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Rozenda Hendrickse
Lecturer
Cape Peninsula University of Technology
South Africa

Emmanuel Masha
MTech Graduate
Cape Peninsula University of Technology
South Africa

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Athens Institute for Education and Research
8 Valaoritou Street, Kolonaki, 10671 Athens, Greece
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Rozenda Hendrickse
Lecturer
Cape Peninsula University of Technology
South Africa

Emmanuel Masha
MTech Graduate
Cape Peninsula University of Technology
South Africa

Abstract

Public-private partnerships (PPPs) are rapidly becoming a growing means of procuring infrastructure assets. Their associated services signal a fundamental shift in the relationship between state and industry. This article examines PPPs in the construction of school infrastructure in the Greater Sekhukhune District Municipality in Limpopo Province, South Africa. It focuses on theoretical arguments for PPPs, and forwards a policy and legislative framework, which underpins PPPs in South Africa. It argues that PPPs can accelerate the construction of public schools since the provision of educational infrastructure remains a challenge in South Africa. The article recommends a clear policy on PPPs in the basic education system and calls for collaboration between the Department of Public Works and the Department of Basic Education in the construction of schools.

Keywords:

Introduction

It is a well-established fact that educational infrastructure[1] is one of the key elements that creates conducive conditions for learning and teaching in any education system. LaRocque (2008:6) states that "most governments of the world, particularly those in developing countries, face significant educational challenges". About 115 million children globally are not in school and the bulk of these children live in Sub-Saharan Africa in countries such as Lesotho, Mozambique, Malawi, South Africa, Zambia, Angola, Botswana and Madagascar (United Nations, 2005). Whilst progress has been made in South Africa towards meeting the Millennium Development Goals (MDGs) in education in general, much remains to be achieved in Limpopo Province, which is a province in the northern part of the Republic of South Africa.

According to Motshega (2009), "the provision of educational infrastructure for public schools remains a challenge and schools in poorer areas remain under-resourced." This is true with regard to the Greater Sekhukhune District Municipality in Limpopo Province, where the provision of public schools, are still insufficient.

The average annual budget for infrastructure for Limpopo Provincial Education Department is about R500 million compared to the budget of the Department of Education, which is around R12 billion. This constitutes about 4.5% of the total departmental budget. Backlog in terms of space, standards and conditions of educational infrastructure is over R8 billion. Based on this information, the current average annual budget does not meet the demand of such backlogs. This is further complicated by a high rate of inflation in the construction industry, which was about 40% at the time of the study (Limpopo Provincial Government Department of Education Annual Report, 2008:34).

LaRocque (2008:8) contends that "there has been an expansion and broadening of the role of the private sector in the financing and the provision of education and a key trend has been the emergence of more sophisticated forms of private involvement in education through public-private partnerships (PPPs). PPPs require both the public and private sector to work together in order to achieve important educational, social and economic objectives. They represent a move away from the traditional model of government procurement for delivery of public goods and services".

This article is aimed at exploring public-private partnerships in South Africa with a particular focus on the construction of schools in the Limpopo Province's Greater Sekhukhune District Municipality. To achieve this aim, both qualitative and quantitative research methods were employed, as the complementary nature of this multi-method approach compensates for the weakness inherent in an individual method. Structured interviews were

[1]In this article educational infrastructure refers to public school infrastructure such as classrooms, a staffroom, toilet, laboratory, library, school hall, sick-bay and sports fields.

conducted with public sector employees at the levels of Director, Chief Director, Deputy Director-General and Director-General in selected National Government Departments, as well as with private sector employees at management level at selected private sector institutions. Questionnaires were administered to Limpopo Provincial Government Departments of Education and Treasury with special focus on employees at levels of Director, Chief Director, Deputy Director-General and Director-General, as well as at the Greater Sekhukhune District Municipality. Members of selected community organisations and structures also participated in the study, in particular member of school governing boards. Apart from the above data collection methods, secondary sources of information took the form of published and unpublished documents pertaining to the topic at hand.

The following section conceptualizes the concept PPPs. Thereafter, the policy and legislative framework, which underpins PPPs in South Africa specifically, is forwarded.

Public Private Partnerships

The literature on public-private partnerships is both multi-disciplinary and disparate. Within standard neo-classical economic literature, public-private partnerships are subjects of traditional welfare analysis, typically evaluated according to efficiency of their social welfare impact (Spielman & Von Grebmer, 2004:9).

Public private partnership or “PPP”, as per the National Treasury PPP Manual (2004:4), implies a commercial transaction between a public institution and a private party in terms of which the private party:

- performs an institutional function on behalf of the public institution; and/or
- acquires the use of state property for its own commercial purposes; and/or
- assumes substantial financial, technical and operational risks in connection with the performance of the public institutional function; and/or
- use of state property; and/or
- receives a benefit for performing the public institutional function or from utilizing the state property, either by way of:
    - (i) consideration to be paid by the institution which derives revenue from the fund or, where the institution is a national government business enterprise or a provincial government business enterprise, from the revenues of such institution; or
    - (ii) charges or fees to be collected by the private party from users or customers of a service provided to them; or

(iii) a combination of such consideration and such charges or fees to be decided and agreed upon (National Treasury PPP Manual, 2004:4).

Fourie and Burger (2000:697) postulate that “PPPs are institutional and legal contractual partnership arrangements between the public and the private sector for the delivery of goods or services to the public.” The main driver for use of PPPs is the perceived efficiency of the private sector, which include:

- allocative efficiency:- the use of resources to maximise profit and utility;
- technical efficiency:- minimum inputs and maximum outputs; and
- X-efficiency:- the prevention of the wasteful use of inputs (Fourie & Burger, 2000:697).

The perceived efficiency that the private sector brings to a PPPs agreement refers especially to technical and X-efficiency (Fourie & Burger, 2000:697). Hodge (2004:38) cites studies that indicate that government departments that have implemented PPPs in their projects have registered 10% and up to 20% in cost savings.

PPPs were introduced as a component of a micro-economic reform process that was undertaken in the UK, Australia and other developed economies throughout the 1990s (The Construction, Forestry, Mining & Energy Union, 2006:15). Hurst and Reeves (2004:379) postulate that the 1990s witnessed the emergence of PPPs as a key tool in public policy across the world. PPPs took different forms and various models were adopted by governments for purposes, which range from investing in large-scale physical infrastructure to social infrastructure. Public infrastructure that was constructed included for example: roads, prisons, schools and hospitals.

Gosling (2004:232), forwarding a global perspective, reports that the National Accounting Office in the United Kingdom’s (UK) Private Financial Initiative (PFI) indicated that 76% of its privately constructed deals were completed on time, whilst projects that were completed under conventional procurement, constituted only 30%.

According to English (2006:251), “PPP arrangements are distinguished by a long-term relationship between the state and a private contractor for the construction, maintenance and operation of infrastructure assets and procurement of related services. In PPPs, the private contractor owns the infrastructure for the term of the contract and provides contracted services, which are paid either directly by government or by consumers. Typically, the asset reverts to the state at the end of the agreement. PPPs provide governments with an opportunity to bring on new streams of infrastructure projects earlier than might otherwise be possible, ostensibly without the associated ballooning of public debt. They also enable governments to reap the benefits of VFM, which is derived from the use of private money to promote private risk taking and inventiveness".

By definition, a PPP is a pragmatic approach. A case for or against PPPs cannot be settled once and for all by some 'grand argument', nor can it be settled by contentions (or implicit assumptions) that more or less government (or market) is necessarily better. The evaluation of PPPs should deal with the full economic complexity of the issue, liberated from ideological shackles, and include institutional and practical considerations (Fourie & Burger, 2000:5).

Part of the complexity of PPPs is derived from the fact that these institutional arrangements blur the distinction (or border) between government and the private sector. Standard concepts and measures of, for example, the public sector and government budget deficits or obscurities require rather clear-headed analysis (Fourie & Burger, 2000:5).

According to Ahadzi and Bowles (2004: 967), "public-private partnerships (PPPs) are a rapidly growing means of procuring infrastructure assets and their associated services, signaling a fundamental shift in the relationship between the state and industry. Normally PPPs involve a wide range of social and economic infrastructure projects, in particular, the building and operation of hospitals, schools, prisons, roads, bridges and tunnels, light rail networks, air traffic control systems, water and sanitation plants, to name but a few. PPPs can be attractive to both the government and the private sector. For the government, private financing can support increased infrastructure investment without immediately adding to government borrowing and debt, and can be a source of government revenue. At the same time, better management in the private sector and its capacity to innovate can lead to increased efficiency; this in turn translates into a combination of better quality and lower cost services. For the private sector, PPPs present business opportunities in areas where it was in many cases previously excluded (Almeida & Smith, 2004:5).

Legislative Framework

According to Fourie (2008: 563), PPPs in South Africa is facilitated by the Constitution (The Constitution of the Republic of South Africa, Act 108 of 1996) where Section 217(1) contends that: "when an organ of state in national, provincial and local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent[1], competitive and cost-effective". Section 217(2) suggests that: "subsection (1) above does not prevent the organs of state or institutions referred to in that subsection

[1]Fiscal and budget transparency refers to the public availability of comprehensive, accurate, timely and useful information on government's activities with implications for its finances. Transparency is an end in itself. Taxpayers have the right to know what government does with their money. Transparency is also needed for accountability.

from implementing a procurement policy providing for (a) categories of preference in the allocation of contracts and, (b) the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination". Section 33(1) further states that: "everyone has the right to administrative action that is lawful, reasonable and procedurally fair".

Wang, cited in Pongsiri (2001) contends that "a clear legislative framework specifying the roles of the public and private sector, their relationships, and the areas of co-operation is essential for building sustainable partnerships". In South Africa several pieces of legislation speak to public-private partnerships. Besides the Constitution, as elucidated above, the Public Finance Management Act (Act 1 of 1999) (PFMA) provides a clear legislative framework on public-private partnerships through Treasury Regulation 16. Section 76 of the PFMA holds that "National Treasury must make regulations for a range of matters to do with the effective and efficient management of the use of financial resources." Many of these matters are relevant to PPPs. Treasury Regulation 16 constitutes a foundation for Standardised PPP Provisions. These Standardised PPP Provisions are issued together with the PPP Manual and PPP Practice Notes. The Municipal Finance Management Act (Act 56 of 2003) (MFMA) makes provision for municipal public-private partnerships. Section 120(1) of the MFMA contends that "public-private partnerships must be affordable, provide value for money and transfer risk".

Other legislation, which has a bearing on the national and provincial public-private partnerships in South Africa, includes the following:

(a) Preferential Procurement Policy Framework Act (Act 5 of 2000). This Act gives effect to Section 217(3) of the Constitution by providing a framework for the implementation of the procurement policy contemplated in Section 217(2) of the Constitution. The Act requires organs of state to establish a preferential procurement policy, and to follow a tender procedure for preferential procurement of goods and services;
(b) Promotion of Administrative Justice Act (Act 3 of 2000), Section 3(2)(a). This Act regulates tender administrative processes and requires the process to be lawful, procedurally fair and justifiable;
(c) Prevention and Combating of Corrupt Activities Act (Act 12 of 2004). This Act establishes a register of corrupt persons, prevented from benefiting from public sector procurement;
(d) Employment Equity Act (Act 55 of 1998). This Act promotes the constitutional right of equality and the exercise of true democracy, eliminates unfair discrimination in employment, ensures the implementation of employment equity to redress discrimination, achieves a diverse workforce broadly representative of our people, promotes economic development and efficiency in the workforce, and gives effect to the obligations

of the Republic of South Africa as a member of the International Labour Organisation;

(e) Promotion of Equality and Prevention of Unfair Discrimination Act (Act 4 of 2000). This Act gives effect to Section 9 read with Item 23(1) of Schedule 6 of the Constitution to prevent and prohibit unfair discrimination and harassment; to promote equality and eliminate unfair discrimination; to prevent and prohibit hate speech; and to provide for matters connected therewith; and

(f) Broad-Based Black Economic Empowerment Act (Act 53 of 2003). This Act defines "broad-based black economic empowerment" as a means for the economic empowerment of all Black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies.

Taking cognisance of the purpose of PPPs and the legislative framework forwarded, PPPs can accelerate the provision of public schools infrastructure, which the following section of the article shows.

Benefits of PPPs in the Construction of Public Schools' Infrastructure in the Greater Sekhukhune District Municipality

Analysis of the concept of PPPs and the foregoing legislative framework for PPPs reveal the following aspects; which are outlined below.

Acceleration in the Construction of Public Schools' Infrastructure

In a global context, taking into account lessons learnt from Canada, Australia, the United Kingdom, Egypt and Pakistan regarding the provision of public schools' infrastructure through PPPs, in conjunction with lessons learnt from the Department of Correctional Services in South Africa on the provision of infrastructure through public-private partnerships in relation to prisons, it can be concluded that public-private partnerships can accelerate the construction of public schools' infrastructure in the Greater Sekhukhune District Municipality.

Public Sector Benefits

Primary data that was collected suggests that respondents believe that a public sector partner stands to benefit in the construction of public schools infrastructure through PPPs. Such benefits could include (a) finance - the provision of finance for a public-private partnership project by a private partner; (b) risk transfer – the private sector partner carries substantial risk in the public-private partnership; (c) efficiency gains, which include allocative efficiency (for example, the use of resources to maximise profit and utility); technical efficiency (for example, minimum inputs and maximum outputs) and X-efficiency (for example, the prevention of wasteful use of inputs) (Fourie and Burger, 2000:697) and (d) whole-life costing (Scally, 2004:81).

Private Sector Benefits

Under the PPP model, the private sector partner usually becomes the long-term provider of a service rather than merely the up-front asset builder. The private sector partner is usually responsible not only for the construction of an asset, but also for its long-term operation and maintenance (Scally, 2004:81). Research participants share this notion. Benefits, which the private sector can derive from PPPs include, for example, new business opportunities in areas that were exclusively for the public sector; guarantees by the public sector for PPPs; and close working relationships with the state.

Benefits for Communities

Research participants concurred that community members in Greater Sekhukhune District Municipality will derive benefits from PPPs by the construction of public schools. Apart from the infrastructure delivered through public-private partnership projects, further benefits would take the form of skills transfer, job creation and a financial injection for local businesses during the construction phase of the school, since a skilled workforce will take up temporary residence in the local area, and more money will be available to spend in the locale.

Challenges in the Construction of Public School Infrastructure through PPPs

The following challenges were identified in the construction of public school infrastructure in the Greater Sekhukhune District Municipality:

(a) Absence of a clear policy on public-private partnerships in the basic education system, which impedes the success of the construction of public schools' infrastructure through PPPs. A policy on PPPs for the Department of Basic Education should specifically be derived from a broader policy framework, which is administered by the National Treasury.
(b) A lack of skills to oversee and administer PPPs efficiently and effectively prevails. This view is in line with the findings of Roper (2009:15) who contends that "it is sometimes the case that both the government and the private contractor lack the skill sets or a dedicated team required to manage complex PPPs." In South Africa, public-private partnerships is a new phenomenon and there is no available pool of expertise for PPP projects.
(c) Public-private partnerships are long and cumbersome engagements and take a while to conclude. Herper (2002) states that PPP contracts are much more complicated to negotiate and

administer than traditional construction contracts, partly because there are more actors involved. PPP contract periods may extend for more than 30 years.

Recommendations

The success of public-private partnerships in the basic education system with regard to the acceleration of the construction of public school infrastructure requires interaction and co-operation from numerous stakeholders, as well as the integration of a myriad of factors. Whilst the complexity of PPPs cannot be removed entirely, focusing on a number of key elements may influence the process.

The study proposes the following recommendations, which are presented below.

- The National Treasury should formulate and submit a Bill on public-private partnerships to Parliament once it has been approved by Cabinet.
- Parliament should conduct extensive public hearings and deliberations on the proposed public-private partnership Bill. The proposed new Act of Parliament on public-private partnerships should provide a consolidated national framework on PPPs for government departments and institutions in relation to its policies on public-private partnerships. The proposed PPPs Act is imperative to improve the acceleration of the roll-out of PPP projects in South Africa.
- The Department of Basic Education should draft and implement a policy on public-private partnerships (PPPs) in the basic education system. This policy should amongst other issues: provide details on the process and procedure in respect of the provision of public school infrastructure through PPPs in the basic education system. All relevant stakeholders, including the South African Local Government Association, parent and teacher associations, learners' associations and school governing bodies, should be consulted.
- The Department of Higher Education should develop accredited programmes and formal qualifications on public-private partnerships. These courses should equip candidates with the necessary theory and skills for public-private partnership projects.
- The Department of Basic Education should make PPPs attractive for non-governmental stakeholders for example owners of platinum mines in the Greater Sekhukhune District Municipality.
- The Department of Basic Education should review the legal framework in basic education to include local government where it can take onboard certain functional competencies.

Conclusion

The size and scope of the problems that plague the provision of basic education in South Africa, coupled with poor quality and quantity of the output for learning and teaching requires a fundamental shift in the way that public school infrastructure is delivered. The goal of this article was to explore public-private partnerships, with the aim of accelerating the construction of public schools infrastructure in the Greater Sekhukhune District Municipality. The current policy framework on the provision of public schools infrastructure in basic education sector does not accurately reflect the procedure and requirements of public-private partnership projects in the provision of public schools infrastructure. The results showed that the majority of respondents believed that public-private partnership projects can accelerate the construction of public schools' infrastructure in the Greater Sekhukhune District Municipality. These results were verified against information obtained from a range of literature on public-private partnerships. Based on the research results, this article concludes that public-private partnership projects can accelerate the construction of public schools' infrastructure in the Greater Sekhukhune District Municipality in Limpopo.

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