



CHALLENGES FACED BY PUBLIC-PRIVATE PARTNERSHIP IN IMPROVING SERVICE DELIVERY

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Partnerships, of any kind, come with challenges and obstacles that might be a threat to the success of the vision they have. PPPs are faced with a lot of challenges when it comes to infrastructure delivery in South Africa and across the globe. Hence, the study was conducted to determine the challenges faced by Public Private Partnerships (PPPs) in the South Africa. The data in this paper was obtained from secondary and primary sources. 90 structured questionnaires were distributed to construction stakeholders in the public and private sectors, who were involved in the PPP's projects in South Africa in the Gauteng province. 80 Questionnaires were brought back and were valid for use. The study revealed that: PPPs are inflexible; there is limited trust between public and private sector professionals; lack of sufficient time to implement PPPs; reduced control of public assets; conflict of interest between private and public sector; public acceptability; PPPs are not integrated into sector planning, lack of resources dedicated to fostering PPPs, a policy bias toward traditional public procurement and against PPPs, lack of fiscal imperative to use PPPs and policy on PPP changes with changes in political leadership, etc. The research has revealed that PPPs are lacking at the highest levels of leadership especially at governmental level. Also, PPPs must be favored in general, not in specific circumstances.

Keywords: Construction industry, Infrastructure, South Africa.

1 INTRODUCTION

Infrastructure investment plays a pivotal role in short term and long term of economic growth and job creation in a country. Furthermore, it brings greater economic returns on investment than any other forms of capital expenditure (Chunn 2014, Rogerson 2010). The South African National Development Plan has priorities like investment in infrastructure to grow the economy while reducing unemployment and inequality (Budget review 2018). The development plan states that the infrastructure investment as a percentage of GDP needs to increase to 30% in 2030 (Budget Review 2018). Furthermore, in 2016 the Gross Domestic Product (GDP) was sitting at about 19.5%, which proves that the government of South Africa has made progress towards this goal. Despite the good plan in place, South Africa is one of the countries that are experiencing backlog in infrastructural service delivery and this has a negative impact to the economy and the residents of the country (Budget Review 2018).

The South African National Development Plan (SANDP) has been doing their best to come up with solutions of reducing the service delivery backlogs by introducing PPPs (Department

Finance 2000). However, PPPs is not the answer to infrastructural service backlog but it can only reduce the challenge faced by the government (Greve and Hodge 2005). The government cannot fund infrastructure alone, hence, crowding in private sector investment could bring along financing needed to meet the national development plans target. In addition, it will contribute to improved decision making and more rigorous assessment and accountability in infrastructure project (Budget Review 2018). There has been a considerably more research work conducted, both locally and internationally, on the nature and form of PPPs. However, there has not been any sufficient investigation on the challenges faced by Public Private Partnership in meeting the infrastructural needs of South Africa.

2 DEFINITION OF PUBLIC PRIVATE PARTNERSHIP

Available literature shows that there is no common definition for the concept of public private partnerships, as it is usually defined in relation to the various forms it assumes. Several definitions of PPPs have been used by different scholars, governments and international organizations (Asmati 2010). PPP is defined in South African law, and adopted by the Treasury Regulations 2000 based on the three essential elements (Nyagwachi and Smallwood 2006); 1) A contractual arrangement whereby a private party performs a departmental function on behalf of a national or provincial department for a specified time, 2) Substantial risk transfer to the private party, 3) A schedule of outcome-based financial rewards, derived either from service tariffs or user charges, from a departmental or other budget, or from a combination of these sources.

3 CHALLENGES OR OBSTACLES FACED BY PPPS IN SOUTH AFRICA AND AROUND THE WORLD

Despite the success of the PPP projects in South Africa, the number of new project transaction has declined over the past six years, decreasing from an estimated R10.7 billion in 2011/12 to R 5 billion in 2017/18. Mainly as a result of challenges were faced by PPPs in South Africa. Every partnership of any kind comes with challenges and obstacles that might be a threat to success of the vision they have. Review literature shows that PPPs are faced with a lot of challenges when it comes to its implementation to deliver services in South Africa and across the globe. This paper will only discuss few challenges that were found in the existing literature (Mashwama *et al.* 2017b, Kupke *et al.* 2004, Grimsey and Lewis 2004, Manchidi and Merifield 2001, Nyagwachi and Smallwood 2006).

3.1 Lack of Highest Level Policy Direction

PPPs are lacking at the highest levels of leadership at government level. The management of PPPs from government level does not provide clearer and more predictable intent on when and why to do PPPs in general, and in specific sectors.

3.2 Lack of Consistent Political Resolve

Reviewed literature states that political leadership shows inconsistent commitment to PPPs. According to Nyagwachi and Smallwood (2004) commitment to PPPs suffers from the fact that policy on PPPs changes with changes in political leadership. This fact was based on the research that was conducted by SPAID and it showed that frequent leadership changes within the PPP Unit had to some extent harmed the development of the policy environment for PPPs in South Africa.

3.3 Lack of Resources Dedicated to Fostering Public Private Partnership

The resources to do all that is needed to be done to foster successful PPPs are lacking in SA (Jamali and Sumali 2004).

3.4 Policy Bias Toward Traditional Public Procurement

In South Africa, like in other countries, traditional public procurement of infrastructure services is the default choice (Budget Review 2018). Line departments must therefore first decide they want to consider a PPP for a given project and then prove that a PPP would provide more value-for-money than traditional government procurement.

According to Babatunde *et al.* (2012), Houghton (2011), Chunn (2014) and Chib *et al.* (2009), this are the additional challenges faced around the globe:

- Regulatory environment;
- Lack of information;
- Project development;
- Lack of institutional capacity;
- Financing availability.

4 RESEARCH METHODOLOGY

4.1 Research Approach and Design

This study adopted a quantitative approach, as the purpose was to investigate the challenges faced by PPPs in improving service delivery in Gauteng South Africa. Quantitative research is based on the measurement of quantity or amount. It is applicable to phenomena that can be expressed in terms of quantity (Mashwama *et al.* 2017a). A well-structured questionnaire was distributed to different construction companies in Gauteng Province, amongst construction professionals such as civil engineers, project managers, directors, quantity surveyors, construction managers and contractors who were involved in the PPP projects.

The questionnaire was sent via e-mails, some were delivered. 90 Questionnaires were distributed and 80 came completed and eligible to use and reflects 89 % response rate. The study was conducted from reliable scholarly sources such as articles, journals, books, publications, websites and site experience on the field. The study was limited to Gauteng Province and the target population was the professionals who have been involved with PPP project in Gauteng. The reason why we only involving professionals who were and are actively involved in the PPP project so we can get direct views on the challenges faced by the PPPs in improving service delivery. Random sampling was adopted and used for study.

4.2 5- Point Linkert Scale and MIS

5- point Linkert scale was adopted for the study, which gave a wider range of possible scores and increase statistical analyses that are available to the researcher (Mashwama *et al.* 2017a). The 5 point scales were transformed to mean item score abbreviated as (MIS) for each of the challenges faced by PPPs whilst implementing projects. The computation of the mean item score (MIS) was calculated from the total of all weighted responses and then relating it to the total responses on a particular aspect. The formula in Eq. (1) is used to rank the challenges facing roads construction projects based on frequency of occurrences as identified by participants.

$$MIS = \frac{1n1 + 2n2 + 3n3 + 4n4 + 5n5}{\sum N} \quad (1)$$

where;

- n1* = number of respondents for strongly disagree
- n2* = number of respondents for disagree
- n3* = number of respondents for neutral
- n4* = number of respondents for agree
- n5* = number of respondents for strongly agree
- N* = Total number of respondents

5 FINDINGS AND DISCUSSIONS

5.1 Challenges Faced by PPPs in South Africa

Table 1. Obstacles faced by PPP.

Obstacles in the PPP's	Mean	Std	Rank
Limited trust between public and private sector professionals	4,90	0,995	1
Conflict of interest between private and public sector	4,89	0,985	2
Reduced control of public assets	4,83	0,958	3
Lack of sufficient time to implement PPPs	4,81	1,208	4
PPPs are inflexible in terms of administrative burden associated with altering the contract	4,78	1,147	5
PPPs are inflexible in general	4,76	0,964	6
A policy bias toward traditional public procurement and against PPPs	4,74	0,924	7
A lack of fiscal imperative to use PPPs	4,71	1,047	8
Policy on PPPs changes with changes in political leadership	4,56	0,940	9
Lack of competition in the industry since big companies are used for partnerships	4,38	0,976	10
Lack of confidence or authority to make critical decision in managing PPPs	4,15	0,853	11
Lack of consistent political resolve	4,11	0,983	12
Public acceptability	4,05	1,048	13
PPPs are integrated into sector planning	3,95	1,109	14
Lack of resources dedicated to fostering PPPs	3,82	0,980	15
Lack of financing availability	3,75	1,024	16
PPPs lack high policy direction and political resolve	3,72	0,924	17
A lack of resources within the PPP unit to promote PPPs	3,63	1,147	18
Lack of capacity in implementing PPP agencies	3,59	1,135	19
Lack of institutional capacity for PPPs	3,53	1,020	20

Respondents were asked to rank the challenges faced by PPPs in South Africa. The respondent ranked first limited trust between public and private sector professionals with an MIS=4,90 and STD=0,995; followed by conflict of interest between private and public sector and was ranked 2nd with an MIS=4,89 and STD= 0,985; Reduced control of public assets was ranked 3rd with an MIS= 4,83 and STD= 0,958; Lack of sufficient time to implement PPPs was ranked 4th with an MIS=4,81 and STD=1,208; PPPs are inflexible in terms of administrative burden associated with altering the contract was ranked 5th with an MIS=4,78 and STD=1,147; PPPs are inflexible in

general was ranked 6th with an MIS=4,76 and STD=0,964; A policy bias toward traditional public procurement and against PPP was ranked 7th with an MIS= 4,74 and STD=0,924; A lack of fiscal imperative to use PPPs was ranked 8th with an MIS=4,71 and 1,047; Policy on PPPs changes with changes in political leadership was ranked 9th with an MIS=4,56 and STD=0,940; Lacks of competition in the industry since big companies are used for partnerships was ranked 10th with an MIS=4,38 and STD=0,976; Lack of confidence or authority to make critical decision in managing PPPs was ranked 11th with MIS=4,15 and STD=0,853; Lack of consistent political resolve was ranked 12th with MIS= 4,11 and STD= 0,983; Public acceptability was ranked 13th with MIS=4,05 and STD=1,048; PPPs are integrated into sector planning was ranked 14th with MIS= 3,95 and STD=1,109; Lack of resources dedicated to fostering PPPs was ranked 15th with MIS=3,82 and STD=0,980; Lack of financing availability with MIS= 3,75 and STD=1,024; PPPs lack high policy direction and political resolve with a MIS= 3,72 and STD= 0,924; A lack of resources within the PPP unit to promote PPPs with MIS=3,63 and a STD= 1,147; Lack of capacity in implementing PPP agencies was ranked 19th with MIS= 3,59 and a STD=1,135; lack of institutional capacity for PPPs was ranked last with MIS=3,53 and STD=1,020.

6 CONCLUSIONS

The findings in the study presented the challenges faced by PPPs in South Africa. In addition, limited trust between public and private sector; conflict of interest between private and public sector; reduced control of public assets and lack of sufficient time to implement PPPs were ranked the highest. The findings revealed that the community at large needs more awareness of PPPs structure, policies. Moreover, the government needs to increase PPP project pipeline, policies don't have to change due to political shifting or leadership. The government needs to streamline the implementation PPP to reduce the time it takes to complete project planning and ease the regulatory regime so that it is less cumbersome for both the private and public sector.

7 RECOMMENDATIONS

The concept of PPP is relatively new in the functioning of the SA economy, and therefore it will require further research, which will seek to closely examine on how the PPP initiatives can be entrenched as a reliable mode of delivering effective service delivery. Further research should also be conducted in assessing the approach and attitude of government institutions towards the PPPs, and thereby measuring the involvement of PPPs in the broader government infrastructure development projects. If indeed PPPs are perceived as an effective and efficient means of delivery infrastructure, it will be interesting to see as to what extent PPPs are involved in the overall government infrastructure development program.

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