be that the risks are not collectively defined. It could be argued that a thorough dialogue about the risk and its cost could be useful so that both parties understand the expenditures and characteristics of the risk.

5.3.4 Amendment to regulatory framework

From the analysis it is clear that the size of the market is not as yet established for further development of the PPPs in the social sector of South Africa. The introduction of the PPP standard model may lower the transaction costs associated with establishing PPP procurement. However, to reach the desired effect, public authorities have to apply the model strictly and without divergence. The contracting authority perspective describes a favourable standardisation and complete appliance to the standard model. This is, however, to some extent questioned by the private sector, who describe that contracting authorities apply to some extent their own practice which does not follow National Treasury's standard model.

If the model is not applied by all the authorities, the intended savings in transaction costs will not materialise. The practice could designate that the appropriate policies for standardising the South African PPP market are established and formulated, but ratification and implementation of the policy to the public authorities, has not occurred. The contracting authority and the regulatory perspective can be perceived as having different perceptions of the standard model. This is interesting as it illustrates a conflict of interest in the public sector, which theoretically has been less outspoken (Jeppsen, 2013:Online).

It should be kept in mind that the regulatory perspective represents a policy promoting role. It is not part of the practical PPP market. As the regulatory perspective's perception of PPP standards is not based on hand-on experience, it could be argued that they have lesser insight into the sector and guidance could be a challenge.

5.3.5 The choice of procurement process

Different procurement procedures have different attributes. Public procurement must be undertaken in accordance with the policies and procedures of an organisation and context-specific nature of the project. However, when relating the procurement approach and the important aspects of PPP, the analysis could reveal that competitive negotiation is an enhanced procurement alternative for PPPs. The private and the public sector perspectives agree that competitive negotiation leads to improved final offers and project descriptions, and it could be argued that the transaction costs used in the expensive competitive negotiation are excited by the benefits of the more comprehensive final offer (Jeppsen, 2013:Online).

After negotiations, the final offers are more worked-through and seemingly the private sector partner understands the needs and project expectation of the public sector which would ideally lead to an improved project. The trend of having very long procurement processes, which have been detected after the economic crisis, might also be mitigated by using competitive negotiation as the project proposals are worked through during the period of bid awards. The most important point lies in whether the benefits of an improved final bid offer outweighs the costs of competitive negotiation, something that might be difficult to assess in practice.

One criticism of competitive negotiation is that the process is expensive for both partners as it involves the writing and distribution of minutes, the continuous adjustment of the offers are time consuming, and the required legal and technical expertise is costly. In evaluating the total societal cost of the dilemma, it could be argued that even though the restricted process is cheaper than competitive negotiation, the negotiation and communication about the tender documentation hinder costly misunderstandings from both parties as they are

provided with more solutions to choose from. On the contrary, it could be argued that as long as the companies submit an offer, they contribute to competition and provide value.

5.4 THEORETICAL CONSEQUENCES FOR THE RESEARCH FINDINGS

The analytical findings and discussion of the research are largely context-specific in the South African PPP sector. The perceptions of the partners in the PPP sector cannot be directly applied to the global PPP experience or the academic theories developed hereon. However, it would be interesting to investigate whether an alternative explanation can be found to the research findings and whether the findings have consequences for the academic PPP theory.

The analysis presents various explanations and mitigating suggestions for the limited PPP market for the social services sector in South Africa, but another explanation could perhaps be found by addressing the theoretical concern that politicians may use PPPs to promote short-term election gains.

The regulatory perspective in South Africa stresses that private finance is not a central element for PPPs. Consequently, it could be argued that the gains attained to promote PPPs are limited and the concept is not widely applied. Reduced focus of private finance is to some extent a political decision and if the politicians at some point estimate that, then diminishing public finance becomes a problem. It could be argued that the promotion of PPP and the use of private finance would be taken to a higher level.

The responses from the study revealed that the regulatory initiative to decrease the transaction costs and increase the PPP level in South Africa through the PPP standard model is perceived positive by all participants. It is, however, important to recognise that all new reforms and policies need time to be implemented and institutionalised and if the PPP standard model is not allowed time to be implemented then the results may be limited.

The location of the PPP policy administration within the central government may also have influence on the prioritisation and promotion of PPPs and this as some may argue can secure a higher impact of the policy promotion (OECD, 2010:Online). In South Africa the

PPP unit was established in year 2000 and is closely linked to the National Treasury for the same reasons (National Treasury,2004:Online).

The analytical finding of diverging perceptions of the risk allocation process between the private sector and the public sector could be explained alternatively by the general PPP theory. From the private sector perspective the contracting authorities try to transfer as much risk as possible to the private sector partner, but it could be argued that this is a natural reaction of the public sector. Since the benefits of PPPs are perceived and described theoretically in relation to the risk allocation, this would be expected. The historical legacy of New Public Management is clear in this respect and the belief that the private sector has a higher efficiency output compared to the public sector, could justify the desire to transfer the risk. However, after the global economic crisis, the academic PPP theory has recognised that the risk allocation has changed and the state is reluctant to transfer risks without vision.

The embedded interest of the different partners could also be seen as an explanation for the different perceptions about risk allocation. The public sector has an interest in placing as much risk with the private sector, as this would decrease its insecurity. However, it can be argued that since the private sector charges a high fee for risks which they cannot mitigate, the public sector should only transfer risk to the private sector to the extent where the value of decreased insecurity is higher than the risk fees charged by the private sector.

The legal interpretation could be seen as a probable framework condition and the difference in interpretations is not the essence of the problem, but instead the problem should be found in insufficient communication of the priorities and wishes of the public sector. Generally, many of the disagreements between the private sector and the public sector perspective are found in the limited communication between the partners and the lack of understanding of the opponent's motives. In South Africa, novelty of PPPs could also be argued to be of essence because the private and public sector has limited experience in negotiating PPPs. Consequently, the underlying motives and interest of the opposing element is not realised.

5.5 CONCLUSION

The Constitution of South Africa does to a great extent serve as legislative foundation of the social security system and most importantly, an adhesive that keeps the entire system together. Section 27 of the South African Constitution recognises social security as a basic right where all South Africans have the right to social security. This right is extended to those who are unable to support themselves and their dependents, as they are guaranteed to receive appropriate social assistance from the government.

It is clear that the political history and policy dedication influences the level of PPPs but equally important is risk allocation and ownership of the asset, since these aspects should form part of the contract negotiation and the contract between the two parties. The method of evaluation influences the perception and appearance of PPPs, both in relation to the feasibility study *ex ante* and the mapping of success *ex post*.

It is difficult to conclude whether the arguments from the analysis of the study are valid. Further research is strongly recommended. However, the respondents agree that there is a greater likelihood of SASSA to succeed in engaging with a private sector partner and establish collaboration that will bring benefits to both partners which would pave the way for the establishment of a PPP to assist with the disbursement of social grants and the necessary infrastructure.

Competitive negotiation is perceived to be a better option. It could be argued that this, nonetheless, lays a foundation to build the PPP and long-term collaboration in the disbursement of social grants. Competitive market conditions have to be created including incentives such as concessions to encourage participation in the market place. This is conceived by many as unfamiliar but with potential to service more than 15 million grant beneficiaries in South Africa.

LIST OF SOURCES

Acts **see** South Africa

Ambe, I.M. & Badenhorst-Weiss, J.A. 2011. An exploration of public sector supply chains with specific reference to the South African situation. *Journal of Public Administration*, 46(3):1100–15.

Ambe, I.M. & Badenhorst-Weiss, J.A. 2012. Procurement Challenges in the South African Public Sector. *Journal of Transport and Supply Chain Management*, 6(1):242–261. Available online at: <http://www.jtscm.co.za/index.php/jtscm/article/viewFile/63/59> [Date of access: 14 Aug 2013].

Anderson, G. & Arsenault, N. 1998. Fundamentals of Educational Research. 2nd ed. London: Falmer.

Arrowsmith, S. 2011. The Revised Agreement on Government Procurement: Changes to the Procedural Rules and Other Transparency Provisions. *In*: Arrowsmith, S. and Anderson, R.D. (eds.). *The WTO Regime on Government Procurement: Challenge and Reform* Cambridge: CUP.

Babiak, K.M. 2009. Criteria of effectiveness in multiple cross-sectoral inter-organizational relationships. *Evaluation and Program Planning*, 32:1-12.

Bajari, P., McMillan, R. & Tadelis, S. 2009. Auctions Versus Negotiations in Procurement: An Empirical Analysis. *Journal of Law, Economics, and Organization*, 25(2):372-399.

Barnett, C., Barr, J., Christie, A., Duff, B. & Hext, S. 2010. Measuring the Impact and Value for Money of Governance and Conflict Programmes; Final Report, ITAD. Available online at: http://r4d.dfid.gov.uk/PDF/Outputs/Mis_SPC/60797_ITAD-VFM-Report-Dec10.pdf. [Date of access: 14 Nov 2012].

Batrans, A., Essig, M. & Schaefer, B. 2005. Public Private Partnerships as an Element of Public Procurement Reform in Germany. PR Academics Press.

Bhorat, H. & van der Westhuizen, C. 2011. Pro-Poor Growth and Social Protection in South Africa: Exploring the Interactions. A presentation to the National Planning Commission. Developed Policy Research Unit, University of Cape Town.

Blanc-Brude, F., Goldsmith, H. & Valila, T. 2006. Ex-Ante Construction Costs in the European: A Comparison of Public-Private Partnerships and Traditional Public Procurement, *European and Financial Report 2006/01*, European Investment Bank.

Blanken, A. & Dewulf, G. 2010. PPPs in Health Sector: Static or Dynamic? *The Australian Journal of Public Administration*, 69(1): 35-47.

Bless, C., Higson-Smith, C. & Kagee, A. 2006. Fundamentals of social research methodology. An African perspective. 4th ed. Cape Town: Juta.

Bloomfield, P. 2006. The challenging business of long-term public-private partnerships: reflections on local experience. *Public Administration Review*, March-April, 400-411.

Boardman, A.E. & Vining, A. R. 2010. Assessing the Economic Worth of Public-Private Partnerships. In C. Greve, A. Boardman, & G. A. Hodge (Eds.), *International Handbook on Public-Private Partnerships*. Cheltenham; Northampton, MA: Edward Elgar Publishing Limited

Boardman, A.E. & Vining, A. R. 2012. The Political Economy of Public-Private Partnerships and Analysis of Their Social Value. *Annals of Public and Cooperative Economics*, 83(2): 117–141.

Bolton, P. 2006. Government procurement as a policy tool in South Africa. *Journal of Public Procurement*, 6(3):193–217.

Bovaird, T. 2010. A brief intellectual history of the public-private partnership movement. In C. Greve, G. A. Hodge, & A. Boardman (Eds.), *International Handbook on Public-Private Partnerships*. Cheltenham; Northampton, MA: Edward Elgar Publishing Limited.

Bovis, C.H. 2010. Public-Private Partnerships in the 21st century. In *ERA Forum*, 11(3):379-398.

Broadbent, J. & Guthrie, J. 2008. Public Sector to Public Services: 20 Years of Contextual Accounting Research. *Accounting, Auditing and Accountability Journal*, 21(2):129-169.

Bryman, A. & Bell, E 2011. Business Research Methods. 3rd ed. London: Oxford University Press.

Buitelaar, E. 2004. A transaction-cost analysis of the land development process. *Urban studies*, 41(13): 2539-2553.

Burger, P. 2006. The Dedicated PPP Unit of the South African National Treasury. Department of Economics, University of Free State. Available online at: <http://www.oecd.org/mena/governance/37147218.pdf> [Date of access:12 Sep 2012].

Burger, A. & Silima, T. 2006. Sampling and sampling design. *Journal of Public Administration*, 41(3.1):627-668.

Burger, P. & Hawkesworth, I. 2011. How to Attain Value for Money: Comparing PPP and Traditional Infrastructure Public Procurement. *OECD Journal on Budgeting*, 1:1-56. Available online at: <http://www1.oecd.org/governance/budgeting/49070709.pdf> [Date of access:12 June 2012].

Burnett, M. 2009. Conducting Competitive Dialogue for PPP Projects - Towards an Optimal Approach? *European Public Private Partnership Law Review*, 4(4):190–198.

Burnett, M. 2011. PPP and EU Public Procurement Reform -- Time to Change the Rules for Competitive Dialogue? *European Public Private Partnership Law Review*, 6(2): 61–70.

Cohen, L., Manion, L. & Morrison, K. 2007. Research methods in education. 6th ed. London: Routledge.

Connolly, C. & Wall, T. 2012. The Impact of the Global Financial Crisis on public-private partnerships: A UK perspective. In C. Greve & G. A. Hodge (Eds.), *Rethinking public-private partnerships: strategies for turbulent times*. Abingdon, Oxon ; New York, NY: Routledge, pp. 33-56.

Chung, D.K. & Meissner, M. 2011. Public Private Partnerships in Social Protection. Background and discussion paper for ASEM Forum on Social Safety Nets: Enhanced Cooperation to Address Post-Crisis Challenges.

Corner, D. 2006. The United Kingdom Private Finance Initiative: The challenge of allocating risk. *OECD Journal of Budgeting*, 5(3): 37-55.

Creswell, J.W. 1994. Research design: qualitative and quantitative approaches. Thousand Oaks, California: Sage.

Creswell, J.W. 2003. Research design: qualitative, quantitative and mixed methods approaches. 2nd Ed. Thousand Oaks, California: Sage.

De Bettignies, J.-E. & Ross, T.W. 2009. Public private partnerships and privatisation of financing: an incomplete contract approach. *International Journal of Industrial Organization*, 27(3):358-368.

De Bettignies, J.-E., & Ross, T. W. 2010. The Economics of Public-Private Partnerships: Some Theoretical Contributions. In C. Greve, G. A. Hodge, & A. Boardman (Eds.), *International Handbook on Public-Private Partnerships*. Cheltenham; Northampton, MA: Edward Elgar Publishing Limited.

De La Harpe, S.P.L. 2009: Public Procurement Law: A comparative analysis. Doctoral Thesis. University of South Africa. Available online at:
http://uir.unisa.ac.za/bitstream/handle/10500/3848/thesis%20le%20roux_pdf.pdf?sequence=1 [Date of access: 21 June 2012].

Denscombe, M. July 2007. Communities of practice and mixed methods research: A research paradigm based on reflexive pragmatism. International Mixed Methods Conference Cambridge.

Demirag, I. & Khadaroo, M.I. 2008. Accountability and Value for Money in Private Finance Initiative Contracts. *Financial Accountability and Management*, 24(4): 455-478.

Denzin, N.K. & Smith, Y.S. 1998. Introduction: Entering the field of qualitative research. In Denzin, N.K. & Smith, Y.S. (eds). *Strategies of Qualitative Inquiry*. London: Sage.

Dutz, M., Harris, C., Dhingra, I. & Shugart, C. 2006. Public- Private Partnership Units. Public Policy for the Private Sector, the World Bank Group. Available online at: http://rru.worldbank.org/documents/publicpolicyjournal/311Dutz_Harris_Dhingra_Shugart.pdf. [Date of access: 04 Mar 2013].

Dwivedi, O.P. & William, G. 2011. Public Administration: State of the discipline, a historical odyssey, In O.P. Dwivedi, *Public administration in a global context: IASIA at 50*. Bruylant Bruxelles: Group De Boeck:21-52.

English, L.M. 2008. Public Private Partnerships: Modernisation in the Australian Public Sector. Doctorate Thesis. University of Sydney, Victoria: Australia

Eyaa, S. & Oluka, P.N. 2011. Explaining noncompliance in public procurement in Uganda. *International Journal of Business and Social Science*. 2(11): 35–44.

Fitzgerald, P. 2004. Review of Partnerships Victoria Provided Infrastructure: Final Report to the Treasurer”, Growth Solutions Group, Melbourne, Australia. Available online at: <http://www.un.org/esa/coordination/Alliance/PPPInfrastructure.pdf>. [Date of access: 02 Feb. 2012].

Flinders, M. 2005. The Politics of Public Private Partnerships. *British Journal of Politics and International Relations*, 7(2): 215-239.

Flyvbjerg, B. 2005. Design by deception: The politics of megaproject approval. In W. S. Saunders (Ed.), *Urban planning today: a Harvard design magazine reader*. Minneapolis: University of Minnesota Press.

Fombad, M. 2013. An Overview of Accountability Mechanisms in Public-Private Partnerships in South Africa. *Ufahamu: A Journal of African Studies*, 37(1):1-31.

Ford, R. & Zussman, D. (eds), 1997. Alternative Service Delivery: Sharing Governance in Canada. The Institute of Public Administration of Canada and KPMG Centre for Government Foundation.

Forrer, J., Kee, J.E., Newcomer, K.E. & Boyer, E. 2010. Public Private Partnership and the Public Accountability Question. *Public Administration Review*, 70(3): 475-484.

Fourie, F.C.V.N. & Burger, P. 2000. An Economic Analysis and Assessment of Public Private Partnerships (PPPs). *South African Journal of Economics*, 68(4):693-725.

Gilbert, D.U., Rasche, A. & Waddock, S. 2010. Accountability in a global economy. The emergence of international accountability standards. *Business Ethics Quarterly*, 21(1):23-44.

Gosh, A. & Gope, A. 2011. Public Private Partnership Projects: A tool for Economic Enrichment. *The Management Accountant*, 46(3):179-258. Available online at: <http://icmai.in/upload/Institute/Journal/mar11.pdf> [Date of access:16 Apr 2014].

Greve, C. 2010. The global public-private partnership industry. In *International Handbook on Public-Private Partnerships*. Cheltenham; Northampton, MA: Edward Elgar Publishing Limited.

Greve, C., Hodge, G.A. & Boardman, A.E. 2010. Conclusion: public-private partnerships - international experience and future challenges. In *International Handbook on Public-Private Partnerships*. Cheltenham; Northampton, MA: Edward Elgar Publishing Limited.

Greve, C. & Hodge, G.A. 2013. Public-private partnerships in turbulent times. In *Rethinking public-private partnerships: strategies for turbulent times*. Abingdon, Oxon ; New York, NY: Routledge.

Grimsey, D. & Lewis, M.K. 2005. Are public –private partnerships value for money? Evaluating alternative approaches and comparing academic and practitioner views. *Accounting Forum*, 29:345-378.

Grimsey, D. & Lewis, M.K. 2007. Public Private Partnerships and Public Procurement. *Agenda*, 14(2):171-188.

Gul, H. 2010. Modernising public procurement and creating an independent public procurement regulatory authority. Law transition online.

Guthrie, J., Olson, O. and Humphrey, C. 1999. Debating Developments in New Public Financial Management: The Limits of Global Theorising and Some New Ways Forward. *Financial Accountability & Management*, 15(3-4): 209–228

Hall, D. 2008. Public-Private Partnerships (PPPs). Available online at <http://www.psir.org/reports/2008-11-PPPs-summ.pdf>. [Date of access: 17 Dec 2012].

Handfield, R.B., Monczka R.M., Giunipero L.C. & Patterson J.L. 2009. Sourcing and Supply Chain Management. 4th ed. Southern Western, Canada.

Hanks, J., Davies, H. & Perera, O. 2008. Sustainable Public Procurement in South Africa. Available online at: <http://www.iisd.org>. [Date of access: 14 Oct 2013].

Harvey, B., Smith, S. & Wilkinson, B. 1984. Managers and Corporate Social Policy: Private Solutions to Public Problems. London: Macmillan Press

Hawkins, P. & Gordon, R. 2012. The payment experiences of social grant beneficiaries. Finmark Trust. Available online at: <http://www.finmark.org.za/publication/the-payment-experiences-of-social-grant-beneficiaries/> [Date of access: 21 Nov 2013].

Hill, C.W.L. & Jones, G.R. 2007. Strategic Management: An Integrated Approach. Boston, Mass, Houghton Mifflin.

Hodge, G.A. 2010. Reviewing Public-Private Partnerships: Some Thoughts on Evaluation. In *International Handbook on Public-Private Partnerships*. Cheltenham; Northampton, MA: Edward Elgar Publishing Limited.

Hodge, G.A. & Greve, C. 2010. Public-Private Partnerships and Public Governance Challenges. In: Osborne, S.P. (ed), *The New Public Governance? Emerging Perspectives on the Theory and Practice of Public Governance*. Oxon: Routledge.

Hodge, G. A., Greve, C., & Boardman, A. E. 2010. Introduction, The PPP phenomenon and its evaluation. In *International Handbook on Public-Private Partnerships*. Cheltenham; Northampton, MA: Edward Elgar Publishing Limited.

Holmstrom, B. & Roberts J. 1998. The Boundaries of the Firm Revisited. *The Journal of Economic Perspectives* 12(4):73-94. Available online at: <http://www.columbia.edu/itc/sipa/u8213-03/packet/bengt-600.pdf>. [Date of access: 13 May 2011].

Hommen, L. & Rolfstam, M. 2009. Public Procurement and Innovation: Towards a Taxonomy. *Journal of Public Procurement*, 9(1):17-56

Hudon, P-A. & Zaato J.J. 2010. Government Lessons from Public Private Partnerships: Examining Two Cases in the Greater Ottawa Region. 82nd Annual Canadian Political Science Association Conference, Concordia University. Available online at: <http://www.cpsa-acsp.ca/papers-2010/Hudon-Zaato.pdf> [Date of access: 12 Jun 2012].

International Organisation for Standardisation (ISO). 2010. Draft International Standard ISO/DIS 10845-1: Construction Procurement-Processes, methods and procedures. Available online at: http://www.iso.org/iso/catalogue_detail?csnumber=46190. [Date of access: 12 Nov 2011].

Iossa, E. & Martimort, D. 2012. Risk allocation and the cost and benefits of public private partnerships. *Rand Journal of Economics* 43(3):442-474. Available online at: http://www.chaire-eppp.org/files_chaire/iosriskallocationconfpppmay2011_0.pdf . [Date of access: 11 Jan 2012]

Jackson, P. 2012. Value for money and international development: Deconstructing myths to promote a more constructive discussion. OECD Development Co-operation Directorate. Available online at: <http://www.oecd.org/dac/effectiveness/49652541.pdf> Date of Access: 18 Nov 2013].

Jeffares, S., Sullivan, H. & Bovaird, T. 2013. Beyond the contract - The challenge of evaluating the performance(s) of public-private partnerships. In C. Greve & G. A. Hodge (Eds.), *Rethinking public-private partnerships: strategies for turbulent times*. Abingdon, Oxon ; New York, NY: Routledge.

Jeppsen, J.J. 2013. Procurement of Public-Private Partnerships: Does the procedure matter? An analysis of Public-Private partnership in Denmark and the role of procurement

procedures. International Centre of Business & Politics, Copenhagen Business School.

Available online at:

http://studenttheses.cbs.dk/bitstream/handle/10417/4187/johanna_josefsdottir_jeppesen.pdf?sequence=1. [Date of access: 14 Dec 2013].

Johnston, J. & Gudergan, S.P. 2007. Governance of public–private partnerships: lessons learnt from an Australian case? *International Review of Administrative Sciences*, 73: 569-582.

Kaniki, S. 2008. The Private Sector and Cash Transfers in Africa. Economic Policy Research Institute, Working Paper No.80.

Kelman, S. 2008. Procurement Issues in South Africa that Affect Growth and Development. CID Working Paper No. 171. Centre for International Development, Harvard University.

Kerzner, H. 2009. Project Management: A Systems Approach to Planning, Scheduling, and Controlling. 10th Ed. Wiley & Sons, Inc. New Jersey.

Kirton, R.M. 2013. Gender, Trade and Public Procurement Policy- Kenya, India, Australia, Jamaica. Research Report, The Commonwealth Secretariat. Available online at:

<http://thecommonwealth.org/sites/default/files/news-items/documents/Gender,%20Trade%20and%20Public%20Procurement%20Policy.pdf>

[Date of access: 14 Jan 2014].

Kilfoil, C., Langan, S. & Mackay, G. 2008. Distribution mechanism scoping study for a regular national government social cash transfer to the chronically poor and vulnerable in Zambia. Lusaka: FinMark Trust Zambia, 125pp. Available online at: <http://www.finmark.org.za/documents/Zambiacashtransfer.pdf>. [Date of access: 30 Jan 2012].

Klijn, E.H. & Teisman, G.R. 2003. Institutional and Strategic Barriers to Public–Private Partnership: An Analysis of Dutch Cases. *Public Money & Management*, 23:137-146.

Klijn, E.H. 2010. Public-Private Partnerships: Deciphering Meaning, Message and Phenomenon. In C. Greve, A. Boardman, & G. A. Hodge (Eds.), *International Handbook on Public-Private Partnerships*. Edward Elgar Publishing Limited.

Koma, S.B. 2006. The Establishment of the South African Social Security Agency: The Case of Alternative Service Delivery. *Journal of Public Administration*, 41(1): 61-66.

KPMG. 2014. Public-Private Partnerships. Available online at: <http://www.kpmg.com/global/en/industry/government-public-sector/pages/public-private-partnerships.aspx>. [Date of Access: 14 Jan 2014].

Kock, R. & Burke, M. 2008. Managing talent in the South African Public Service. *Public Personnel Management* 37(2):457-470.

Kwak, Y.H., Chih, Y. & Ibbs, C.W. 2009. Towards a comprehensive understanding of public private partnerships for infrastructure development. *California Management Review*, 51: 51-78.

Langhan, S., Kilfoil, C., Ager, J. & Visser, A. 2010. Identification of appropriate alternative delivery mechanism for cash transfer in the context of the pilot social cash transfer scheme in Mchinji District. Report prepared for Government of Malawi.

Leedy, P.D. & Ormrod, J.E. 2001. *Practical research, planning and design*. 7th ed. New Jersey: Merrill Prentice Hall.

Lilley, M. & De Giorgio, C. 2004. A private sector perspective. *Australian Accounting Review*, 14(2): 34-41).

Majam, T. & Theron, F. 2006. The purpose and relevance of a scientific literature review: a holistic approach to research. *Journal of Public Administration*, 41(3.1):603-615.

Maloney, W., Smith, G. & Stoker, G. 2000. Social Capital and Urban Governance: Adding a more contextualised 'Top-down' Perspective. *Political Studies*, 48:802-820.

Mathias, M. & Reddington, E. 2006. *Good People, Good Systems, What public service managers say*. The Serco Institute: London

McKee, M., Edwards, N. & Atun, R. 2006. Public-private partnerships for hospitals. *Bulletin of the World Health Organization*, 84(11): 890-896.

Monteiro, R. S. 2010. Risk Management. In C. Greve, G. A. Hodge, & A. Boardman (Eds.), *International Handbook on Public-Private Partnerships*. Cheltenham; Northampton, MA: Edward Elgar Publishing Limited.

Morledge, R., Smith, A. & Kashiwag, I. D. 2006. *Building Procurement*. London: Blackwell Publishing Ltd.

Moszoro, M. & Gasiorowski, P. 2008. Optimal Capital Structure of Public-Private Partnerships. IMF Working Paper. Available online at: <http://www.imf.org/external/pubs/ft/wp/2008/wp0801.pdf>. [Date of access: 17 Jan 2013].

Mouton J 2001. *How to succeed in your master's and doctoral studies*. Pretoria: Van Schaik.

Mubangizi, B.C. 2005. Improving Public Service Delivery in the New South Africa: Some Reflections. *Journal of Public Administration*, 40(4.1):633-648.

National Treasury. 2002. Public Private Partnerships. PPP Quarterly. Available online at: http://www.finance.gov.za/organisation/ppp/quarterly/_2002/sep_2002.pdf [Date of access: 22 Jan 2011].

National Treasury. 2004. National Treasury PPP Manual. National Treasury. Available online at: <http://www.treasury.gov.za> [Date of access: 14 Mar 2010].

National Treasury, 2005, Supply Chain Management: A guide for accounting officers and municipal entities, National Treasury. Available online at: <http://mfma.treasury.gov.za> [Date of access: 14 Mar 2010].

National Treasury. 2007. National Treasury Practice Note 8 of 2007/2008. Supply Chain Management: Threshold values for the procurement of goods, works and services by means of petty cash, verbal /written price quotations or competitive bids. Available online at: http://www.treasury.gov.za/divisions/ocpo/sc/PracticeNotes/Practice%20note%20SCM%208%20of%202007_8.pdf. [Date of access: 14 Mar 2010].

National Planning Commission. 2011. National Development Plan. Pretoria: National Planning Commission. Available online at: http://news.caribseek.com/index.php/caribbean-islands-news/jamaica-news/item/download/221_d639c64ee68e7ded039e09c6cc022bba

[Date of access: 17 Jun 2014].

Nkoana, J.J. 2006. Paradigm shift in budget planning and financial planning in the post-apartheid South Africa. *IPFA Journal*. 5(4):9-12.

Nikolic, I.A. & Maikisch, H. 2006. Public-private partnerships and collaboration in the health sector: An Overview with Case Studies from Recent European Experience. The International Bank for Reconstruction and Development / The World Bank, Washington, DC, Available online at: <http://www.worldbank.org/hnppublications>. [Date of access: 16 Jun 2012].

Ntayi, M.J., Rooks, G. & Eyaa, S. 2009. Supply chain swiftness in a developing country: The case of Uganda small and medium sized enterprises. *E-Journal of Business and Economic Issues*, 4(1):1-36

OECD. 2008. Public Private Partnerships in Pursuit of Risk Sharing and Value for Money, OECD, Paris. Available online at: <http://www.oecd.org/gov/regulatory-policy/public-privatepartnershipsinpursuitofrisksharingandvalueformoney.htm> [Date of access: 21 Jun 2013].

OECD. 2010. Dedicated public-private partnership units: a survey of institutional and governance structure. Paris: Organisation for Economic Co-operation and Development. Available online at: <http://www.oecd.org/gov/budgeting/dedicatedpublic-privatepartnershipunitsasurveyofinstitutionalandgovernancestructures.htm>. [Date of access: 25 Jun 2013].

OECD. 2011. Public private partnerships in Canadian healthcare: a case study of the Brampton civic hospital. Prepared for the OECD. York University, Canada. Available online at: <http://www.oecd.org/gov/budgeting/47814779.pdf> [Date of access: 20 Jun 2012].

OECD. 2012. From Lessons to Principles for the use of Public –Private Partnerships. 32nd Annual meeting of Working Party of Senior Budget Officials. Available online at: <http://www.oecd.org/gov/budgeting/48144872.pdf> [Date of access:14 Apr 2014].

Obenzinger, H. 2005. What can a literature review do for me? How to research, write and survive a literature review. Available online at: <http://www.stanford.edu/undergrad/urp/PDFLibrary/writing/> Literature Review. [Date of access: 25 Jan 2012].

Palmer, G. 2009. Public Private Partnerships. Literature Review. Aid Delivery Methods Programme, Available online at: <http://www.dpwglgd.org/cms/upload/pdf/PublicPrivatePartnershipLitReview.doc>. [Date of access: 25 Nov 2011].

Parker, D. & Hartley, K. 2003. Transactional costs, relational contracting and public private partnerships: a case study of UK defence. *Journal of Purchasing and Supply Management*, 9(3):97-108.

Parker, D. & Figueira, C. 2010. PPPs in developed and developing economies: What lessons can be learned? In C. Greve, A. Boardman, & G. A. Hodge (Eds.), *International Handbook on Public-Private Partnerships*. Cheltenham; Northampton, MA: Edward Elgar Publishing Limited.

Pickens, M., Porteous, D. & Rotman, S. 2009. Banking the poor via G2P payments. Focus Note 58, Washington D.C.: CGAP and DFID.

Peraekylae, A. 2005. Analyzing Talk and Text, in Denzin, N. K. and Y. S. Lincoln [eds] *The Sage Handbook of qualitative research*. 3rd ed. Thousand Oaks, USA: Sage.

Posner, P., Ryu, S.K. & Tkachenko, A. 2009. Public-Private Partnership: The Relevance of Budgeting. *OECD Journal of Budgeting*, 9(1):1-25. Available online at: <http://www.oecd.org/gov/budgeting/43410287.pdf>. [Date of access: 13 Dec 2013].

Power, M. 2008. *Organized uncertainty: designing a world of risk management*. Oxford: Oxford University Press.

Quinn, F.J. 2005. The Power of Procurement. *Supply Chain Management Review*, 9(9): 6-8. Available online at: <http://www.highbeam.com/publications/supply-chain-management-review-p1135/december-2005>. [Date of access: 14 Jan 2014].

Regan, M. 2009. A survey of alternative financing mechanisms for public private partnerships. A research report 110. Mirvac School of Sustainable Development, Bond University. Available online at : <http://www.infrastructureaustralia.gov.au/publications/files/MichaelReganReport.pdf> :[Date of access: 17 Jun 2011].

Reeves, E. 2013. Public-Private Partnerships in Ireland: A Review of the Experience. Privatisation and Research Group, Department of Economics, University of Limerick. Available online at: http://www.nerinstitute.net/download/pdf/reeves_neri_2013_ppp.pdf [Date of access:16 Jun 2013].

Rendon, R.G., 2008. Organisational Assessment of Procurement Management Processes. 3rd International Public Procurement Conference Proceedings. Available online at: <http://www.ippa.ws/IPPC3/Proceedings/Chaper%2045.pdf>. [Date of access: 11 Dec 2011].

Rosenau, P.V. 1999. Introduction: The Strengths and Weaknesses of Public-Private Policy Partnerships. *American Behavioural Scientist*, 43(1): 10-34.

Royer, J. S. 1999. Co-operative organisational strategies: A Neo-Institutional digest. *Journal of Cooperatives*, 14: 44-67.

Savvides, D. 2011. The Effectiveness of the Competitive Dialogue Procedure under the EU Consolidated Public Procurement Directive (2004/18/EC) as an Award Procedure for Public Private Partnerships. *European Public Private Partnership Law Review*, 6(1): 23–37.

Schurink, E. & Auriacombe, C. J. 2010. Theory development: enhancing the quality of the case study as research strategy. *Journal of Public Administration*, 45(3):435-455.

Schwandt, T.A. 2007. The dictionary of qualitative research, 3rd ed. Thousand Oaks, CA: SAGE.

Sciulli, N. 2010. Building a Framework for Public Private Partnerships Research. *International Review of Business Research Papers*, 6(1):367-381. Available online at: <http://www.bizresearchpapers.com/30.%20Nick.pdf> [Date of access: 18 Aug 2013].

Skelcher, C. 2010. Governing Partnerships. In C. Greve, G. A. Hodge, & A. Boardman (Eds.), *International Handbook on Public-Private Partnerships*. Cheltenham; Northampton, MA: Edward Elgar Publishing Limited.

South Africa (SA). 1999. Public Finance Management Act 1 of 1999. Pretoria: Government Printers.

South Africa (SA). 2000a. Municipal Systems Act 1 of 2000. Pretoria: Government Printers.

South Africa (SA). 2000b. Municipal Finance Management Act 56 of 2003. Pretoria: Government Printers.

South Africa (SA). 2004. South African Social Security Agency Act 9 of 2004. Pretoria: Government Printers.

South African Social Security Agency (SASSA). 2007. Annual Report 2006-2007. Pretoria: SASSA.

South African Social Security Agency (SASSA). 2010. Service Delivery Model. Pretoria: SASSA.

South African Social Security Agency (SASSA). 2011. Annual Report 2010-2011. Pretoria: SASSA.

South African Social Security Agency (SASSA). 2012a. Strategic Plan 2012-2017. Available online at: <http://www.sassa.gov.za>. [Date of access: 14 Dec 2012].

South African Social Security Agency (SASSA). 2012b. Annual Report 2011-2012. Pretoria: SASSA.

South African Social Security Agency (SASSA). 2012c. Procurement Policy. Pretoria: SASSA.

South African Social Security Agency (SASSA). 2012d. SOCPEN- December 2012. Available online at: <http://www.sassa.gov.za/index.php/statistical-reports>. [Date of access: 21 Mar 2013].

Speakman, J. & Koivisto, M. 2013. Growth Poles: Raising Competitiveness and Deepening Regional Integration. The Africa Competitiveness Report. Available online at: <http://www.worldbank.org/content/dam/Worldbank/document/Africa/Report/africa-competitiveness-report-2013-main-report-web.pdf>. [Date of access: 18 Jan 2014].

Tellis, W. 1997. Introduction to Case Study. The Qualitative Report, 3(2). Available online at: <http://www.nova.edu/ssss/QR/QR3-3/tellis2.html>. [Date of access: 04 Nov 2011].

The Canadian Council for Public Private Partnerships. 2004. Building a Better Tomorrow through Public Private Partnerships. Response to the Ontario Government's Discussion Paper on Infrastructure Financing and Procurement. Available online at: <http://www.pppcouncil.ca/pdf/ontgov.pdf>. [Date of access: 21 Feb 2012].

Thomsen, J. P. F., & Andersen, H. 2000. Neo-Marxist Theories. In H. Andersen & L. B. Kaspersen (Eds.), Classical and Modern Social Theory. Malden, Mass: Blackwell Publishing.

Torres, L. & Pina, V. 2001. Public-private partnership and private finance initiatives in the EU and Spanish local governments. *European Accounting Review*, 10(3):601-619.

Treumer, S. & Arrowsmith, S. 2012. Competitive dialogue in EU procurement. Cambridge; New York: Cambridge University Press.

United Nations Economic Commission for Africa (UNECA). 2005. Partnership modalities for enhancing good governance. Available online at: http://www.uneca.org/sites/default/files/publications/partnership_modalities_final.pdf. [Date of access: 11 Dec 2013].

United Nations Economic and Social Commission for Asia and Pacific (UNESCAP). 2011. A guidebook for public-private partnerships in infrastructure. Available online at:

http://www.unescap.org/sites/default/files/ppp_guidebook.pdf . [Date of access: 17 May 2012].

Van Grieken, L. & Morgan-Payler, J. 2012. Improving PPP tender processes and procurement. Norton Rose Fulbright LLP. Available online at: <http://www.lexology.com/library/detail.aspx?g=c796fdec-37d7-48d4-8ba7-0c46da33a520>. [Date of access: 18 May 2012].

Van Wyk, H.A. 2011. Are the financial procurement policies for outsourcing government functions adequate? *Journal of Public Administration*. 46(4): 1338-1350.

Walsham, G. 2006. Doing Interpretive Research, *European Journals of Information Systems*, 15:320-330.

Watermeyer, R.B. 2011. Regulating public procurement in Southern Africa through international and national standards. Public procurement regulation in Africa Conference, 25 October, Stellenbosch.

Watermeyer, R.B. 2012. Linking developmental deliverables to public sector contracts. Workshop on Designing Efficient Public Procurement Policies to Foster Technology Transfer and Development Capacity in Emerging Markets. Istanbul Commerce University. Available online at: <http://www.ssinc.co.za/Files/Doc/RBWPapers/T3-13.pdf>. [Date of access: 12 Jun 2013].

Watermeyer, R.B. 2013. Value for Money in the Delivering of Public Infrastructure. Available online at: <http://www.ioptions.co.za/Files/Doc/P7-8.pdf>. [Date of access: 13 May 2014].

Weihe. G. 2009. Public-Private Partnerships: Meaning and Practise. Copenhagen Business School.

Webb, W. & Auriacombe, C.J. 2006. Research design in public administration: critical considerations. *Journal of Public Administration*, 41(3.1):588-602.

Wellington, J., Bathmaker, A., Hund, C., McCulloch, G. & Sikes, P. 2005. Succeeding with your Doctorate. London: Sage.

Welman, C., Kruger, F. & Mitchell, B. 2012. Research Methodology. 3rd ed. Cape Town: Oxford University Press.

Wettenhall, R. 2010. Mixes and partnerships through time. In C. Greve, G. A. Hodge, & A. Boardman (Eds.), *International Handbook on Public-Private Partnerships*. Cheltenham; Northampton, MA: Edward Elgar Publishing Limited.

White, D. 2000. Dissertation skills for business and management students. London: Continnum.

Yin, R.K. 1994. Case study research: design and methods. Thousand Oaks: Sage.

Yin, R.K. 2009. Case Study Research: Design and Methods. 4th ed. Applied Social Research Methods Series, Vol. 5. Thousand Oaks, CA: Sage.

Zikmund, W.G. 2009. Business Research Methods. 7th ed. South Western, Cengage Learning.

ANNEXURE A: QUESTIONNAIRE

An assessment of Public Private Partnerships as an alternative procurement method: The case of the South African Social Security Agency

Interview Questions

How would you rate the competitiveness of the South African market place in terms of comprehensive PPP tendering for social services projects?

	Not competitive at all	Somewhat competitive	Adequately competitive	Competitive	Very competitive
--	------------------------	----------------------	------------------------	-------------	------------------

1. What do you think are the general factors that lead to a successful PPP? (Rate from 1-5, with 1 as strongly disagree and 5 strongly agree)

	Strongly agree 5	Agree 4	Neutral 3	Disagree 2	Strongly disagree 1
1.1 PPP projects are delivered faster than traditional procurement methods as they utilise private expertise and skills					
1.2 When comparing PPP with traditional procurement methods the tendering and negotiation for PPP are longer and competitive					
1.3 Value for money is the most the key indicator of a successful PPP project					
1.4 Quality and quantity of service output that the private partner must deliver be clearly measured so as to deal with possible cost and quality trade-offs					
1.5 Political preferences towards private sector service delivery contributed in the past towards a preference for procurement through PPPs					

	Strongly agree 5	Agree 4	Neutral 3	Disagree 2	Strongly disagree 1
1.6 Minimising transaction costs requires minimum project value for a PPP to be put in place					
1.7 The rules in place impede attaining the maximum value for money by creating incentives to prefer one form of procurement over the other					
1.8 Supportive political environment need to be in place for risks to be adequately transferred from public sector to the private sector					

2. What improvements do you feel need to be made in SA to improve the decision making process, tendering and execution of PPPs?

	Decision	Tendering	Execution	All Phases	Don't know
2.1 Value for money analysis					
2.2 Contract compliance					
2.3 Private and public partner accountability					
2.4 Labour union relationships					

3. What is the general impression of the use of PPPs in providing social services in South Africa?

	should never be used	should only be used / explored in some sectors	should be used / explored for most sectors	should always be explored as an option in any sector	should always be used

4. How would you rate the success of PPPs in social services sector in South Africa?

	Unsuccessful	Somewhat successful	Average success	Above average success	Top performer
--	--------------	---------------------	-----------------	-----------------------	---------------

5. How do you rate the quality of services under PPP compared to service provided under traditional procurement by other institutions in the social services sector?

	Below	Below most	Average	Above most	Above all
--	-------	------------	---------	------------	-----------

6. Do you feel that PPP model is appropriate for designing, financing and operating the grants disbursement model for SASSA?

	traditional procurement methods are always superior	traditional procurement methods are usually superior	depends on the project	PPP procurement methods are usually superior	PPP procurement methods are always superior
--	---	--	------------------------	--	---

ANNEXURE B- SEMI-STRUCTURED QUESTIONNAIRE

- Question 1: How competitive is the South African market for PPP tendering?
- Question 2: What do you think are the most important issues that discourage the involvement of private sector institutions from participating in PPPs in the social services?
- Question 3: How should government manage the effective transfer of risks to the private sector in the disbursement of social grants?
- Question 4: What is the governance issues that you think need to be addressed in a PPP agreement?
- Question 5: What is your general impression of the use of PPPs as an alternative procurement method in South Africa?
- Question 6: What are the potential benefits of a PPP in disbursement of social grants?
- Question 7: How should transaction costs be structured in a PPP deal in social services sector?
- Question 8: What approaches can be utilised to encourage stakeholder participation and stimulate public-private partnerships in this sector?
- Question 9: In your view, is a PPP an appropriate delivery mechanism for disbursement of social grants?
- Question 10: What role is played by private sector in procurement of public goods and services in a social services sector?

Question 11: What model of PPP is most appropriate for operating the grants disbursements for SASSA?

Question 12: What are the key essential components of a social services sector partnership that would encourage effective disbursement of social grants to beneficiaries?