A PUBLIC-PRIVATE PARTNERSHIP MODEL FOR THE IMPROVEMENT OF LOCAL ECONOMIC DEVELOPMENT IN SOUTH AFRICAN METROPOLITAN GOVERNMENT

BY

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Submitted in fulfilment of the requirements for the degree of DOCTOR PHILOSOPHIAE in the Faculty of Arts at the Nelson Mandela Metropolitan University (NMMU)

January 2009
Promoter: Professor G.S. Cloete
DEDICATIONS

This thesis is dedicated to my late brother Luxolo Justice Mahanjana who passed away on 6 March 2007. May Almighty God rest your soul in loving peace.
DECLARATION

I, the undersigned, declare that the work contained in this thesis is my own original work and that to the best of my knowledge this work has not been previously submitted in full or partial fulfilment of an equivalent or higher qualification at any recognised institution.

Signature: .................................  Date:  January 2009

Mzikayise Shakespeare Binza
ACKNOWLEDGEMENTS

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<th>Description</th>
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<tbody>
<tr>
<td>ANC</td>
<td>African National Congress</td>
</tr>
<tr>
<td>ASGISA</td>
<td>Accelerated and Shared Growth Initiative of South Africa</td>
</tr>
<tr>
<td>BBBEE</td>
<td>Broad Based Black Economic Empowerment</td>
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<tr>
<td>BEE</td>
<td>Black Economic Empowerment</td>
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<tr>
<td>BOOT</td>
<td>Build, Own, Operate, Transfer</td>
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<tr>
<td>BOO</td>
<td>Build, Own Operate</td>
</tr>
<tr>
<td>BOT</td>
<td>Build, Operate, Transfer</td>
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<tr>
<td>BUM</td>
<td>Business Unit Managers</td>
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<td>BWIs</td>
<td>Bretton Woods Institutions</td>
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<td>CBOs</td>
<td>Community Based-Organisations</td>
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<td>CBP</td>
<td>Community Based Planning</td>
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<td>CCM</td>
<td>Community Co-operative Model</td>
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<tr>
<td>CCT</td>
<td>City of Cape Town</td>
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<tr>
<td>CDI</td>
<td>City Development Index</td>
</tr>
<tr>
<td>CEPA</td>
<td>Committee of Experts in Public Administration</td>
</tr>
<tr>
<td>CFO</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>CTMM</td>
<td>City of Tshwane Metropolitan Municipality</td>
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<tr>
<td>COSATU</td>
<td>Congress of South African Trade Union</td>
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<tr>
<td>DBO</td>
<td>Design, Build, Operate</td>
</tr>
<tr>
<td>DBF</td>
<td>Design, Build, Finance</td>
</tr>
<tr>
<td>DBFO</td>
<td>Design, Build, Finance and Operate</td>
</tr>
<tr>
<td>DLG</td>
<td>Developmental Local Government</td>
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<tr>
<td>DPLG</td>
<td>Department of Provincial and Local Government</td>
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<td>EHDS</td>
<td>Economic and Human Development Strategy</td>
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<td>EMM</td>
<td>Ekurhuleni Metropolitan Municipality</td>
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<td>EnvS</td>
<td>Environmental Sustainability</td>
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<td>EPWP</td>
<td>Extended Public Works Programme</td>
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<td>ESI</td>
<td>Economic Sustainability Indicators</td>
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<td>GDAC</td>
<td>Germiston-Daveyton Activity Corridor</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GDS</td>
<td>Growth and Development Strategy</td>
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<td>GEAR</td>
<td>Growth, Employment and Redistribution strategy</td>
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</tbody>
</table>
GGVA  Gross Geographic Value Added
GGWL  Going Global, Working Local
GGP  Gross Geographic Product
GNP  Gross National Product
GNU  Government of National Unity
GSI  Governance Sustainability
GVA  Gross Value Added
HDIs  Historically Disadvantaged Individuals
HDI  Human Development Index
HPWS  High-performance work systems
HSL  Households Subsistence Level
IDP  Integrated Development Plan
ILO  International Labour Organisation
IMATU  Independent Municipal and Allied Trade Union
IMF  International Monetary Fund
IPO  Initial Public Offering
IULA  International Union of Local Authorities
JIA  Johannesburg International Airport
JPOI  Johannesburg Plan of Implementation
JIPSA  Joint Initiative for Priority Skills Acquisition
KPIs  Key performance Indicators
LAED  Local area economic development
LAEDIS  Local Area Economic Development Industrial Sectors
LAEDPS  Local Area Economic Development Policy and Strategy
LED  Local economic development
LEDAC  Local Economic Development Advisory Council
LEDP  Local economic development plan
LMAEDM  Local Metropolitan Area Economic Development Model
MDGs  Millennium Development Goals
MES  Macro-economic strategy
MERS  Micro Economic Reform strategy
MIG  Municipal Infrastructure Grants
MIUU  Municipal Infrastructure Investment Unit
MLC  Metropolitan Local Council
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>MM</td>
<td>Municipal Manager</td>
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<td>MSP</td>
<td>Municipal Service Partnerships</td>
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<td>MURP</td>
<td>Motherwell Urban Renewal Programme</td>
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<td>NEPAD</td>
<td>New Partnership for African Development</td>
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<td>NGOs</td>
<td>Non-governmental organisations</td>
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<td>NFLED</td>
<td>National Framework for Local Economic Development</td>
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<tr>
<td>NMBM</td>
<td>Nelson Mandela bay municipality</td>
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<td>NMMMM</td>
<td>Nelson Mandela metropolitan municipality</td>
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<tr>
<td>NMMU</td>
<td>Nelson Mandela Metropolitan University</td>
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<tr>
<td>NPA</td>
<td>New Public Administration</td>
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<td>NPM</td>
<td>New Public Management</td>
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<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>PAP</td>
<td>Project Affected People</td>
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<td>PGDP</td>
<td>Provincial Growth and Development Plan</td>
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<td>PDIs</td>
<td>Previously disadvantaged individuals</td>
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<td>PDSM</td>
<td>Participatory Development Systems model</td>
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<td>PHC</td>
<td>Primary Health Care</td>
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<td>PPP</td>
<td>Public-private partnerships</td>
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<td>PSDI</td>
<td>Potential sustainability development indicators</td>
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<td>PSC</td>
<td>Public sector comparator</td>
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<td>QOL</td>
<td>Quality of Life</td>
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<tr>
<td>RDP</td>
<td>Reconstruction and Development Programme</td>
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<td>SACN</td>
<td>South African Cities Network</td>
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<tr>
<td>SACP</td>
<td>South African Communist Party</td>
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<tr>
<td>SAMWU</td>
<td>South African Municipal Workers Union</td>
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<tr>
<td>SANCO</td>
<td>South African National Civic Organisation</td>
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<tr>
<td>SCMU</td>
<td>Supply Chain Management Unit</td>
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<td>SED</td>
<td>Social and economic development</td>
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<td>SDIP</td>
<td>Service Delivery Implementation Plans</td>
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<tr>
<td>SMMEs</td>
<td>Small, medium, and micro enterprises</td>
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<td>SIP</td>
<td>Share Issue privatisation</td>
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<td>SPS</td>
<td>Single Public Service</td>
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<td>SPV</td>
<td>Special purpose vehicle</td>
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<tr>
<td>SSI</td>
<td>Social sustainability indicators</td>
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TDC  Transnational Discourse Communities
TDR  Transferable development rights
TLCs  Transitional Local Councils
TR   Terms of reference
UN   United Nations
UNDP United Nations Development Programme
VFM  Value for money
WACLAC World Association of Cities and Local Authorities Coordination
WCED United Nations-sponsored World Commission on Environment and Development
WSSD World Summit on Sustainable Development
SUMMARY

The post-apartheid developmental state of South Africa had a challenge of turning around an economy that was on deficit which it inherited in 1994, to a positive growth that will be sustainable and shared. The process followed in creating a sustainable economic development was first establishing a constitutional democratic government which was constituted in terms of the provisions of the Constitution of the Republic of South Africa, 1996, as three equal spheres of government, viz: the national, provincial and local spheres of government. Initiatives on innovative economic development become a reconstruction programme not only of the national and provincial spheres of government, but also of the local sphere of government which is closest to the people it governs and deliver municipal goods and services to. For an example, section 152 (1) (c) of the Constitution of the Republic of South Africa, 1996, provides that the local sphere of government which is constituted by 283 wall-to-wall municipalities must “improve social and economic development” of the people. Out of the 283 municipalities, 6 are metropolitan municipalities, and are the: City of Cape Town, City of Johannesburg, City of Tshwane, Ekurhuleni, Ethekwini, and Nelson Mandela Bay Municipality. This research project is limited to the City of Cape Town (CCT) and the Nelson Mandela Bay Municipalities (NMBM).

In the second process, a number of legislations and policies providing for external mechanisms to be used to improve local economic development (LED) in an inclusive, shared and equitable manner were introduced. Policies that were introduced by the democratic government and serve as policy directive for economic development are: the Reconstruction and Development Programme (RDP) of 1994; the Growth, Employment and Redistribution (GEAR) of 1996; and the Accelerated and Shared Growth Initiative of South Africa (ASGISA) of 2006. The relevant legislations to the local sphere of government which were introduced and provided for the appropriate mechanism for enabling sustainable growth of local economies by developmental local government in partnerships with other stakeholders such as private sector and civil society movements are: the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000); Municipal Service Policy of 2000; Guidelines on Municipal Service Partnerships of 2006-2010; and the National Framework for Local Economic Development in South Africa (NFLED) of 2006-2010. The above
legislations provide the following external mechanisms to improve local economic development in municipal areas, viz: public-private partnerships; public-public partnerships, and public-community partnerships.

This research project is about the first external mechanism which is the public-private partnerships (PPPs) to enable municipalities to improve local economies that provide for job creations and employment for the local inhabitants. According to the National Treasury Regulation 16 (2004:1), PPP means a “commercial transaction between an institution, for example a metropolitan government, and a private party in terms of which:

1. The private party either performs an institutional function on behalf of the institution [in this regard a metropolitan government] for a specified or indefinite period or acquires the use of a state property for its own commercial purposes for a specified or indefinite period.

2. The private party receives a benefit for performing the function or by utilising state property, either by way of compensation from a revenue fund, or by charges or fees collected by the private party from users or customers of a service provided for them; or a combination of such compensation and such fees”.

The first goal of this research project is to develop the most appropriate public-private partnership model for South African metropolitan government with special reference to the City of Cape Town (CCT) and the Nelson Mandela Bay Municipality (NMBM) in enabling and guiding them to improve and sustain local economic development (LED) in their respective areas of jurisdiction. The application of public-private partnerships (PPPs) as a policy strategy to achieve local economic development (LED) in CCT and NMBM was investigated, in order to determine whether these activities can be improved. Followed is the development of a conceptual framework for optimal PPP implementation in order to improve local economic development in the CCT and NMBM and other metropolitan and municipal areas in South Africa.

A more appropriate PPP model called the Participatory Development Systems Model (PDSM) has been constructed for this purpose from a number of sources and proven good practices both locally in South Africa and internationally. The PDSM model uses
the strategic prioritisation and management by a municipality of the integrated
development of physical, economic, human and social capital in its region in a more
participatory way, as a point of departure for PPPs. The PDSM model for PPPs also
emphasises consistent systematic assessment of these strategies against the
strategic LED goals of the municipality concerned in order to ensure that lessons are
learnt from these experiences and used to refine or revise future LED and PPP
strategies accordingly.

This thesis makes an original contribution to the existing body of knowledge about the
promotion of LED through PPPs in metropolitan municipalities in South Africa and
elsewhere, by conceptualising PPPs in a clear and coherent way as an integrated
dimension of strategic management processes in municipalities that need to be
implemented in a more participatory way in order to achieve the overall strategic goal
of sustainable LED.
CHAPTER ONE

INTRODUCTION AND BACKGROUND

"The brighter day is rising upon Africa. Already I seem to see her chains dissolved, her desert plains red with harvest, her Abyssinia and land the seats of science, religion, and economic prosperity, reflecting the glory of the rising sun from the spires of their social units like universities, and political units like metropolitan governments. Her Congo and her Gambia whitened with commerce, her crowded megacities sending forth the hum of business, and all her sons and daughters employed in advancing the victories of peace - greater and more abiding than the spoils of war."

Adapted from: Pixley ka Isaac Seme in Ethekwini Municipality (2003/04: 46).

The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little. Franklin Delano Roosevelt

1.1. Introduction

The primary focus of this study is on the development of the most appropriate public-private partnership model for South African metropolitan government with special reference to the City of Cape Town and the Nelson Mandela Metropolitan Municipalities (NMMM), now called the Nelson Mandela Bay Municipality (NMBM) in enabling and guiding them to improve and sustain local economic development (LED) in their respective areas of jurisdiction. A model in this regard is defined as a "simplified description of a process, and relationship which is used to explain and to predict -- to account for the past outcomes and to forecast future outcomes" (Samuelson and Marks, 1992:11).

In the context of this study, partnerships between the local government which forms part of the public sector and any private party are called public-private partnerships
(PPPs). According to the National Treasury Regulation 16 (2004:1), PPP means a “commercial transaction between an institution, for example a metropolitan government, and a private party in terms of which:

- The private party either performs an institutional function on behalf of the institution [in this regard a metropolitan government] for a specified or indefinite period or acquires the use of a state property for its own commercial purposes for a specified or indefinite period.
- The private party receives a benefit for performing the function or by utilising state property, either by way of compensation from a revenue fund, or by charges or fees collected by the private party from users or customers of a service provided for them; or a combination of such compensation and such fees”.

The Department of Provincial and Local Government [DPLG] (2006-10:2) refers to PPP as one of the forms of municipal service partnerships (MSPs). MSPs have been variously defined by the DPLG and the following three definitions are given:

“…a contractual relationship where an external organisation takes responsibility for all or part of the delivery of a municipal service. This can involve a partial or complete transfer and other assets and resources;…an arrangement whereby a non-municipality service provider assumes responsibility for performing functions at a predetermined price and according to pre-defined performance criteria;…the provision of services by an external supplier under ongoing service contract. (ibid.:2).

Ankitoye, et al., (2003:31) describes PPP as a “contractual relationship between a [metropolitan] government and a private party, where the latter takes responsibility for all or part of a [metropolitan] government’s functions. This contractual arrangement enables the resources and risks to be shared for the purpose of delivering a municipal service or developing a social and economic infrastructure”. The above definitions make it clear that the PPP is a partnership which involves a private for-profit organisation and a not-for-profit organisation or metropolitan government. These partners must have shared objective[s] for the creation of social
and economic value, and must agree to share both efforts and benefits (Grimsey and Lewis, 2004:181; Akintoye, et al., 2003:31).

In this context "public" refers to public sector organisations such as national, provincial and local governments, and "private sector" refers to organisations which are for-profit (ibid.). The study is about the partnership between local government with special reference to metropolitan governments and any for-profit organisation that is awarded a tender by the municipality to provide a service on behalf of the municipality, aimed at improving local economic development of the area in which the municipality operates. However, the metropolitan government must always "retain responsibility for deciding on the nature of services to be provided, the quality and performance standards of these services to be attained, and taking corrective action if performance falls below expectation" (Akintoye, et al., 2003:31).

It is important that economic goods and services provided in terms of PPP demonstrate value for money (VFM). VFM means that the provision of the metropolitan government functions carried out by a private party as stipulated in the PPP’s agreement should “result in a net benefit to the metropolitan government” (ibid.). The net benefit is defined in terms of cost, quality, quantity, and risk transfer. Furthermore, the Public Finance Management Act, 1999 (Act 1 of 1999), as amended, provides for conditions and processes for PPP as follows: that metropolitan governments may enter into PPP agreements only if they can demonstrate that the agreement/contract will be affordable and provide VFM, and appropriate technical, operational and financial risks will be transferred to the private party.

The strongest and most scholarly rationale for this study is to make a contribution in the field of Public Administration by documenting that there is a need for increased understanding and dialogue about the idea that PPP could improve local economic development of the metropolitan municipalities in South Africa, in particular if an appropriate PPP model is constructed. Creswell (1998:94) writes that the rationale for a study is not “the discovery of new elements, as in natural scientific study, but rather the heightening of awareness for experience which has been forgotten and overlooked”. By heightening awareness and creating dialogue, it is hoped that this
research project could lead to better understanding of the manner in which PPP and LED appear in municipal policy documents and South African academic literature and are understood by councillors and some officials. It is the insights that lead to improvements in municipal public administration. The need for this study is to provide a new line of thinking, that is, to see PPPs as forming part of the political economy of Public Administration.

Before PPPs were introduced in South Africa, “many municipalities were hampered by lack of flexibility in existing internal arrangements to deliver services” and improve the socio-economic conditions of the people as provided for in section 152 of the Constitution of the Republic of South Africa, 1996 (DPLG, 2006-10:4). In 1995 and 1996, when 834 municipalities were officially operational in this country, they experienced continued pressure on available human, financial and physical resources. As a result, PPP was introduced to “allow [metropolitan] municipalities to concentrate resources and management attention on their strategic core activities of planning and service delivery management without having to be involved in the actual mechanics of service delivery and economic growth” (ibid.).

It is necessary to trace the advent and development of PPP in the South African political and public administration context in order to show the need of a research project with a particular focus on PPP. PPP was first introduced in South African local government when developmental local government was established in 2000. However, this approach was originally adopted when the first democratically elected President of the Republic of South Africa, Mr Nelson Mandela, began his presidency, armed with a growth and development plan to revitalise the economy, and to accelerate delivery of public goods and services in an effective, efficient and equitable manner. The plan consisted, among other things, of the following interrelated strategies: reduce government spending, deregulation, stabilise economic growth, and turn over some of the national government functions to provincial and local government. The plan was to reduce the size and scope of government, and to increase the involvement of the private sector in the provision of municipal services and infrastructure. The plan called for “open and constructive relations between the [metropolitan] government and the private sector” to put the country into a high economic growth path (Remney, 1975:1).
With the advent of developmental local government in 2000, the government developed a Municipal Service Policy of 2000 to enable municipalities to use not only the internal mechanisms to finance, provide services, and improve local economic development, but also external mechanisms such as public-private partnerships, privatisation, contracting out or outsourcing, public-civil society partnerships, and public-public partnerships (Municipal Service Policy, 2000:4). This policy, together with the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) provides that municipalities have choices to select from, when providing municipal services or improving the social and economic conditions of the people (also see section 152 (1) c of the Constitution of the Republic of South Africa, 1996).

Another reason for the introduction of PPP is that [metropolitan] government has changed from "a direct service provision role to an enabling role" (Sparks, 2003:14; Reese and Fasenfest, 1997:33; Leach et al., 1996:25). An enabling [metropolitan] government is a government that works with and through other organisations and people, and is committed to promoting the people’s choice with regard to the consumption of goods and services. The intention is that with the enabling approach, metropolitan government will be able to deliver services and improve local economies on a cost-effective basis. This means that there will not necessarily be a minimisation of cost or services becoming cheaper, but "there is a relationship between quality of services and the cost of providing the service" (Binza, 2001:186). An enabling approach is considered to be a "new modern path for development to achieve sustainable economic growth and to improve the standard of living and prosperity" (Tönnisson and Tönnisson, 2004:1).

PPPs are internationally recognised and considered acceptable LED and service delivery approaches in countries like the United Kingdom, United States of America, Japan, Australia, Canada, China, Thailand, Vietnam, Philippines, Sri Lanka, Sweden, and South Africa. In addition, they are considered “as programmes that offer a long-term, sustainable approach to improving social infrastructure, enhancing the value of municipal assets and making better use of taxpayer’s money to promote sustainable livelihoods” (Colman and Almond, 1981: 27; Connor and Dovers, 2004:14; Akintoye et al., 2003: xix, 3). With the number of countries listed above, it
is clear that PPP is an accepted and most appropriate alternative to the traditional local government direct provision of municipal services and facilities. The development and implementation of PPPs is one of the results of steps taken by different democratic governments towards economic and institutional liberalisation in response to globalisation and prescriptions of the Breton Woods Institutions (BWIs), such as the World Bank and the International Monetary Fund (IMF). The study notes that the metropolitan government is at the beginning of an innovative "wave" strengthening democratic governance and liberalisation, through which it improves performance and productivity, and mobilises resources for improving sustainable livelihoods of the local communities.

The public-private partnership model is a unique socio-economic and political experiment whose outputs deserve great attention in efforts to assist South African metropolitan governments in improving and enjoying the momentum of sustainable local economic growth and development, good governance, and the political goal of prosperity for all. By assessing the best international public administration and economic practices and theories, this study offers suggestions to improve the outcomes of PPP systems and processes in the local sphere of government. I argue that the identification of the most appropriate PPP model to accelerate growth and development of local economies and service delivery is more than a convenient government instrument. It is also a target of political opportunity for the government led by the African National Congress (ANC) to be seen improving the socio-economic conditions of the people in an equitable and cost-effective manner. In this study I hope to arrive at some suggestions to guide policy makers and senior administrators in the selected South African metropolitan municipalities to make more appropriate decisions on how to improve local economic growth through PPPs.

PPPs have already begun to enable municipalities to deal effectively with challenges such as lack of capacity, capital and resources, which hinder efforts of developmental metropolitan municipalities to combat poverty and unemployment in their respective areas. Chandler (2004:11) writes about the uniqueness of the PPP approach in comparison with the traditional service delivery by local government or mechanisms in the LED nexus, that regarding both the demand for a radical extension of political and economic rights and the demand for integration and
cooperation, neither government nor private organisation alone would be in a position to create sustainable prosperity in their relevant area of operation efficiently and effectively without partnering each other.

Rebault (2001:51) writes that PPP started when both the market and government failed to create and redistribute “economic benefits to the people who need them, with specific reference to the poor, and for-profit organisations to improve their bottom line. Partnerships between [metropolitan] government and private organisations are often seen offering an innovative method with a good chance of producing the desired outcomes.” The argument is that neither the metropolitan government nor the private sector can individually achieve its particular developmental or business goals. Ironically the private sector would have to achieve its business goals in this regard by partnering in long-term projects aiming at promoting the public interest (ibid.).

The development of this model is necessitated by a lack of an appropriate model for metropolitan government in South Africa. It is needed to enable metropolitan governments of the City of Cape Town and the NMBM to improve their respective local economies and shared governance. Currently there is no PPP model that is used for capital accumulation and sustainable development at the category A municipality level within the local sphere of government. The South African government has developed a National Framework for Local Economic Development and PPP municipal guidelines as two separate policy documents. There is no indication in either policy document that PPP and LED are interdependent and interrelated concepts or means to an end for sustainable development in the local sphere of government (Republic of South Africa, 2007:45). The PPP guidelines are for the application of PPP as a tool to improve service delivery generally, and not LED in particular (ibid.: 41). Furthermore, since the PPPs were enacted in the Local Government: Municipal System Act, 2000 (Act 32 of 2000), and Municipal Service Policy of 2000, none of these metropolitan municipalities have tailor-made the PPP model to improve their local economies for their specific environments, let alone for the whole of the local sphere of government.
It is in this regard that this model should be constructed, to serve as a guide and enable all LED functionaries to formulate partnerships that are sustainable and risk-free. There is no specific PPP model for metropolitan government in South Africa which the metropoles can use to improve LED and bring efficiency in the provision of municipal services to meet the socio-economic needs of their respective communities. However, the South African National Treasury has developed PPP municipal guidelines to guide all the three municipal categories. The PPP model is being developed in this research project, as well as the criteria for implementation by the metropolitan governments of the City of Cape Town and the Nelson Mandela Bay Municipality (NMBM). Only seven years later has the National Treasury developed the PPP municipal guidelines which all municipal categories can use.

There has been one relevant study conducted on LED in one category A municipality in South Africa since LED and PPP were enacted in 2000. This is a study by Diana Isaacs entitled *Evaluating Local Economic Development in the City of Cape Town*. Isaacs (2006) provides a history of LED and a global perspective of the LED concept. Her contribution to this subfield of Public Administration is remarkable as she focuses not only on the theory of LED, but also on the practice of LED. The case study on the implementation of LED in the City of Cape Town and evaluation strategies is worth mentioning. However, there has been limited focus on how PPP can improve LED in the City of Cape Town. There is no study that focuses on developing an appropriate PPP model to improve LED in the [NMBM and City of Cape Town or] metropolitan government in South Africa.

In an international context, Grimsey and Lewis (2004) in their book entitled *Public Private Partnerships: The worldwide revolution in infrastructure provision and project finance*, agree that PPP can bring efficiency in enabling governments to improve the infrastructure for economic development. However, their bias is towards the governance side of PPP, where risks can be transferred to a [private] party that can "comfortably" bear it. Officer (2003:14) also wrote a book on *The Respective Roles of Government and the Private Sector and Public/private Partnerships*, which focuses on mainstreaming the government in economic development matters and private sector on performing some of the traditional functions of government. In addition, Finley, in his book entitled: *Public Sector Privatization: alternative
approaches to service delivery, uses a public choice theory to provide an array of choices that governments can use when deciding on improving service delivery (Finley, 1989:76). In this book, PPP is mentioned as one of the mechanisms for better quality service delivery. Apart from international literature, in the local literature the focus on developing an appropriate PPP model to improve local economic development in a local government sphere seems to be invisible. This study will be the first of its kind to have this focus. Its contribution to the field of Public Administration is considered to be significant.

The following section briefly discusses the terrain of the study. More of local government is discussed in Chapter Three.

1.2 Local metropolitan government as focus of study

The local sphere of government with specific reference to the South African metropolitan governments, serves as the focus of this study. There are six metropolitan governments in South Africa, viz: Ekurhuleni, Ethekwini, City of Johannesburg, Tshwane, the City of Cape Town, and the NMBM. Only the latter two form the locus of this study. Metropolitan governments are Category A municipalities within the local sphere of government. This is the closest government to the people. There are two reasons for this choice of focus. First there is the locality of the metropolitan municipalities in question. Both the researcher and the research supervisor reside in close proximity to either the NMBM or the City of Cape Town. The research supervisor resides in Stellenbosch, which is the local municipal area closest to the City of Cape Town, and he has knowledge about the practice of local public administration in the city. The researcher resides within the NMBM area. Therefore conducting research in these areas would be more cost-effective, and there is a high probability that senior LED practitioners will be known by the researcher.

Secondly, in terms of the developmental status with regard to the human development index and Gross Geographic Product (GGP) which are used to measure the local economic growth of areas such as metropoles, the City of Cape Town and the NMBM in 2000 and 2005 ranked number 5 and 6 respectively (South
African Cities Network, 2006:4). The criteria for sustainable cities are provided for by the South African Cities Network, and are considered to be international best practices in which 9 of 283 South African municipalities are taking part. This does not imply that best practices as applied by the other four megacities in South Africa will not be studied. It is in this context that I hope to arrive at some suggestions to guide policy makers and senior administrators in the selected South African metropolitan municipalities to make more appropriate decisions on how to improve and sustain local economic growth and development through PPPs.

It is the lack of an appropriate PPP model and other local development-related problems mentioned below that serve as an indication that the research project on the development of PPP model to improve LED in the two municipalities is necessary.

1.3 Statement of the problem and sub-problems

The establishment of developmental and democratic metropolitan governments is a mixed blessing for local communities. In their inauguration in 2000, metropolitan governments “offered hope of faster and more equitable local economic growth” (Gillis et al., 1996: xiii), probably taking into consideration that they have limited resources and experience to bring velocity in building strong local economic development (Hunt, 2000:186; Samuelson and Marks, 1992:1). The former Minister of Provincial and Local Government, Professor Sydney Mufamadi, acknowledges that “…there is still a gap between expectations which our democracy has aroused amongst our people and what some of our [metropolitan] municipalities can actually deliver” (2004:2). What can be gleaned from the Minister’s acknowledgement is that [metropolitan] municipalities have shortages of financial resources and lack the capacity to accelerate service delivery, alleviate poverty, and combat underdevelopment.

The resource constraints and lack of (or insufficient) capacity to act increases the time response rate of the municipalities to overcome developmental challenges, and is considered to be an impediment to municipal competitiveness in carrying out its developmental agenda (Isaacs, 2006: iii; Binza, 2005:14). Insufficient capacity to act
refers to an inability of the municipality to use its available limited resources to achieve its goals effectively and efficiently (Nadler, et al., 1992:155). This problem is not policy design, but implementation failure (Cloete and Wissink, 2000: 86), which occurs in four possible ways:

- **Delivery failure**, which occurs when the municipality fails to recognise an opportunity to implement policies or good PPP projects;
- **Derailment** occurs when the municipality recognises and seizes developmental opportunity but loses it in the PPP implementation process because the project was not fully developed and supported by other recognised stakeholders;
- **Investment overload**, which refers to the implementation of solutions after excessive investment in time and effort; and
- **Replication failure**, which refers to a situation where solutions are implemented successfully in one phase of the PPP project or unit or department, but does not spread to all the project’s phases or the entire department or public service (Nadler, et al., 1992:156-7).

Another challenge to improving social and economic development through PPP is that metropolitan governments tend to use the services of consultants to develop and implement PPPs, which is considered expensive as they pay the salaries of the LED officials and also the services of the consultants (Binza and Fadane, 2006:14; Ascher, 1987:78). It is argued that insufficient capacity to act is caused by a failure to address key organisational problems, and poor or no implementation of solutions or policies which relate to LED in this regard.

In addition to the above problems, various constraints on poverty alleviation have also been identified as a problem affecting almost all municipalities in South Africa. South Africa is home to 44.8 million people, of whom 22 million live in abject poverty, with the majority falling below the poverty line and earning less than R301 ($30) per month (South African Year Book 2003/04:14). Poverty is about a lack of access to a combination of assets that enable a sustainable livelihood. It is manifested in a number of ways, including the lack of income, insufficient resources, and vulnerability to social, political and economic shocks (Mokate, 2002:2).
Table 1: South African economic growth: 1946-2002

<table>
<thead>
<tr>
<th>Time period</th>
<th>Average per annum rate of real GDP (%)</th>
<th>Average per annum population growth rate (%)</th>
<th>Average per annum growth rate of real GDP per capita (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1946-1950</td>
<td>4.2</td>
<td>2.6</td>
<td>1.6</td>
</tr>
<tr>
<td>1951-1960</td>
<td>4.5</td>
<td>2.6</td>
<td>1.9</td>
</tr>
<tr>
<td>1961-1970</td>
<td>5.7</td>
<td>2.6</td>
<td>3.1</td>
</tr>
<tr>
<td>1971-1980</td>
<td>3.4</td>
<td>2.6</td>
<td>0.8</td>
</tr>
<tr>
<td>1981-1990</td>
<td>1.6</td>
<td>2.6</td>
<td>-1</td>
</tr>
<tr>
<td>1991-1994</td>
<td>0.3</td>
<td>2.6</td>
<td>-2.3</td>
</tr>
<tr>
<td>1995-1999</td>
<td>2.6</td>
<td>1.6</td>
<td>-1</td>
</tr>
<tr>
<td>2000-2002</td>
<td>3.1</td>
<td>0.2</td>
<td>2.9</td>
</tr>
<tr>
<td>2003</td>
<td>2.5</td>
<td>-0.1</td>
<td>2.6</td>
</tr>
<tr>
<td>2004</td>
<td>3.7</td>
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<td>2.8</td>
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<tr>
<td>2005</td>
<td>4.3</td>
<td>1.1</td>
<td>3.2</td>
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</table>

Source: Hosking (2003:7)

The South African Year Book (2003/04: 45) ascribes this problem to the feeble economy inherited by the post-apartheid government, when the “GDP and the growth rate descended from 6 per cent in the 1960s to 1.8 per cent in the 1980s, eventually plunging into the negative range (-1, 1) in the early 1990s”. Table 1 above provides a clear picture of the nature of economic growth in South Africa.

Furthermore, between 1984 and 1993, the "average per capita income fell in real terms (constant 2000 rands) from R23 006 to R19 996. This means that South Africans of all races were 15 per cent poorer in 1993 than in 1984, as the economy was performing poorly" (Hirsch, 2005:2). The argument is that the legacy of apartheid will remain a problem for decades to come.

Paradoxically, there was "[an ill] golden goose" inherited from the previous government, but the challenge is to bring that "golden goose to health, and simultaneously to meet the legitimate expectations of the newly enfranchised majority" (ibid.).
The decline of economic growth was caused by various factors, namely: political instability; sanctions; the segregation policy of the past government, which resulted in exclusions, poor governance, and the dependency of black people and the former homelands of the pre-1994 government. In addition, economic development was the sole responsibility of the central government, as the former government had limited patience in making a move towards decentralisation (Sparks, 2003: 17; Hirst and Thompson, 1999: 54; Reddy, 1999: 21). There is, however, a great expectation created by the new government to create jobs in order to combat poverty, unemployment and underdevelopment. Therefore, the role of local government is considered to be that of "facilitating economic growth and providing an enabling environment for the private sector to create jobs" (IDP of Tshwane, 2003/04: 50).

The problem which is considered as the main concern of this thesis is the lack of appropriate PPP models to bridge the binary divide between "(metropolitan) government and the private sector, as the (national) government was much more involved in the economy in the past, but now lacks resources or capital to drive and improve the growth and development of the economy" (World Bank, 2003: 33; Commission of Public-private partnerships, 2001; Smit et al., 1996: 66). This will be explained and assessed in a later chapter.

The contribution of the metropolitan government to the improvement of local economic conditions without the involvement of the private sector would continue to be limited and would produce mixed results (Local Government: Municipal Systems Act, 2000: 44; Municipal Finance Management Act 2003: 16; National Treasury Regulation 16, 2004: 2). Care International agrees that metropolitan municipalities “can no longer afford to ignore the real urban socio-economic processes in their cities. Success will only be achieved if municipal governments catch up with these new liberal developmental processes and reinvent their institutions to be geared for a more networked mode of governance by forming partnerships with other spheres of government, organised civil society, business/private sectors, and citizens” (Cullen, 2001; Asian Development Bank, 2001). The view is that metropolitan government and the private sector “must have a shared responsibility to improve local economies so as to combat poverty, underdevelopment, and reduce

The development and implementation of the most appropriate PPP model is not straightforward, but complex. It would have to address problems like the lack of transparency, accountability, competitiveness of the PPP bids; the appropriate allocation of risks; private sector/developers' financial returns commensurate with risks; metropolitan government guarantees and investment; and credit enhancements (Ankintoye, et al., 2003: xix). Management of risk or risk-sharing is considered to be at the heart of most arguments against PPP (ibid.). To minimise risks and maximise benefits, principles of value management service, where decisions against a value system determined by a client are audited, must be applied throughout the PPP project life cycle. Risk must be identified, assessed, mitigated and priced during the first phase of the project or prior to any proposal approved by the National Treasury or relevant municipal council.

There are different approaches to PPP. Some are more appropriate in some contexts while others are more appropriate in others. The challenge is to identify and implement the most appropriate models for the specific organisational context and municipal area. The view is that a PPP model must meet seven criteria for strategic collaboration to enable the partnership to be effective in all contexts, viz: “clarity of purpose, congruency of missions, strategies and values; creation of public value; connection with purpose and communities; communication between partners, continual learning from each other and from the project, and commitment to the partnership” (Stainback, 2000: 47).

It is important to note that the change by local government from providing services on their own to involving the private sector is not a simple exercise (Leach et al., 1996:11). The view from the contending socialist forces is that PPPs constitute a microcosm of privatisation, and with privatisation, jobs are lost, services become expensive, the gap between the rich and the poor widens further, and transparency and accountability become mere buzzwords (Posusney and Cook, 2002: 26-27; Vorhies, 1990: 19).
Relevant to the main problem, other subproblems are mentioned and arguably perceived as disadvantages of PPP:

- Services delivered through PPPs may not be pocket-friendly for the indigent, as the private sector is interested in yielding a profit. It is perceived that service providers would provide quality services to the "haves", and meagre services to the poor, and this will discriminate between the rich and the poor.
- Profiting from public goods and services is unethical.
- PPP results in the redeployment of staff, and retrenchments, which increases the rate of unemployment.
- PPP is considered expensive, as services will include hidden costs (e.g. administrative costs and higher salaries) to cover the employees' well-being.
- An increasing public apathy in local government affairs will be created.
- Public accountability fades away as business companies account to shareholders. Local authorities provide accountability directly to the people and to the provincial and national spheres of government (COSATU, 2003; Sineke, 2001; Probyn, 1997; Siedle, 1995:45).

Michael Watts in Crush (1995:44) asserts that to break through the barriers of stagnation and the problems of metropolitan governance is to ignite the imaginations of men, and to place their energies in the service of (local) economic development. He further writes that "a stronger medicine is needed than the promise of better allocation of resources or a lower price for bread [for the poor]. What is needed to remove the mountains of routine involvement of the government in the economy is faith in the partnership between metropolitan government and private sector to bring efficiency in the development of local economies, which will impact on reducing the unemployment rate and combat poverty". Leach et al. (1969:2) agree that metropolitan governments "have to work more through a complex network of partnerships, contracts and influence in order to achieve service delivery and local socio-economic development".

South African metropolitan governments are facing the challenge of balancing the need to achieve international competitiveness through improving and sustaining the growth of their local economies at the same time as providing quality public services
in an effective, efficient, economic and equitable manner. The attempt to get the
above balance correct is “one way of thinking about what makes a successful
metropolitan government” (South African Cities Network Scorecard, 2006:43).

The South African Cities Network Scorecard identifies four areas in which the
metropolitan government needs to do more to be successful:

- **Inclusiveness**: metropolitan governments must ensure that all citizens share
  in the socio-economic benefits and opportunities provided by the city.

- **Productiveness**: resources must be used effectively to generate economic
  benefits. Leach *et al.* (1996:62) write that local governments must have
  adequate quality assets to sustain the “momentum of productivity” in their
  respective areas, notably: infrastructural or physical capital, human capital,
  financial or economic capital, and social capital.

- **Being well-governed**: metropolitan governments must enhance the
  involvement of the private sector, unions, communities, NGOs, CBOs,
  provincial and national spheres of government, and other international
  developmental agencies to participate in various external and internal fora
  responsible for PPP programmes and municipal governance. With regard to
  provincial, national, and Category B and C municipalities, the metropolitan
  governments are required to abide by the principles of cooperative
  governance as provided for in section 41 (1) of the Constitution. Working
  together with the above stakeholders, the metropolitan government would not
  only be improving local economies, but would also be assisting them in
  improving their organisational performance and productivity (Blakely,

- **Sustainability**: the manner in which development takes shape through PPPs
  should not result in social, political, economic and organisational instability. It
  is imperative that development in this regard is affordable, demonstrates VFM,
  results in financial stability and expands the revenue base of the metropolitan
  government (South African Cities Network Scorecard, 2006:44).

The above benchmarks for successful metropolitan government are considered to
be international best practices, and are apparent in the municipalities of the
developed Western and European countries (Parker and Saal 2003:25; Leach et al., 1996:20). The benchmarks form the core of how the three municipal categories must continue with their developmental mandates, and are considered imperative for dealing with the problems mentioned in this research. Furthermore, they serve as criteria by which the performance of the municipalities is evaluated in terms of the South African Cities Network Balance Scorecard (South African Cities Network Scorecard, 2006:44).

Lastly, it is hoped the PPP model will be implemented effectively. An increased understanding of the benefits of PPP needs to be shared with municipal stakeholders and realised by the entire metropolitan community, in particular the poor and previously marginalised people.

1.4. Units of analysis and research questions

The basic units of analysis of this study are the City of Cape Town and the NMBM, which are metropolitan municipalities using PPP as an appropriate service delivery approach in implementing LED as an IDP instrument for sustainable reconstruction and development.

The study attempts to address the following questions:

- What type of model could be developed and adopted by the South African metropolitan governments (and public sector) to effectively use public-private partnership as a means to an end to improve and sustain economic growth and development, good governance and productivity?
- Can there be a more appropriate model developed to ensure that PPP projects are designed and applied in an effective, efficient, economical and equitable manner, and applied within the jurisdiction of the laws governing metropolitan governments?
- Are there risks involved in the PPP initiatives? Is there legal control and are there regulations by metropolitan governments over PPP?
• Are there competent leaders or managers and/or institutions to provide resources, and enforce contracts and standards for PPP so as to combat any backlogs in sustainable economic development?
• Are there any alternatives to public-private partnerships, and what would their impact be on local economic development?

1.5 Objectives of the research

The primary objectives of the study are to:
• Investigate challenges to effective LED in the metropolitan government through conducting case studies in the City of Cape Town and NMBM, and suggest possible solutions to enable them to progress faster and better to meet the socio-economic needs of the people.
• Develop a theoretical framework for the epistemological comprehension and practice of PPPs in South African (local) administration with specific reference to their application in the area of local economic development in Cape Town and the Nelson Mandela Bay Metropole.
• Investigate whether there are any policy authorities responsible to provide resources, enforce contracts and service standards to enable metropolitan governments to be efficient, effective, and economical in designing, managing and exercising control over PPP ventures. In addition, to investigate the nature and scope of risks involved in PPP transactions so as to advise decision-makers and policy-makers about the possible ways of minimising the risks and improving good governance.
• Develop an appropriate PPP model in order to improve local economic growth and development in the developmental metropolitan governmental areas of the City of Cape Town and the NMBM.
• Draw conclusions and make recommendations on the application of the PPP model, and suggest areas of further research to scholars, practitioners and policy-makers at the local (metropolitan) government level and in the public sector, and decision-makers in the private sector with an interest in the area of PPP.
1.6. **Research methodology**

Research methodology is a procedural logic followed to conduct a scientific inquiry to test a key hypothesis or answer a research question (Palys, 1997: 3-4), to enable the researcher to predict and explain specific phenomena by amassing various scientific facts in an endeavour to “tacitly agree to the epistemic imperative -- meaning a quest for truthful knowledge” (Mouton and Prozesky, 2001:4). The scientific facts (Palys, 1997: 4) must be reliable and valid. Palys (1997: 4) writes that reliability implies that “repeated observations of the same phenomena should yield similar results, and different observers following the same [research methodology] or procedures should arrive at the same conclusions. Validity means measuring what one wants to measure” (Palys, 1997: 4). According to Bulmer (1984:4), research methodology denotes the “systematic and logical study of the principles guiding the investigation, concerned with the questions of how the researcher establishes social knowledge and how he/she can convince others that his/her knowledge is correct”. The following methodological approaches were followed in this study.

1.6.1 **Qualitative approach**

Qualitative research is a “form of enquiry that explores phenomena in their natural settings and uses multiple methods to interpret, understand, explain and bring meaning to them" (Anderson and Arsenhault, 1998:119). Qualitative research is about the “collection and analysis of information based on its quality and not quantity. It can use un-constructed logic to unravel the meaning of research which means that there are no step-by step rules, terms or procedures that must be followed” (ibid.). Qualitative research is a “field of inquiry that crosscuts disciplines and subject matters which involves an in-depth understanding of human behaviour and the reasons that govern human behaviour. Simply put, in this research project, qualitative research enables the researcher to investigate the why and how of decision-making” with regard to the development of an appropriate PPP model to improve LED in the South African metropolitan governments (Bulmer, 1984:54). Punch (2005:2) writes that qualitative research is an “empirical research where data are not in the form of numbers”.

The preliminary exploration commenced in 2003 with the assessment of, and participation in, the development and revisions of LED policies of the two municipalities by the researcher. This means that the researcher was a direct participant in the development processes of the LED policy in the NMBM. With regard to the City of Cape Town, the researcher only participated when the city was implementing its policy -- when the city was identifying and developing its local areas economic development (LAED), and during the revision of the LED and Human Settlement policy in 2006. In addition, during the interview period with the respondents, the director of the LED Unit, Ms Zolile, organised an excursion to study the progress in the development of the LAED in the City of Cape Town.

In this regard, the iterative process of qualitative research was followed. It was during this time that data was collected and analysed so as to commence with the writing part of the thesis. The researcher attended various LED meetings with staff at the LED Unit which aimed at formulating and adopting the 2020 Citywide Economic Development Strategy of the NMBM, and later revising the policy of the NMBM. With regard to the NMBM, there was a direct participation in terms of researching what should be added on the policy, and reactions of staff members to the policy during its developmental stages were also observed.

There are different ways or methods to apply qualitative research:

- “Discourse Analysis -- study of words and phrases used in communication, often revealing hidden or implied meaning.
- Ethnography -- detailed study of social functioning of a group, tribe or organisation.
- Action Research -- methodology where the researcher is an active participant in the process being studied, as well as an observer.
- Oral History -- account from a living person of a past event or series of events.
- Participant Observation -- the researcher manipulates a group or participants in a study, either from within the group or external to it.
- Feminist Research - methodologies which focus on the role of women in society and the economy” (Palys, 191997:47).
An action research approach was followed in this regard as the researcher was actively involved in policy formulation at the NMBM and observing the process of LED in both municipalities. Three LED meetings and one excursion were also attended in the City of Cape Town to gather information on how the two municipalities were implementing the policy. The excursion was organised in 2006 by the LED Unit of the City of Cape Town to see the development and operation of the local area economic development (LAED). The LAEDs were established in terms of the Economic and Human Development Strategy (EHDS) as revised and adopted in May 2006. However, the meetings and the excursion in Cape Town took place during the writing stages of the thesis.

These meetings in both the municipalities and the excursion organised by the City of Cape Town enabled the researcher to study and make sense of the way the policies were developed, revised, adopted and implemented (Anderson and Arsenhault, 1998:120; Bless and Higson-Smith, 2000:39).

1.6.2 Deductive and inductive approaches

In this study both deductive and inductive approaches were used. It is considered important to describe these approaches before discussing how they were utilised in the study. Palys (1997:43) writes that the inductive research approach is used in qualitative research, and it starts with “specifics and uses these to generate principles”. A researcher has to begin with the application of his/her research methodology by observation before moving to theory. This was done by participating in various LED policy workshops and excursions into the field to gather empirical information from stakeholders, who then provided the notion that PPP is considered as an appropriate external mechanism to promote sustainable economic growth and development and sustainable livelihoods of the local citizens (City of Cape Town, 2006: 176; NMBM, 2004: 88). The aim was to gather information with regard to the behaviour and attitudes of respondents to the development and implementation of PPP as an appropriate model in their respective areas. In addition, the deductive approach enabled the researcher to reason from the broad role of theories about developmental local government which is to “improve and sustain social and economic
development" as provided for in Section 152 of the Constitution of the Republic of South Africa, 1996.

The deductive approach enabled the researcher to "identify general principles that could be used to interpret the behavioural outcomes of the respondents in the study" (Palys, 1997:47). The inductive approach enabled the researcher to "get inside the heads" of LED practitioners of the two municipalities and understand why and how they developed their respective LED policies and considered PPP as an appropriate external mechanism to bring efficiency and effectiveness in the application of their LED policies and national PPP regulations (ibid.).

1.6.3 Literature assessment

A literature study of available texts such as relevant books, journals in the field of Public Administration and the economic sciences, conference proceedings, legislation, dictionaries, and other publications such as print media were used as primary sources to obtain information necessary for the development of a PPP model.

1.6.4 Purposive interviews

A normative survey method was conducted to test the theory of the investigation by means of qualitative research methodology and quantitative aspect of the qualitative research (Creswell, 1998:118). Qualitative research is used to provide a subjective perspective of human action, and has as its primary goal to describe and understand human behaviour. In this study, the goal was to create an appropriate model to be used as a framework to bring the two sectors, public (metropolitan) governments and the private sector together, to improve LED for the benefit of all inhabitants in their respective areas (Mouton and Prozesky, 2001:270).

This study is primarily a qualitative study, and little quantitative data is used. Bless and Higson-Smith (2000:28, 98) write that quantitative research “relies on measurement to compare and analyse different variables, which are conducted in terms of magnitude”. Measurement in this case is expressed by the “type of scales
used to measure things or sets of rules used for quantifying” (ibid.). The objective is to develop a PPP model that aims at improving local economic growth in the two selected South African metropolitan governments. Leedy (1989:133) states that the normative survey method implies the “assumption that whatever we observe at any time is normal (the norm) and under the same conditions could conceivably be observed at any time in the future. The basic assumption underlying such an approach is that given phenomena usually follow a common pattern or norm.

Sometimes this survey method is called "the descriptive survey method", in which case the researcher observes, with intense accuracy, the phenomena of the moment and then describes precisely what he/she observes. In this case the researcher has to do the following:

- Observe with close scrutiny the population bounded by the research parameters.
- Thereafter make a careful record of the observed phenomena to enable one to study the observations thoroughly (Leedy, 1989:134).

The normative survey method is governed by the basic rule: “…nothing comes out at the end of a long and involved study which is any better than the care, the precision, the consideration and the thought that went into the basic planning of the research design and the careful selection of the population. The results of a survey are no more trustworthy than the quality of the population or the representativeness of the sample. Population parameters and sampling procedures are of paramount importance and become critical factors in the success of the study…” (Leedy, 1989:134). This is especially relevant in the case of representative, random samples from a universe. The normative survey method used in this study is appropriate for data that is derived from an observational situation which is conducted by means of purposive research questionnaires. The purposeful selection of the research population represents a key decision point in a qualitative study (Creswell, 1998:118).
A self-administered questionnaire was used, with the help of two affiliated field workers in the two selected metropolitan municipalities. However, respondents had to complete a questionnaire in their own time and then give it to the respective fieldworker. The advantages of these research techniques are: "versatility and the opportunity they provide of getting first-hand information directly from respondents. With face-to-face contact, a higher response rate is possible, and confusion and ambiguities can be efficiently eliminated" (Bless and Higson-Smith, 2000:104-105; Palys, 1997:145). The questionnaires were designed to have structured statements (80%) Open-ended statements were used and constituted the remaining 20% of the questionnaire.

It was decided to employ English as the only language, including the covering letter, in an attempt to improve the response rate. English is the language used as a medium of communication and doing business in all the metropolitan municipalities. At least 60 questionnaires were distributed to the fieldworkers who assisted with the dissemination to the respondents to complete. The field workers were part of the target sample population of the two municipalities as LED specialists. Two hours of training were organised for them to enable them to manage effectively the process of gathering data from the respondents through questionnaires. They were also trained how to manage respondents’ concerns and enquiries with regard to the questionnaires. Each field worker was given a tape recorder to record the proceedings of the meetings with the respondents, to enable them to get the additional comments about other related PPP issues not covered in the questionnaire.

It was decided to send the questionnaire to all people working in the LED Unit of the two municipalities, as well as to their relevant political heads. In Cape Town the field worker decided to call a meeting where respondents were asked to complete the questionnaire in the presence of the field worker. This approach provided her with an opportunity to answer questions from the respondents and to respond.

The five-point Likert response scale as described by Zimbardo-Ebbeson (1969:125) was selected as a measuring instrument. The Likert scale enables an effective comparison to be conducted and to “establish a rank-order between different values
of a variable to classify the feelings of the respondents” (Bless and Higson-Smith, 2000: 99).

1.6.5 The population and the sample

The population for the research survey must be carefully chosen and clearly defined. In addition, measurable or quantifiable limits must be determined in order to set distinct limits on the population. Terreblanche and Durrheim (2002:274) write that sampling is a “process used to select cases for inclusion or participants in a research study”. The sample population in the two metropolitan municipalities consisted of elected representatives heading the portfolio of LED, executive mayors, municipal managers, senior managers, and staff members affiliated to the Business Unit for Local Economic Development, as well as the Chief Executive Officer of the Municipal Infrastructure Investment Unit (MIIU). In addition, members of shop stewards councils of the South African Municipal Workers Union (SAMWU), and Independent Municipal and Allied Trade Union (IMATU) formed part of the sample population so as to obtain reliable data to make sound recommendations on how the public-private partnership model could impact on local economic development.

It is important to describe how the sample was selected. The director for LED in the City of Cape Town, Ms Zolile, and the acting business-unit manager (BUM) for LED and tourism in the NMBM, Mr Kalawe, were both requested to provide names of their staff working in their respective units and request them to participate in this research project. In addition, the researcher was involved as a consultant to the LED and tourism unit of the NMBM in terms of LED policy development. It is through this involvement that he was familiar with employees of the unit and also requested them to participate after asking permission of the executive director of the unit. This led to the above sample population being selected.

1.7. Reference technique

The shortened Harvard reference technique is used in this study.
1.8. Dissemination of research results

The results of the study will be made available in the form of a bound document given to the Nelson Mandela Metropolitan University (NMMU) library. Copyright on the thesis resides with NMMU, who will decide whether to make it available in other formats (e.g. electronically).

Forty-one research papers from the current research have so far been presented in 11 international and 30 national conferences and seminars since reading for the thesis was started in 2003. In addition to the above form of research dissemination, 16 research papers on different themes emanating from this research have so far been published in international and national accredited journals, and (non)-accredited conference proceedings.

1.9 Structure of report

**Chapter One: Introduction and background**

This chapter has provided an outline and the focus of the research study, which is about the development of a PPP model for South African metropolitan municipalities to enable them to improve their respective local economies. A brief description and definition of concepts used in the study has been provided. The research problems have been identified, and a thesis to deal with the problems has been formulated, as well as the research methodology which will be used to establish whether the thesis will be productive in bringing about effective solutions to the challenges to the implementation of PPP by metropolitan governments. In this context, research questions and the objectives of the research have been formulated. Finally, the manner in which the research will be disseminated has been suggested.

**Chapter Two: The theoretical bases of local economic development as a strategy in Public Administration and Management**

This chapter deals with an array of theories and approaches useful for developing a reliable and systematic understanding of LED and PPPs with specific reference to their application in a metropolitan government. The aim is to summarise the main
theories applicable to local economic development as an important developmental strategy in Public Administration and Management. A brief conceptual perspective on theoretical approaches to PPPs in the context of metropolitan public administration is offered, in the hope that this will suggest new possibilities of description, explanation and prediction for all those with an interest in the study and practice of these subfields of Public Administration and Management.

Chapter Three: The evolution of developmental local government: internationally and in South Africa

The appropriate point of departure of this chapter is first to provide a brief overview of the relevant South African local government legislations and policies. The structures and functions of South African municipalities with specific reference to metropolitan municipalities is explored. The necessity and the nature of the developmental approach by South Africa in her attempt to combat poverty and inequalities is discussed. In this stimulating context, a case study of LED policies of the City of Cape Town and NMBM as IDP is given to assess the progress made with regard to the implementation in the two municipalities. In conclusion, the chapter makes an assessment of what similarities and differences there are between the international best practices in developmental local government compared to those in South Africa.

Chapter Four: A case study of local economic development and public-private partnerships in metropolitan local government in South Africa

The purpose of this chapter is to provide a case study on the nature of the process followed in the development of LED policies of the City of Cape Town and NMBM. The policies of the municipalities have to comply with the national socio- and macro-economic policies. The chapter begins by chronicling the main policy development discourses over the past 14 years and noting their significance for the manner in which the South African government operates, as well as how local government have to structure their IDPs and LED policies to demonstrate not only compliance, but innovation. In addition, it discusses the significance of the LED policies and IDPs
through which the metropolitan governments show commitment to promoting and strengthening shared governance and combating poverty and exclusions.

**Chapter Five: Empirical assessment of public-private partnerships for improving local economic development in NMBM and Cape Town**

This chapter first explains the empirical research methodology employed to compare and assess the utility of current PPP approaches in the NMBM and Cape Town case studies that were selected for purposes of this research project, in order to identify the existing weaknesses and strengths of the respective programmes. The research objective is to test the key hypothesis presented in Chapter One against the available empirical data. The second part of this chapter summarises the empirical findings.

**Chapter Six: Public-private partnership model developed for the City of Cape Town and the Nelson Mandela Bay Municipality: Improving and sustaining local economic development**

In this chapter, an appropriate PPP model called the Participatory Development Systems model (PDSM) and referred to as "the PPP model" aimed at improving and sustaining LED in two metropolitan governments in South Africa, is constructed. The model is hybrid in nature. It embodies and synergises elements of public administration (metropolitan government) and private administration (private sector) as the partnership is between these two sectors. The policies of the present government embody these two elements in support of the country’s mixed economy (see the Reconstruction and Development Programme, 1994; the National Strategy, 1995; Growth, Employment and Redistribution, 1996; Accelerated and Shared Growth Strategy of South Africa, 2005; and all nine Provincial Growth and Development Programmes as well as various municipal Integrated Development Plans as are reviewed on a yearly basis).
Chapter Seven: General Conclusions and Recommendations

This study constitutes an important contribution to the Public Administration literature and practice on the evolution of PPPs and local economic development (LED) in the South African local sphere of government. The evolution of the scientific literature and epistemology on PPPs is relatively new and is now starting to accelerate. This chapter provides for the recommendations and conclusions of this research project. In addition areas for further research are identified and suggested.

1.10. Conclusion

In this chapter, conclusions are drawn about the qualities of the metropolitan governments and doubts expressed are that on their own metropolitan governments will be unable to improve LED that creates jobs and combat unemployment and poverty. An appropriate PPP approach might improve local services delivery. Akintoye et al., (2003: xix) agree that “the joint approach allows the public sector client and private sector supplier to blend their special skills and to achieve an outcome, which neither party could achieve alone”. In addition, the metropolitan governments face the challenge of performing successfully in: (1) achieving their objectives as stipulated in Section 152; (2) carrying out their constitutional developmental duties as provided for in section 153 of the Constitution respectively; and (3) making their cities internationally competitive by meeting the international best practices for economic development and good governance (South African Cities Network Scorecard, 2003:4). It should be noted that the success of any PPP model is dependent on the direct involvement of the private sector through investments in the four capitals, and furthermore on the transfer of skills and knowledge to metropolitan governments for an efficient operation and management of PPP’s processes and programmes (National Treasury Regulation 16, 2004:1).
CHAPTER TWO

THE THEORETICAL BASES OF LOCAL ECONOMIC DEVELOPMENT AS A STRATEGY IN PUBLIC ADMINISTRATION AND MANAGEMENT

“Proper concepts are needed to formulate a good theory, but we need a good theory to carve out proper concepts” (Hulme et al., 1998:6).

“Theory...does not flow above everyday life in a detached way. It comes from some place, and it is the responsibility of analysis to return it to there” (Perry, 1995:2).

2.1 Introduction

This chapter summarises an array of theories and approaches useful for developing a reliable and systematic understanding of LED and PPPs with specific reference to their application in a metropolitan government. The aim is to identify the main theories applicable to LED as an important developmental strategy in Public Administration and Management. A brief conceptual perspective on theoretical approaches to PPPs within the context of metropolitan public administration is offered, with the hope that this will suggest new possibilities of description, explanation and prediction for all those with an interest in the study and practice of these subfields of Public Administration and Management.

The test of the validity or usefulness of any theory according to Lieber (1976:5) is that it must meet three requirements, viz:

- **Description**: this implies that the theory must accurately depict or represent the events that take place in the real world.

- **Explanation**: the theory must provide explanations and reasons why events take place, with the understanding that the nature, accuracy, and rationality of the explanations may vary from person to person.

- **Prediction**: when a theory provides causes for events, and statements about the causes of events, these imply predictions (ibid.).
Kaplan (1957: xi) states that a theory “includes a set of primitive terms, definitions and axioms. From this base, systematic propositions are derived. These propositions should be logically consistent and be interpreted”. Four distinct meanings of theory are applicable here:

- "Theory is a collection of derived theorems tested in the process of predicting events from observed conditions. This definition is relevant to the natural sciences.
- Theory is an activity that aims at subjective understanding, and that implies an intuitive organisation of perception.
- Theory is inherent in the attempt to gain intuitive understanding of social behaviour, institutions, political systems, and cultures. In this context one needs to know how best to marshal factual material in such a way that the reader who views the evidence through the metaphors, concepts and definitions of which the theory is constructed will have an experience of understanding.
- Theory, in a normative sense, deals with what 'ought' to be” (Lieber, 1976:8; Rapoport, 1958: 980).

It is important to note that in the context of “matter of scope”, theories may vary by object, i.e. empirical, philosophical, and policy-orientated (Lieber, 1976:8; Hoffmann, 1965:6). Welman and Kruger (2001:11) concur with the above view by writing that theory is an important “part of the edifice of science. Its definition maintains that theory is a group of logical, related statements that are presented as an explanation of a phenomenon, and …that encompass one or more hypotheses”.

In this chapter, the concepts of public-private partnerships, development and sustainable development are briefly discussed. This is followed by a discussion of the theoretical approaches relevant for LED in public administration. In this section, public choice theory is discussed as the theoretical base for this research project. Within this context, the new public management theory (NPM) is discussed together with its implementation options, such as privatisation approaches.
2.2 The concept of public-private partnership

“I cannot stress enough the importance of partnerships. The task ahead is too formidable for any single institution or set of institutions to tackle. Every one of us has a role to play: private sector, public sector, civil society, non-governmental organisations, academia, multilateral and bilateral donors, and development organisations” (Mills, 2002:172).

The concept was conceived at the end of the 20th century. Countries such as Bulgaria, Croatia, the Czech Republic, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Netherlands, Poland, Portugal, Romania, Slovenia, Spain, New Zealand, USA, and the United Kingdom began to improve their local economies and combat poverty through PPPs (Grimsey and Lewis, 2004:3-6; Cullen, 2001:2). There has, however, been no “common genesis” in the development of PPPs in these countries as the influence of political, social, technological and economic factors varies from country to country (Cullen, 2001:12; Farnham and Horton, 1996:89). Roth (1987:1) writes that the “important thing for governments is not to do things which individuals are doing already and to do them a little better or a little worse: but to do those things which are not done at all”. The arrangement of this initiative encompasses a variety of metropolitan government and private sector interactions, with metropolitan government being the enabler or facilitator of local economic development, and the private sector contracted to be the provider of goods and services as well as the "grower" of local economies (Payne, 1999:123). The argument is that PPPs assist metropolitan government in procuring assets and receiving quality services in an effective, efficient and economical manner.

The definition of PPPs has been provided in Chapter One. However, the definitions by Ireland’s Department of Public-Private Partnerships fit well into this research project. PPP is a “partnership between the public and private sector for the purpose of delivering a project or service traditionally provided by the public sector” (2001:1). “risk-sharing relationship based on a shared aspiration between the public sector or metropolitan government and one or more partners from the private sector to deliver a publicly agreed outcome or service” (ibid.:2002:1). The State Authorities (Public Private Partnerships Arrangements) Act, 2002 (Act 1 of 2002) defines PPPs as a
“contractual arrangement between the public and private sectors (consistent with a broad range of possible partnership structures e.g. Design Build Operate and Finance) with clear agreement on shared objectives for the delivery of public infrastructure and/or public services by the private sector that would otherwise have been provided through traditional public sector procurement” (ibid.:2002:1).

What can be gleaned from the above definitions is that a PPP involves a legal agreement signed and binding to the parties concerned, to provide for the duration of the partnership, stating the value of the projects and the beneficiaries of the projects. The involvement of the private sector in both the provision of services and economic development is not new (Saal and Parker 2003:14). The view is that PPP recognises that both the metropolitan governments and the private sector have certain advantages relative to the other in the performance of specific tasks. By allowing each sector to do what it does best, public services, infrastructure and local economic growth can be provided in the most economical and efficient manner possible. Metropolitan governments around the world have been using the private sector to build and maintain roads, schools, harbours, railways, hospitals, prisons and airports, and to provide waste management services (Shah, 2005: 139).

The PPP models developed by the governments of Australia, Canada and Britain contain the following elements:

- The metropolitan government defines the services by reference to specific outputs and outcomes, and the key performance indicators or criteria, which the private provider has to adhere to for the duration of the project (10-30 years).
- The metropolitan government must receive the asset or the service before making payment. The funds are distributed after the construction phase of the asset, or after the function has been performed according to the agreed standards and performance stipulations.
- The private sector designs, operates and owns the asset for the agreed period in order to ensure that all risks remain its responsibility. "Risk" refers to a "situation where a randomness facing an economic entity can be expressed in terms of a specific numerical probability, which could be objective or subjective" (ibid.).
Table 2: Forms of public-private partnership

<table>
<thead>
<tr>
<th>Forms of PPP</th>
<th>Description</th>
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<tbody>
<tr>
<td>1. Build Operate Transfer (BOT)</td>
<td>An agreement where the private sector takes primary responsibility for financing, designing, building and operating the PPP project or concessionaire for the period of the concession (15-25). After the private sector has earned its capital and profit, it then transfers the control and ownership to the metropolitan government.</td>
</tr>
<tr>
<td>2. Build Own Operate (BOO)</td>
<td>An agreement where the private sector finances, designs, builds, operates, controls and takes ownership of the PPP project in perpetuity.</td>
</tr>
<tr>
<td>3. Leasing</td>
<td>The financial risk is transferred to the private sector. The municipality designs and builds the facility and leases it out or contracts it to the private sector which takes a primary responsibility for operating and maintaining the facility. A leasing or affermage (lease) contract is the most usual form of PPP in the six metropolitan governments.</td>
</tr>
<tr>
<td>4. Joint Ventures (JV)</td>
<td>Both the private and public sector with specific reference to the metropolitan government form a partnership to jointly finance, own and operate a facility or project for a specific duration. The Japanese government considers JVs as a &quot;third sector&quot; approach to local economic development, with the public sector considered to be the &quot;first sector&quot; and the private sector the &quot;second sector&quot; respectively (Grimsey and Lewis 2004:11).</td>
</tr>
<tr>
<td>5. Management Contract or Operations</td>
<td>The private sector is partially involved in the provision of infrastructure-related services or partially manages the operations of the facility for a period specified in the contract. Management Contract or Operations can take the following forms of PPPs, namely: Design Build Finance and Operate (DBFO); Operate Maintain and Manage (OMM); Operate and Maintain (OM). The length of the management contract ranges from 5-15 years).</td>
</tr>
<tr>
<td>6. Cooperative Arrangements or Public-Private Cooperation</td>
<td>These are informal partnerships between the public sector, which is in this regard the metropolitan government, and the private sector. The metropolitan government provides fiscal incentives and guarantees to attract the private sector to invest in physical or infrastructural development in their respective areas.</td>
</tr>
</tbody>
</table>

Grimsey and Lewis (2004:10-12).
• The metropolitan government devolves control to the private sector to enable the private sector to manage resources effectively and efficiently for the success of the partnership (ibid.: 6-7).

This should serve as a benchmark and barometer for specific PPP models to be developed for metropolitan municipalities, as local circumstances vary from country to country and municipality to municipality. PPP is considered as a microcosm of privatisation (Kelly, 2003:45; Ott, 2002:92; Kay et al., 1986:7), and can take various forms. The most usual forms of PPP in the metropolitan governments are contracting out; leasing; build operate and transfer (BOT); and build, own and operate (BOO).

PPPs are awarded through a competitive supply chain management system in which the lowest bidder promising, in its proposal, to provide quality services on time, is chosen. In many countries like the United State of America (USA), United Kingdom (UK) and New Zealand, it is not uncommon to find local government employees forming a consortium to compete with the private sector to provide a municipal service (Shan, 2005:129; Goldsmith, 1998:56). In PPP, local government is enabled to draw on private-sector expertise and transfer the risks to the private sector.

In addition, the private sector is able to provide the kind of capital required for development without the local government borrowings. PPPs have produced most savings and improved efficiency and effectiveness of service (Shah, 2005:141). Local government must request its council or appoint a regulatory body to "regulate prices to protect the public or customers and taxpayers from inefficient and unfair price increase in particular cases where the private sector provider has no competition" (ibid.:142).

The process of setting up a regulatory system is complex. It requires those involved to ask the right questions: When, by whom and how should prices be regulated?

• "When?" Price regulation is influenced by the environments in which the PPP takes place. It also differs from place to place as standard of living varies from
region or province or state to state. However, it is “strongest in instances where competitive pressures both in terms of decision making or lack of opportunity for local council to make decisions on the trade-offs for all local goods and services, and production and delivery are weakest, as in non-contestable markets” (Shah, 2005: 142).

- "Who?" Price regulation can be the responsibility of a municipal council or an independent body established by the council with the assistance of provincial, federal or national governments which must employ experts who may best serve the local inhabitants. Using the services of an independent regulatory body may limit the interference of council on the daily operations of the service provider.

- "How?" The council must be clear on the criterion or benchmark to be used in determining the appropriate price for a service to be provided via PPP. Both the council and citizens must know whether the price is based on financial costs or economic costs or defined [international or national] service standards" (ibid.:142-3).

Price regulation is one of the appropriate tools to monitor the costs of services delivered through PPP. Monitoring of the service provider’s activities and performance is important to enable the municipality to determine whether the private sector is working according to schedule and producing the agreed service according to agreed service standards. Most importantly, monitoring gives local government an opportunity to exercise accountability governance.

Improving local economic development through PPPs is a "necessary evil" initiative because every PPP project, like any other project, is risky (Charoenpompattana and Minato 1999:436). However, when there is "high certainty" of the success of the project, the local economy will register a growth increase. On the other hand, low certainty leads to high risk both to the project and the economy. The difference between risk and uncertainty is that in the case of the former, the “probabilities of the various future outcomes are known” and in the case of the latter, the “probabilities of the various future outcomes are merely wild guesses because the instance in question is so entirely unique that there are no others, or not a sufficient number, to
Table 3: PPP-induced risks and causes

<table>
<thead>
<tr>
<th>Type of risks</th>
<th>Causes</th>
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</thead>
<tbody>
<tr>
<td>1. Economic risks</td>
<td>Economic risk is due to devaluation risk, foreign exchange risk, inconvertibility of local currency, inflation risk, interest rate risk, and small capital market risk.</td>
</tr>
<tr>
<td>2. Legal risk</td>
<td>This is caused by inefficient legal process or disregard of legal process by the processing party, legal barrier, and changes in [relevant] laws, regulations and policies.</td>
</tr>
<tr>
<td></td>
<td>This includes incapability of investors, infrastructural risk due to low quality or limited physical infrastructure, demand and supply risk, improper regulation, liability risk, price escalation, management risk as a result of high operating costs and maintenance costs, and technical risk which is due to engineering and design failures.</td>
</tr>
<tr>
<td>3. Operation risk</td>
<td>This is caused by internal resistance of employees to change and transformation, labour or union resistance to privatisation or PPP initiatives and programmes, a move by government towards nationalisation in the midst of the PPP project, political influence by the “lefts or rights” to liberalisation, uncertainty of government policy, instability of the political environment which results in internal instability, and unsupportive government policies.</td>
</tr>
<tr>
<td>4. Political risk</td>
<td>This is caused by a delay in privatisation, improper privatisation, ineffective or incompetent administration, limited number of [interested] investors, and unfavourable investment conditions.</td>
</tr>
<tr>
<td></td>
<td>Involves war and other natural calamities and acts of God.</td>
</tr>
<tr>
<td>5. Transactional risk</td>
<td>Due to faulty construction techniques and cost escalating or delays in construction.</td>
</tr>
<tr>
<td>6. Force Majeure risk</td>
<td>Exists because of traffic shortfall or failure to extract resources, the volatility of prices and demand for products and services sold leading to revenue deficiency.</td>
</tr>
<tr>
<td>7. Construction risk</td>
<td>Arises from inadequate hedging of revenue streams and financing costs.</td>
</tr>
<tr>
<td>8. Revenue risk</td>
<td>Arises because of adverse environmental impacts and hazards.</td>
</tr>
<tr>
<td>9. Financial risk</td>
<td>The PPP project fails from a combination of any of the above.</td>
</tr>
</tbody>
</table>

make it possible to form a basis for any inference of value about any real probability in the case we are interested in” (Grimsey and Lewis, 2004:148).

The PPP-induced risks illustrate that in risk management or allocation, there is nothing free. For example, a metropolitan municipality could design and issue a tender, and a private party could respond by bidding for the project. The private party would set premiums in consideration of the risks involved in the project and their potential impacts on the profit proceeds, in order to insulate itself from the financial risk emanating from the project (Grimsey and Lewis 2004: 179). It is in this context that Charoenpornpattana and Minato (1999:436) developed a risk matrix framework to *inter alia*:

- Set out a possible metropolitan government position in risk allocation and management by means of optimal risk allocation to minimise risks and their consequences.
- Identify the range of possible risks that might emerge in various project phases.

It is important to ensure that the party that provides the capital for the development, implementation and maintenance of the project is committed to providing efficiency and effectiveness to ensure that the project is successful. Government must undertake a risk analysis from two perspectives, namely from that of government procurer to ensure that VFM is achieved, and from the private sector as the project sponsor who must ensure that there is low equity in the project, and the project generates revenues to cover the capital and operating costs.

The study of risk analysis requires project managers to do a “sensitivity analysis by analysing the effects on an appraisal of varying the projected values of important variables” (Grimsey and Lewis, 2004: xv). Next is risk allocation, where responsibilities for dealing with the consequences of each risk are allocated to one of the parties or partners to the contract. The contract may compel the parties to agree to deal with the risk through sharing (ibid.). It is important to note that “specified service obligations, payment or pricing structure, and contractual provisions adjusting the risk allocation implicit in the basic structure” serve as determining factors for success in risk allocation (ibid.:177).
<table>
<thead>
<tr>
<th>Type of risk</th>
<th>Source</th>
<th>Risk management by</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Site Risk</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Site conditions</td>
<td>Ground conditions, supporting structures</td>
<td>Private party (The Construction constructor)</td>
</tr>
<tr>
<td>Site preparation</td>
<td>Site redemption, tenure, pollution/discharge, obtaining permits,</td>
<td>Private party (The project Co.)</td>
</tr>
<tr>
<td></td>
<td>community liaison, and pre-existing liability</td>
<td></td>
</tr>
<tr>
<td>Land use</td>
<td>Native title &amp; cultural heritage</td>
<td>Metropolitan government</td>
</tr>
<tr>
<td>2. Technical Risk</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Faults in tender specification</td>
<td></td>
<td>Metropolitan government</td>
</tr>
<tr>
<td>Contractor design faults</td>
<td></td>
<td>Private party (The Construction constructor)</td>
</tr>
<tr>
<td>3. Construction Risk</td>
<td>Inefficient work practices and wastage of materials, Changes in law, delays in project approvals</td>
<td>Private party (The Construction constructor)</td>
</tr>
<tr>
<td>Cost Overrun</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Delay in completion</td>
<td>Lack of coordination of contractors, failure to obtain standard planning approvals.</td>
<td>Private party (The Project Co./ Investors) Private party (The Construction constructor)</td>
</tr>
<tr>
<td>Failure to meet performance criteria</td>
<td>Insured force majeure events</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Quality shortfall/defects in construction/commissioning test failure</td>
<td>Private party (The Insurance Co.) Private party (The Construction constructor)</td>
</tr>
<tr>
<td>4. Operating Risk</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Cost overrun</td>
<td>Project Co. Request for change in practice Industrial relations, repairs, occupational health and safety, maintenance, etc.</td>
<td>Private party (The project Co./ Investors) Private party (Operator)</td>
</tr>
<tr>
<td></td>
<td>Govt. change to output specifications</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Operator fault</td>
<td>Metropolitan government</td>
</tr>
<tr>
<td></td>
<td>Govt. delays in granting or renewing approvals, providing contracted inputs</td>
<td>Private party (Operator) Metropolitan government</td>
</tr>
<tr>
<td></td>
<td>Quality shortfall/defects in construction/commissioning test failure</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Operator fault</td>
<td>Private party (Operator)</td>
</tr>
<tr>
<td>5. Revenue Risks</td>
<td>Contractual violation by [metropolitan] government owned support network</td>
<td>Metropolitan government</td>
</tr>
<tr>
<td>Increase in input prices</td>
<td></td>
<td>Private party (Supplier)</td>
</tr>
<tr>
<td>Change in taxes &amp; tariffs</td>
<td>Fall in revenue</td>
<td></td>
</tr>
<tr>
<td>Demand for output</td>
<td>Decreased demand</td>
<td></td>
</tr>
<tr>
<td><strong>Force majeure risk</strong></td>
<td>Description</td>
<td>Responsible Party</td>
</tr>
<tr>
<td>------------------------</td>
<td>-------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Regulatory /political risk</td>
<td>Floods, earthquake, riots &amp; strikes</td>
<td>Shared</td>
</tr>
<tr>
<td>Changes in Law</td>
<td>Construction period</td>
<td>Private party (The Construction constructor)</td>
</tr>
<tr>
<td>Political Interference</td>
<td>Operating Period</td>
<td>Private party (The project Co. with metropolitan gov. compensation as per contract)</td>
</tr>
<tr>
<td>Breach /cancellation of licence</td>
<td>Expropriation</td>
<td>Metropolitan government</td>
</tr>
<tr>
<td>Project default risks</td>
<td>Failure to renew approvals, discriminatory taxes, import restrictions</td>
<td>Metropolitan government / Private party (Investor/ Insurance Co.)</td>
</tr>
<tr>
<td>Combination of risks</td>
<td></td>
<td>Metropolitan government</td>
</tr>
<tr>
<td>Sponsor suitability risk</td>
<td></td>
<td>Equity investors followed by banks, bondholders and institutional lenders.</td>
</tr>
<tr>
<td>Technical obsolescence</td>
<td></td>
<td>Metropolitan government</td>
</tr>
<tr>
<td>Termination</td>
<td></td>
<td>Private party (The project Co.)</td>
</tr>
<tr>
<td>Residual transfer value</td>
<td></td>
<td>Private party (The project Co./ Investors)</td>
</tr>
<tr>
<td>Metropolitan government, with compensation for maintenance obligations</td>
<td></td>
<td>Metropolitan government</td>
</tr>
</tbody>
</table>

**Adapted from:** Grimsey and Lewis (2004: 180-182); Charoenpornpattana & Minato (1999:436)

Thereafter, the metropolitan governments have to do a risk evaluation so as to have “intimate knowledge of the project” (ibid.: 171). Risk analysis and evaluation are necessary. Common to PPPs projects is "high probability of failure" hence the risk must be detected at an early stage of the project which is the listening phase (Cypher and Dietz, 2004:34).
Table 5: Risk analysis model

<table>
<thead>
<tr>
<th>Institution</th>
<th>Risk Perspective</th>
<th>Key variables</th>
<th>Major risk variables</th>
<th>Risk analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metropolitan</td>
<td>1.Value for Money</td>
<td>Net present value (NPV)</td>
<td>Bid qualifications, Interest rates</td>
<td>Expected cost &amp; sensitivity risk</td>
</tr>
<tr>
<td>Government</td>
<td>2.Contingent risks up to financial</td>
<td>of contract</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>close</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private party</td>
<td>Impact on return</td>
<td>Equity IRR</td>
<td>Demand factors, Mid-life CAPEX, OPEX, Performance</td>
<td>Monte Carlo simulation</td>
</tr>
<tr>
<td>Investor</td>
<td>Default/delays on interest and principal</td>
<td>Debts service covers ratios</td>
<td>Demand factors, Mid-life CAPEX, OPEX, Performance, Construction</td>
<td>Downside sensitivity</td>
</tr>
</tbody>
</table>

Grimsey and Lewis (2004:188)

There are various types of risk analysis that the three institutions can use to minimise risks, for example, sensitivity risk analysis and Monte Carlo simulation. However the application of risk technique depends on how knowledgeable and skilful the institution is. In most cases, the metropolitan municipalities outsource risk analysis to the private sector, as their problem is lack of capacity. Coupled with this commercial analysis, an economic, geo-political and engineering review must be conducted. Current developmental patterns in each metropolitan area and forecast economic growth with specific reference to the SMME and growth of physical capital (investment in infrastructural development) must be assessed. The capital and operational costs of possible PPP arrangements must be broadly identified (Ireland’s Department of Public-private partnership, 2002:14).

The PPP-induced risks arouse debates in all spheres of government with the focus on the negative aspect of the inclusion and the role of the private sector in the mainstream of local economic development and delivery of public goods and services. There are risks related to negative perceptions such as the possibility of PPPs contributing to the price rise of public or municipal services, falling quality of municipal goods and services, increase in unemployment and Gini-coefficient rates,
private sector monopoly, and corruption (United Nations, 2002:184). According to Ireland’s Department of Public Private Partnership (2002:10), at the heart of the PPP approach is the concept that better value for money can be achieved through the utilisation of private sector enterprise because of the enhanced scope for innovation, and by allocating the risk to the party best able to manage it.

The framework for assessing PPP components (definitions and dimensions) was drawn up in the early 1990s from the experiences of five developed countries: namely: Australia, Canada, the UK, Ireland, and the USA. It is suggested that the components of the framework be included in all PPP documentation, but be developed in such a manner that the framework is tailor-made to suit the socio-political and economic environments of the country or metropolitan municipality in which the PPP project will be constructed. Metropolitan government must determine which risks in the PPP project should bear or transfer to the private sector.

The frameworks (Table 6 below) enable government to decide how risks should be avoided or allocated to a party that can bear most in the partnerships. Irwin (2007:61) suggests that the party that can best manage risk is the party that is granted rights to make decisions on the project. His views are that “risks and rights must be allocated together” as they are interdependent. Effective risk management required the systems and processes of good governance to be in place.

In many countries, PPP has not been smooth sailing. In the same way that the public choice, NPM and privatisation theories propagate capitalist views, it has been challenged by the "left" (labour unions) as expensive and a new government design for job losses (Binza, 2007:4). The arguments against PPP were that it also contributes to the destruction of the distinctiveness of the public administration with its original values ignored or downgraded. In addition, its nature and power of influence on the promotion of the socio-economic conditions of the people may be minimised (Pollit, 1996:86).
Table 6: Framework for assessing PPP

<table>
<thead>
<tr>
<th><strong>Definition</strong></th>
<th><strong>Dimension</strong></th>
<th><strong>Characteristics</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rights:</strong> the various rights given by metropolitan government to a private entity in return for carrying out a specified set of obligations</td>
<td>Possession</td>
<td>Real assets, Intellectual assets, Equity, Ownership, Whole or part allocation of rights</td>
</tr>
<tr>
<td></td>
<td>Revenues</td>
<td>Basis for generation &amp; allocation to parties</td>
</tr>
<tr>
<td><strong>Obligation:</strong> the promises that the private entity and the government agree to be bound by the agreement</td>
<td>Development</td>
<td>Planning, design, construction &amp; improvements</td>
</tr>
<tr>
<td></td>
<td>Operating</td>
<td>Operation &amp; Maintenance</td>
</tr>
<tr>
<td></td>
<td>Environment</td>
<td>Biophysical (air, marine &amp; terrestrial) Social (labour issues, provincial benefits &amp; business impacts)</td>
</tr>
<tr>
<td></td>
<td>Financing</td>
<td>Extent of financing, source of security &amp; government guarantee</td>
</tr>
<tr>
<td></td>
<td>Legal liability</td>
<td>Tort liability, business interruption &amp; physical loss</td>
</tr>
<tr>
<td></td>
<td>Risk</td>
<td>Construction, business, financial &amp; force majeure</td>
</tr>
<tr>
<td></td>
<td>Taxes</td>
<td>Exemptions &amp; liability assumption</td>
</tr>
</tbody>
</table>

Grimsey and Lewis (2004: 88)

However, the wisdom of conventional unionists, experts and technocrats with their superficial blueprints against PPPs, has been challenged and exposed as being out of touch with the developmental needs of the people and experiences of governments in a globalising world (Hughes, 2003:280). Almost all risks involved in PPPs have been discussed in this chapter to enable and guide leadership, and policy makers to improve local economic growth with minimal disruptions and low certainties.
2.3 The concept of local economic development, development and sustainable development theory

Democratic local government must “build the capacity, motivation and habitual inclination of individuals, communities and other collective decision-making bodies to apply sustainability principles through more open and better informed deliberations, and more integrated use of administrative, market, customary, collective and personal decision-making practices” (Rainey, 1991).

A conceptualisation of development and sustainable development is briefly discussed, and is partly based on the definition of LED which is provided for below. LED is defined by Blakely (1994: xiv) as a "process in which local governments engage to stimulate or maintain business activity and/or employment. The view is that LED is about creating a platform and environment to engage stakeholders in implementing strategies and programmes. The goal of LED is to stimulate local employment opportunities in sectors that improve the community, using existing human, environmental or natural and institutional resources". Examples of economic generating sectors are: manufacturing, services, agriculture, tourism, and mining. It is argued that each country or municipality should enable the private sector to improve the local economy so as to minimise “economic dislocation, or de-industrialisation, or capital mobility” (ibid.).

Nel and Humphrys (1999:277) define LED as a “process …in which locally based individuals or organisations use resources to modify or expand local economic activity to the benefit of the majority” of the people within the jurisdiction of a local government. The NBI in Isaacs (2006:2) writes that LED can "take place through a myriad of mechanisms and [is a process] in which different stakeholders or constituencies can play many different roles". In this regard, LED is defined as a “process which at its best results in wealth creation, employment generation, and rising and more equitably distributed incomes in the local area/communities concerned” (ibid.). The Department of Provincial and Local Government in South Africa (2002:14) defines LED as “a process whereby local initiative combines skills, resources and ideas in stimulating local economies to respond innovatively to
changes in the national and global economies, towards the goals of job creation, poverty alleviation and distribution”.

Bennett (1990:41) and Kriekhaus (2002:4) write that LED is concerned with a wide range of factors such as:

- Land provision and infrastructure development;
- Capital formation and investment;
- Innovation, entrepreneurship and technological change;
- Human resources; and
- Developing the best institutional context to govern the process of LED in order for it to create jobs for the people whilst [the] business sector continues to make profit and local government satisfies the needs of the people through service delivery.

These five factors must be co-ordinated to ensure that local economic growth is successfully realised. The view is that LED is concerned about wealth and employment creation as well as efficient provision of public services. The thrust of LED is not only on the co-ordination of the economic factors, but also on the cooperation or partnership between the economic actors such as the [local] government and the private sector. The argument by Bennett (1990:1) is that through partnerships, the actors “managing each factor have to be brought together into a mechanism to ensure successful and sustained LED. Partnerships between these actors are a necessary condition for local economic development”. Krumholz (1999:83) writes that improving and managing resources for sustaining local economic growth is a role of local government. He further writes that LED is a “process by which local governments manage resources to stimulate private investment opportunities in order to generate new jobs and taxes”. Metropolitan governments have options, in this regard, for example, they can develop LED policies and initiate their own LED programmes, or form partnerships with the local private sector. Localising the process of economic growth is to ensure that government “emphasis on endogenous development is realised using the abilities and potential of local human, institutional and physical resources” (Blakely, 1989:59).
It is important to understand the meaning of "development" and "sustainability" before considering the legal framework for developmental local government in the next chapter. Development and sustainability are taken as two different concepts that are artificially interlinked to give meaning to the type of development that 21st century local governments are pursuing. It is worth defining each concept separately.

The United Nations Development Programme (UNDP) Report on Human Development reflects that "development" presupposes the building of human intellectual abilities and capabilities to enable them to participate actively in governance, to act constructively on matters of self-growth and development, and thus to be self-reliant (Turok et al., 1993:10). The Local Government: Municipal Systems Act (2000:14) provides that development includes “integrated social, economic, environmental, special, infrastructure, institutional, organisational and human resources upliftment of a community aimed at: (1) improving the quality of life of its members with specific reference to the poor and other disadvantaged sections of a community; and (2) ensuring that development serves present and future generations”. According to the United Nations-sponsored World Commission on Environment and Development (WCED), development must meet “the needs of current generations without compromising the ability of future generations to meet their needs and aspirations” (WCED, 1987:6). Development should not only be aiming at solving or satisfying the needs of today, but should also be sustainable.

Tawney in Robertson (1999:131) agrees by writing that “the certainties of one age are the problems of the next”. This means that the local government economic system is not only an “institutional device for satisfying the socio-economic wants and needs of the local inhabitants, but a way of fashioning these needs and wants in the future” (ibid.:21). This means that local government must ensure that the LED that they pursue through PPP must “ensure that everyone and every community in the municipal area has enough for a decent life and opportunities to seek improvements in ways that do not compromise future generations’ possibilities for sufficiency and opportunity” (Gibson et al., 2005:98). Development can be considered as an outcome of (local) governmental interventions in society that
succeed in empowering people to consider feasible options in their lives and to make informed choices for the future. These choices relate to any action, from satisfying fundamental needs to consolidating middle class lifestyles to eventually being able to follow individual personal preferences and lifestyles (Cloete, 2007:2). This means that development pursued by local government must accommodate all the needs and wants of the local inhabitants by making options or choices to satisfy and sustain those wants and needs.

The horizons of local economic growth and development are shifting towards a new direction of sustainable (local economic) development (Robertson, 1999:1). It is in this regard that sustainability is an important aspect of development, along with social and intergenerational solidarity (Sherlock, 1991: 10). It requires local government, when engaged in economic growth and development, to “favour the present options and actions that are most likely to preserve or enhance the opportunities and capabilities of future generations to live sustainably” (Giddens, 1999: 103). In the same context, Pearce (1988:67) views sustainable development as consistent with “justice: in respect of the uplifting socially disadvantaged communities, to future generations, and to nature”.

The concept of sustainable development has deep roots in early 20th century theory of renewable resource management. The conceptual foundation of sustainable development was chronicled at the Stockholm Conference in 1972, and is reflected in the Stockholm Declaration. The revolution in conceptualisation of sustainable development went further and was revisited at the Rio Conference in Brazil in 1992, when 178 governments including South Africa signed an Earth Charter, which was implemented in the form of an action programme called Agenda 21 (Pearce, 1988: 600).

The Rio Declaration of 27 sustainable development principles underpins other commitments made at the conference. There were two overarching commitments made, viz: (1) United Nations Programme of Action for Sustainable Development; and (2) Agenda 21. The latter remains the most comprehensive international agreement on sustainable development to date. Central to Agenda 21 is commitment by [local] governments to “address the social and economic dimensions
through combating poverty, exclusions and unsustainable patterns of production and consumption; the conservation and management of resources for sustainable development; strengthening public participation and access to information; and the implementation of the Earth Summit resolution” (United Nations Conference on Environment and Development, 1992:14). The principles enshrined in the Earth Charter were adopted and developed to form the first socio-economic policy of the democratic government, which described the RDP as a "linchpin for promoting sustainable development practices” (ibid.).

The Brundtland Commission defines sustainable development as “development that meets the needs of the present without compromising the ability of the future generations to meet their own needs” (Essop, 2005: 20). The World Commission on Environment and Development (Brundtland Commission) popularised the phrase sustainable development in connection with the combined use of economic, social and environmental resources by governments. It has continued to be the central point of much of the writings on Public Administration that call on governments to develop policies that enforce consultation around issues of LED which touch the lives of the people and the sustainability of natural resources (Turner, 1980:36). Sustainable development embraces the concept of increasing human needs, and the idea of limitations which are imposed by technology and society on the ability of the environment to meet those needs. According to the World Commission on Environment and Development (1987:48), sustainable development aims at "reviving local economic growth, changing the quality of growth, meeting basic needs and creating jobs, ensuring a sustainable level of economic production, conserving and enhancing the resources base, re-orienting technology and managing risk, merging local environment and economics in decision making, and re-orienting international economic relations" (Robertson, 1999: 207).

Later advanced as a more fully integrated approach to economic, environmental and social developments, the theory has been adopted and applied by both the developed and developing countries which are making efforts to ensure that economic growth is achieved without unduly eroding the resource base, causing environmental pollution, or upsetting any existing ecosystem. These countries seek to ensure that the micro- and macro-level decisions are compatible with resources
that the institutions possess (Economic Commission for Europe, 1990:1). The argument is that the concept of sustainable development calls for people’s participation in the reconstruction and development, and thus requires a “special kind of development planning” (Binza, 2003:1). It is important that decision-makers consider the long-term implications of their decisions. This should be done by implementing integrated local governance systems tailor-made to meet the country’s local needs, and recognising the interdependence of the “triple bottom line” of economic growth, social equity, and ecological or environmental integrity (Essop, 2005:2).

The world’s political leaders met in Johannesburg, South Africa, in September 2000 at the United Nations General Assembly for the Millennium Summit. Millennium Development Goals (MDGs) or the Millennium Declaration provides the world’s local governments with an agenda to improve the lives of local inhabitants and reduce poverty. In addition, the MDG is considered as an important step to hold [local] governments accountable to continue pursuing a more sustainable path. Central to the MDGs is that (local) governments of the world must prudently allocate resources to combat poverty; promote gender equality; improve the literacy rate of their communities through learning and on-the-job training; promote, practise and sustain healthy communities and environmental sustainability.

In this regard, the Office of Sustainable Development and Environment of the City of Seattle (2001) writes that sustainability for local government must cover the following six areas:

- “Saving what’s special – the things that bring the pride and joy to the municipality and its people, which they would like to hand down to the next generations;
- Maintaining the economic edge;
- Doing the right thing as sustainability is about fairness and justice over time.
- Making connections or networks – this means that economic prosperity, environmental quality and social justice are inextricably intertwined;
- Saving money by using new technologies and designing new processes that use municipal resources more efficiently, eliminate waste and prevent pollution or climate change; and.
• Saving and serving the people as nature is their life support system” (City of Seattle, 2001:48).

The model below seeks to enable local government to strive towards achieving "social justice, sustainable local economies, and environmental sustainability. Social justice has to be based on economic sustainability and equity, which require environmental sustainability” (Fukuyama, 2001:12). Through good governance, local government must ensure that the "present and future generations attain a high degree of economic security, and achieve democracy and provision of municipal services while maintaining the integrity of ecological systems" (ibid.).

Sustainable development must be people-centred. Korten 1990 in Turok et al. (1994:11) defines people-centred development as a “process by which members of a society increase their personal and institutional capacities to mobilise and manage resources to produce sustainable and justly distributed improvements in their quality of life consistent with their own aspirations”. The challenge is for local authorities to synergise the promotion of economic growth which expands the material base, with human development, in order to sustain growth and development. This calls for investments in economic growth to be on a par with investments in human development (UNDP, 1996:6).

Robinson, McCarthy and Forster (2005:41) agree by writing that “if [local] government’s commitment to long-term sustainable development is to be achieved then there needs to be an explicit recognition in its policy-making process or by-laws that its local economic systems are essentially products of, and dependent on, social systems, which in turn are products of, and dependent on, natural systems. Effective management of the interdependence between ecosystem’s health, social equity and local economic growth will require a significant change in developmental local government’s current governance practices, in adopting an integrated and cooperative approach to governance …and service delivery”. What is required is the mainstreaming of sustainability considerations to all local government policy, developmental planning, budgeting, and the decision-making process (ibid.).
Two years after the Millennium Declaration, and ten years after the Rio Declaration, South Africa hosted the World Summit on Sustainable Development (WSSD) in 2002. The WSSD resulted in the Johannesburg Plan of Implementation (JPOI) of Agenda 21 and MDGs. It was realised that partnerships between government and non-government players is important to achieve sustainable development plans. Of note is that the implementation of these resolutions varies from country to country. In addition, there are views from (community) leaders of various countries in the world, and in particular Southern Africa, that sustainable development would not be possible if economic polarisation of the world was not tackled. The argument is that the debts of poor countries must be written off to avoid "global apartheid" (Hirsch, 2005:233; Gumede, 2005:97). The implication to individual countries is that their
respective local governments must do the same with regard to the debts of their respective indigents (Gumede, 2005:97).

Explicitly, the nature and role of developmental government are considered to be those enabling and facilitating growth and development, which makes this an opportune time for the private sector to be in the mainstream of such economic growth and development (Hlahla, 1999: 565). Canzenelli (2004:3) argues that for development to be sustainable, and growth to create jobs and combat poverty, local stakeholders must be involved, from policy-making to the implementation of local economic development programmes.

Cloete (2007:11-13) suggests “four types of indicators to assess progress towards achieving sustainable development” (through PPP) in South Africa(n) metropolitan government. These potential sustainability development indicators (PSDI) are: Social sustainability indicators (SSI); Economic sustainability indicators (ESI); Governance sustainability indicators (GSI) and Environmental sustainability indicators (EnvSI). This means that government must be able to assess and monitor progress in realising the key sustainable development priority areas to ensure that underdevelopment, poverty and unemployment challenges are attended to and reduced to zero.

The reason for the discussion above is that the outcomes of LED through PPP must be sustainable. The process of improving local economies should be vision- or future-orientated so that the present resources can be used prudently to benefit future generations. In addition, such development processes should be undertaken in a manner in which the environment, social and economic aspects are taken care of. In other words, PPP requires that the process of LED in local government consider that environment, social and economic areas of sustainable development are interdependent. The following section provides for the theoretical base of LED in which PPP is central to the practice of public administration and management in the 21st century.
2.4 Theoretical approaches relevant for LED in public administration

‘Without a theory there is nothing to research’ Willing (2001:9).

Nigro (1984:24) and Dimock (1969:8) argue that the traditional approaches to the practice of public administration are as old as humankind, and have been dominated by "some nexus of power" which is central to the theory of regimes. This means that the practice of public administration existed before its theoretical base was formed, and governments were formed to govern people. To be precise, the science of Public Administration came into existence in 1887 in an article penned by Woodrow Wilson in 1887. However, the practice of public administration is as old as humankind, and it can be argued that it also preceded the formation of government. For example, a definition of public administration by Cloete (1992:14) shares the mind picture clearly. He defines public administration as an "activity that takes place when two or more people come together to achieve a goal". This activity can be in any form such as forming (democratic) governments, improving socio-economic conditions of the people, and promoting their sustainable livelihoods, conceptualising and implementing PPPs and LED programmes.

The most traditional service delivery approach is for government to provide all the services that it is mandated to provide, by itself. This necessitates administrative structures and processes that employ various teams of staff members with different skills in permanent capacities, and deploy them systematically to plan and execute different functions. In this approach, government is the sole provider of public services, and public agencies enjoy monopoly of the market. Furthermore, governments are seen as “command-based, which means that they have the authority to force people to comply with policies that, when implemented effectively, can improve the lives of the people” (Hughes, 2003:73). Stiglitz (1989:21) shares this view by writing that “government is the one organisation membership of which is universal. It has powers of compulsion not given to other economic organisations. Individuals choose to be members of clubs, they choose to buy stock in a corporation, they choose to work for one firm or another… But by and large, individuals do not view the country in which they live to be a matter of choice, and,
having chosen to live in a particular country or municipal area, they become subject to the [local] government. The fact that membership is compulsory gives the government a power of compulsion which other organisations do not have… More generally, all transactions between parties other than the government are voluntary”.

Government uses the power of compulsion to redistribute income from better-off people to also benefit the have-nots, and to provide for (public) goods and services for a better life for all. In the traditional approach, government was the major player in economic development and service delivery regardless of its inefficiencies, poor performances, costly bureaucracies and highly priced goods and services which many people could not afford owing to class status in society (Hughes, 2003:73). However, authors like Nadler et al. (1992:61) argue that it was the Great Depression and World Wars I and II that contributed to major interventions of governments in socio-economic development and good governance.

Most of the OECD countries and other countries like the UK, USA, Korea, Germany and France have undertaken a “reassessment on the role of government which mainly concerned its economic aspects: should government provide the goods and services or should some be handed over to the private sector?” (Elliot, 1996). The challenge with this approach is its lack of innovation and its preference for a top-down approach of policy processes. The emphasis was more on inputs instead on outputs and outcomes (Hughes, 2003:59). With this perspective, service delivery progress was looked at from a paradigm of expenditure rather than revenue (Jones, Guthrie and Steane, 2001:14). The traditional approach to public administration was not successful as it was expensive to sustain; governments realised that they lacked resources such as skilled human and financial resources, and limited time to respond effectively to service delivery challenges of the time. The problem of lack of resources was surmounted by common day-to-day concerns to satisfy unlimited and ever-changing needs and wants of the people (Isaacs, 2006:14). Traditional public organisations were “unduly protected from the pressures of competition” (Boyne et al., 2003:6). This public monopoly led to poor performance by public officials and poor response by public organisations to socio-economic needs of the people (ibid.).
Public bureaucracies reached their zenith when a need to change the paradigm from old traditional public administration to newer "flexible" approaches which were responsive to sustainable socio-economic development, was realised (Stiglitz, 1989:21). In the chapter titled: "An Agenda for Development in the Twenty-First Century" published in a book titled *The Global Third Way Debate*, Giddens (1999:3) writes that “there is a special responsibility for government to create the institutional infrastructure that markets require in order to work effectively. At a minimum, this institutional infrastructure includes effective laws and the legal institutions to implement them. If markets are to work effectively, there must be well established and well defined property rights; there must be effective competition which requires that contracts must be enforced and that antifraud laws, must be effective, reflecting widely accepted codes of behaviour”.

As a result, government had to remit grants, allowances and pensions in accordance with the conditions for eligibility set by their respective body politic (Nadler *et al*., 1992:61). It was in 1970 that projections were made that governments might “eventually go bust” if actions were not taken (Stoker, 1999:41; Hulme *et al*., 1998: 47). During the 1980s a new wave of public administrative reforms took place in Britain to enable public organisations as organisations that operate with public moneys and mandated to provide services to the people, to be governed effectively, efficiently, equitably and economically. Boyne *et al*. (2003:1) write that “governments in numerous countries have embarked upon reform programmes that are intended to make public sector organisations perform better. Public sector reform is in fashion, and no self-respecting government can afford to ignore it”. Public Management reform is defined as a “deliberate change in the arrangements for the design and delivery of public services. This includes innovations in public management – that is, ways of working or providing services that are new to a specific agency or to the public sector as a whole” (ibid.:3). In the same context, Pollit and Boukaert (2000:42) and Kasemets (2003:67) argue that “there is a paradox at the heart of the international movement in favour of performance-orientated management reform. The reformers insist that public sector organisations must re-orient and re-organise themselves in order to focus vigorously on their results…Yet this philosophy is not yet applied (by governments) to many of the reforms”.

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The process of adopting and evaluating the reforms by different public organisations and their respective public officials in particular, should be considered to be theory-driven, although they do not consciously implement a theory. The argument is that the introduction of development and implementation of those reforms require "not only (administrative) measurement and methodological rigour, but also theoretical depth" (ibid.). An important question is what theoretical frameworks underlie such public sector reform programmes; in other words, why do governments introduce alternative service delivery mechanisms?

Boyne et al. (2003); Aucoin (1990); Stretton and Orchard (1994) write that the theoretical base of public sector reforms, since they started in the UK, is public choice theory. The discussion of the NPM theory and its alternatives will be based on public choice theory. The relevance of these theories is noted by Fesler (1980:185) and Dawns (1957:214), who agree that the congruency and concurrency of the public choice, NPM, governance, growth and privatisation are appropriate choices for policy and decision-makers to improve "a non-paradoxical" socio-economic growth and development through PPPs.

**2.4.1 Public Choice Theory**

Public choice theory provides insight into how public decision making occurs, and it analyzes the (constitutional) rules that guide the collective decision-making process. Of note is that the rules are made before political activity gets underway. Buchanan and Tullock, (1962:11) are of the view that the public choice theory "replaces... romantic and illusory... notions about the workings of governments [with]... notions that embody more skepticism". They argue that (some if not most) scholars of economics and politics who study "behaviour in the private marketplace and political institutions such as parliaments, and councils assume that people are motivated mainly by self-interest. Although most people base some of their actions on their concern for others, the dominant motive in people's actions in the marketplace and political institutions of power—whether they are employers, employees, or consumers—is a concern for themselves. Public choice theoreticians make the same assumption—that although people acting in the political marketplace have some concern for others, their main motive, whether they are voters, politicians,
lobbyists, or bureaucrats, is self-interest” (Buchanan and Tullock, 1962:15; Shaw, 1996:5).

Public choice theory emerged in the early 1950s, as a subfield of the Economics and Public Administration disciplines which focused on the study of taxation and public spending as government’s responsibility. This theory was introduced to effectively deal with problems that were considered to be constraints to service delivery and (local) economic development. An example is problem of the "excessive growth of bureaucracy", which is pronounced in the public sector where the ability to obtain income in a market cannot serve as an objective guide to the expenditures it undertakes… the inability of bureaus to rely on markets as objective indicators of output value affects their operations. The increasing size of the bureau leads to a gradual ossification of operations...the bureau becomes a gigantic machine that slowly and inflexibly grinds along the direction in which it was initially aimed. It still produces outputs, perhaps in truly impressive quantity and quality. But the speed and flexibility of its operation steadily diminish (Gwartney and Stroup, 1992; Downs, 1967:30 &160-161).

Niskanen (1971:305) has raised the challenge of non-competitiveness and monopoly enjoyed by public organisations on markets. Public choice theory would enable public sector organisations to be competitive and productive. The argument is that “the type of goods and services provided by bureaus could be financed through government…but the provision of these services would be contracted out to the private sector. The bureaucracy, as such, would disappear, except for the review and contracting agencies” (ibid.).

Scholars of both Public Administration and Economics believe that the public choice theory is used to “analyse people’s actions in the market place and government’s institutions where policy decisions are made as a means to study their actions in collective decision making processes” (Shaw, 1996:4). This theory is more suitable for policy development and implementation. Buchanan and Tullock (1962:15) write that this theory attempts to explain or describe the “means through which conflicting interests are reconciled” to bring velocity to the process of improving sustainable livelihoods of the local inhabitants through economic development and provision of
quality public services. It explains how policy-makers and decision-makers have to make choices on what should constitute the content of the policy and what options there are for the policy to be effective. In return, consumers could make choices on which services are better suitable for their individual consumption and affordability. One of the founders of the public choice theory, James Buchanan puts this simply: “In one sense, all public choice or the economic theory of politics may be summarised as the ‘discovering or re-discovering that people should be treated as rational utility maximizers, in all of their behavioural capacities’” (Howlet and Ramesh, 2003:22; Habermas, 1999.). An example of this is choices about making government interventions during market failures due to reduced local economies, by monopolies or mainstreaming private sector processes and systems during government failure if government interventions are not achieving the desired effect in service delivery and local economic growth and development (Buchanan and Tullock, 1962:15).

Public choice theory was a capitalist ideological reflection pursued by the government of the USA, where capitalist free-market theories abounded. Public choice was seen as the theoretical explanation for this practice. Howlet and Ramesh (2003:22) agree that public choice theory “applies the principles of neo-classical economics to political behaviour”. They further argue that “policy and decision-makers in public administration, like economic ones, act ‘rationally’ …in calculating fashion, to maximize their ‘utility’ or ‘satisfaction’. For political actors to count they must ascribe to this characteristic psychological behaviour” of self-interest (ibid.). It basically states that individual consumers should be able to choose from public or private sector suppliers what services they want and from whom they get them. They therefore should have a choice at individual level and not be compelled to consume services provided by the state if they do not want those services (Howlet and Ramesh, 2003:22).

Applying this theory to guide the practice of public administration, Self (1985:51) writes that “voters can be likened to consumers; pressure groups can be seen as political consumer associations or cooperatives; political parties become entrepreneurs who offer competing packages of services and taxes in exchange for votes; political propaganda equates with commercial advertising; and government
agencies are public firms dependent upon receiving or drumming up adequate political support to cover their costs”. In addition, the technocrats can choose to improve LED or provide municipal services either through public-private partnerships or public-public partnerships, as these options are provided for in the Local Government: Municipal Systems Act 2000 (Act 32 of 2000), and Municipal Service Partnership Policy of 2000.

Paul Starr in his book titled, *The Meaning of Privatization* summarises why the public choice theory is relevant to this study on developing a PPPs model to improve local economic growth in the metropolitan governments in South Africa. He writes that:

"Public choice," ill-named because the only choices it recognizes are essentially private, is both a branch of microeconomics and an ideologically-laden view of democratic politics. Analysts of the school apply the logic of microeconomics to politics and generally find that whereas self-interest leads to benign results in the market place, it produces nothing but pathology in political decisions. These pathological patterns represent different kinds of "free-riding" and "rent-seeking" by voters, bureaucrats, politicians, and recipients of public funds. Coalitions of voters seeking special advantage from the state join together to get favourable legislation enacted. Rather than being particularly needy, these groups are likely to be those whose big stake in a benefit arouses them to more effective action than is taken by the taxpayers at large over whom the costs are spread. In general, individuals with "concentrated" interests in increased expenditure take a "free ride" on those with "diffuse" interests in lower taxes. Similarly, the managers of the "bureaucratic firms" seek to maximize budgets, and thereby to obtain greater power, larger salaries, and other perquisites. Budget maximization results in higher municipal spending on PPP projects, and inefficient production or project failure. In addition, when a metropolitan government issues tenders, the potential grantees expend resources in lobbying up to the value of the tenders–an instance of the more general "political dissipation of value" resulting from the scramble for political favours and jobs in these projects" (Starr, 1988:147; Hossain and Malbon,1998: 42-45).

It can be deduced from the above that the public choice pronounces that “government’s intervention in the affairs of society should be limited to supplementing the market by enforcing and creating property rights where these are
weak or non-existent so that market forces can operate and allocate resources in a manner beneficial to the whole society” (Howlett and Ramesh, 2003:24). This argument is in pursuit of the capitalist ideology as first pronounced by Adam Smith in his book *The Wealth of Nations*. It is also in line with the principles of transaction cost analysis which provides for governments not to “interfere in transactions and activities related to private goods and services. Government should simply enforce the property rights and prevent criminal behaviour that undermines the reasons and logic of existence of the public choice theory” (Howlett and Ramesh, 2003:31).

With regard to Public Administration and Management, public choice theory has some limitations such as its “lack of incentives for voters to monitor government effectively” (Downs, 1957:51). Downs argues that voters cast their votes, some without knowing the names of their leaders, let alone what policy shifts the new government will introduce when in power. In this regard, the voters cast uninformed votes, and "have virtually no chance to determine the outcome of the election, because the voter has limited knowledge of political issues but his/her choice is rational. Even though the result of an election may be very important, an individual's vote rarely decides an election” (ibid.). Evidence for this claim is found in the fact that most South Africans did not think that the current developmental local government would use PPP instead of pure nationalism approaches to improve local economies (Binza, 2005:15). However, the ignorance of buyers and consumers of products in the economic market place is rare compared to the ignorance of the voters in the public sector domain.

The relevance of the PPP theory in this study is threefold. Firstly, it provides for the "examination of the actions of the policy makers such as legislatures and councillors” (Shaw, 1996:4; Meltzer and Richard, 1981:41). For example, policy makers or councillors are “expected to pursue the public interest when developing policies and deciding on how to use public resources which are not their own” (Meltzer and Richard, 1981:41). It is expected of politicians to spend the public resources prudently at all times and to ensure that appointed officials allocate public resources on economic projects in which citizens would gain value for money. It is suggested that voters must monitor the behaviour of policy-makers, because if they are poorly monitored, they can behave in ways that are costly to citizens.
Secondly, it enables an accurate analysis of "the role of bureaucrats in government" (Shaw, 1996:6). It is advised that government bureaucrats should not be "captured by special interests from the incentives of the regulatory agencies". The view is that the actions of appointed officials should not be governed by profit, because they are in public office to serve the public. Like politicians, if the bureaucrats forged a relationship with the interest groups or regulatory agencies, budget approval and allocation to run their departments by politicians might be possible. However, the bureaucrats “rely on legislators for their budgets. Often the people who benefit from their mission can influence legislatures or councils to provide them with more funds. Thus interest groups—who may be as diverse as lobbyists for regulated industries or leaders of environmental groups—become important to them. Such interrelationships can lead to bureaucrats being captured by interest groups” (ibid.).

Thirdly, public choice theory is versatile in nature. It enables the use of other theories such as game theory which public choice theoreticians use to understand “how political conflicts are resolved” and the application of relevant “mathematical models of voting strategies also called social choice” (Arrow, 1951:152). In his book titled: Social Choice and Individual Values, Arrow (1951:153) argues that social choice “attempts to figure out through logic whether people or citizens who have different goals can use voting to make collective decisions that please everyone.” He concluded that they cannot, and thus his argument is called the "impossibility theorem"(ibid.). In this regard, it can be argued that though local economic growth can be realised through PPPs, ironically not all local inhabitants will find jobs in those PPP projects.

In addition to the above socialist critique of the public choice theory, Howlett and Ramesh present weaknesses of this theory, some of which are Marxist-orientated. According to them, public choice theory is (i) based on an oversimplification of human psychology and behaviour that does not accord with reality. (ii) As a result, the theory has poor predictive capacity. (iii) It has a faulty empirical foundation or dimension which is caused by the fact that the theory originated in the USA and is based on that country’s pattern of electoral competition between two parties, which forces voters to choose between two clear alternatives. The application of this theory
would produce mixed results or total failure in a multi-democratic country where there are varied alternatives. (iv) The analysis of the theory is explicitly normative, not positive and value-free as pronounced by public choice theoreticians. For example, the state is considered to "exist as a parasite extracting rent from the markets, but ignoring the role the state plays in creating an enabling environment for, and securing the basis for, economic growth and development and social defence" (2003:24-25). The Marxist interpretation of the public choice theory in a capitalist society is that the theory serves the interest of the individual or capitalist and not of the collective and is not pro-poor. In this regard, Marx argued that the "state is the instrument in the hands of the capitalists, who use it for the purpose of maintaining the capitalists economic and public administration systems that would serve their interests--- that is, the private sector do business with the state to make profits" (ibid.).

In conclusion, it is important that the collective decision-making process be just. This means that it must be a decision in the public interest so that the outcomes of those decisions are ones that the majority of citizens would be likely to support. The limitation of this theory is that it is not clear "how the dividing line between collective action and private action shall be drawn". For example, there are cases where tenders are awarded to incompetent people because of their relationship with the ruling party and legislators (Buchanan and Tullock, 1962: 25).

The public choice is relevant to this research project as it will enable the policy and decision-makers to decide to use PPP in a manner that will not only safeguard the interest of the capitalist but will ensure social defence where employment is created for the benefit of the majority of the people. This means that a "Kaldor criterion" which requires that “policy alternatives maximising net benefit over cost be chosen" (Buchanan and Tullock, 1962: 25). In this regard, an appropriate model will be developed on the basis that the “total gains are higher than the sum of losses, if there will be any losses (ibid.:36). In addition, it will make the local government bureaus more effective, efficient, and economical in the manner they govern and provide municipal services. This is also the nexus of the New Public Management (NPM) theory which is also discussed below, which was developed to pursue a more
relevant theory to re-orientate the government activities towards the capitalist school of thought.

2. 4. 2 New Public Management theory

Seizing on these political and fiscal crises, the then President of the United States, Ronald Reagan, and the Prime Minister of Britain, Mrs Margaret Thatcher, called and successfully provided for a “reduced role of the state” by changing the style of bureaucratic operations away from 'strict Weberian guidelines' (Hulme et al., 1998: 47). The call for a reduced, effective, efficient and economical state, and the involvement of the private sector in the development programmes and provision of public goods and services resulted in the development of the new public management theory (NPM).

The NPM has been developed in different ways in various countries, and is therefore not considered to be a global phenomenon, but rather reflects a particular character in each country in which it has been adopted (Stoker, 1999:84). For example, the USA considered the development of the theory as calling for an entrepreneurial government (Ott, 2002:105). Different authors have attached different names to it: "managerialism" (Pollitt, 1993:1); "new public management" (Hood, 1991:2); "market-based public administration" (Lan and Rosenbloom, 1992:1); "post bureaucratic paradigm" (Barzley, 1992:1); "new right" (Lawton and Mckevitt, 1994: 19); while Osborne and Gaebler (1992:1) refer to it as an "entrepreneurial government" (in Considine and Painter 1997:4) and Minique (1998:1). Jones, Guthrie and Steane (2001:314) write that the shift to the NPM in China also “required a significant transformation in the culture of the civil service, from one focused on input-oriented public administration to a managerial culture focused on effective outcomes”. As a result, business managers were employed to complement the execution of functions by traditional service administrators to bring them up to speed with new changes and ethos.

Pollitt (1993:180) notes that the NPM started in the Organisation for Economic Cooperation and Development (OECD) countries in the 1970s, namely: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France,
Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxemburg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain, South Africa, Sweden, Switzerland, Turkey, and the United States (Pollitt, 1993:183). South Africa became a member in 1994, and the principles of the NPM theory saw the light for the first time in its policies in the 1994/95 financial year (Binza, 2003:18). For example, government introduced and accelerated privatisation of state-owned enterprises, and municipalities started to outsource certain functions to the private sector, such as refuse removals, housing development, etc. This represented a major shift from traditional public administration, as it put emphasis on achieving results without overspending or under spending. Organisational and personnel performances were for the first time in that budget linked and aligned according to the municipal performance balance scorecard. In fact; Fox, Wissink and Schwela (1991) were the first scholars of Public Administration in their book entitled *Public Management*, to introduce the theory and its ingredients into South African scholarly work, which was then incorporated into the practice of the discipline in later years until to date. South Africa now has concepts like "customer care" to mention just one in the list given in the *Government Gazette* (see Batho Pele Policy of 2000). It is notable that the NPM theory is output-driven and not input-driven. Allison (1982:12) also notes the shift from administration (meaning public managers have to follow instructions as a symbol of serving) to management (meaning public managers must concentrate on achieving results). The accountability of public managers is considered to be of paramount importance in the efficient achievement of organisational performance targets (Pollitt, 1993:8). The four elements of the NPM theory are:

- a much better and larger use of alternative market-line service delivery mechanisms like outsourcing, privatisation, partnerships, joint ventures, etc.;
- intensified organisational and spatial decentralisation of the government and production of services;
- a constant theoretical emphasis on the need to improve service quality; and
- an equally relentless insistence on attention to the wishes of individual service users (Hulme et al., 1998: 47; Pollitt, 1993:189).
The essence of the NPM theory is that governments should become flexible, linear, efficient, effective and economical, to improve the quality of life of all people (Minogue, 1998:139; Fox et al., 1991:8). The view is that linear governments should achieve value for money (VFM) in carrying out their developmental programmes, as the emphasis is on financial management to ensure that governments take responsibility for the financial consequences of their actions and decisions, and for satisfying the unlimited and changing needs of the people with the finite resources at their disposal (Dresner, 2002:14; Lawton and Mckevitt, 1994: 194).

Kooimann (2003:2) writes that the essence of the NPM is to close the binary divide between the public and the private sectors by allowing the interchange of management and governance systems so as to assure their interdependency. In South Africa, making the local sphere of government linear, the numbers of municipalities were reduced from 834 in the 1995-1999 government five-year term to 284 in the 2000-2005 second government five-year term. The latter number is still maintained to date. Metropolitan government can employ private organisations to produce and provide services to the people at cost.

To privatise, the NPM requires public organisations to know the functions of the business world in order to survive, through continuous learning from the private sector, self-learning, action learning and good leadership. In the context of financial management, the NPM requires metropolitan governments to focus on the management of financial resources. Money derives significance from being the medium through which the value of all other resources is expressed, and is the means by which all other productive resources are sustained (Farnham and Horton, 1996:86). The Municipal Managers (MM) and Business Unit Managers (BUM) for LED have to adhere to the legalities in the PPP agreements by making sure that the courtesy to the service providers is excellent, and invoices are processed on time.

The NPM theory is based on the free enterprise or capitalistic philosophy, which supports the notion of economic growth and development where the private sector plays a maximum role (Crush, 1995:1; Baldersheim and Stahlberg, 1994:41; Lipshitz, 1993:45). Hulme et al. (1998:97-98); and Lawton and Mckevitt (1994: 19) refer to the NPM as the “new right” or “market-based Public Administration” theory,
which emphasises the virtue and creative possibilities of the free-market economy by counteracting the maximum involvement of metropolitan government in the local economy. The argument is that the metropolitan government or political system alone is practically unsuited to creating economic prosperity efficiently and effectively (Curl, 1970:42). Hulme et al. (1998:100) further argue that the NPM theory assists (metropolitan) government to “balance the efficiency of their respective local markets through economic and social stability” by adopting a business management style from the private sector, and by forming partnerships with private institutions that have resources to enable the metropolitan government to be on the “high road” to economic development (Sparks, 2003:183; Lipshitz, 1993:45).

In the context of South African public administration, the NPM is supportive of free-enterprise strategies on which the government has based its restructuring programme and LED policies (Schwella in Parker and Saal, 2003: 292). In the public management model designed by Fox, Schwella and Wissink in 1991, new concepts like “suppliers, competitors, regulators and consumers” were added, and are now used as orthodox public administration lexicons and are increasingly found in South African legislations and policies (Fox et al., 1991:4; Curl, 1970:42). This gives the impression that the NPM provides for the theoretical base on which the South African public administration is based.

The mixed economy model was implemented to foster a new and constructive relationship between the people, the state, the trade union movement, the private sector, and the market (Sparks, 2003:183).

The Bretton Woods Institutions (BWIs) such as the International Monetary Fund (IMF) and World Bank, are also known to have accelerated the application of the NPM theory by enforcing capitalist economic principles of the Golden Straitjacket or Washington Consensus on developing countries. The Washington Consensus prescribes that the (developing) countries that need to realise economic prosperity must open opportunities for the “Electronic Herd” of the developed nations to invest in their countries (Friedman in Sparks, 2003:211). Mbeki (2003:4) adds that the application of the orthodoxy of Golden Straitjacket is prescribed to countries with
debts to “implement their policy options as a necessary requirement for creation of the conditions that would result in the solution of their problems of poverty and the morass of underdevelopment through market mechanisms” which the governments should allow.

The BWIs prescribe that a country must:

- make the private sector the primary engine of its economic growth;
- maintain a low rate of inflation and price stability;
- reduce the size of its state bureaucracy;
- work towards a balanced state budget;
- reduce tariffs on imported goods;
- remove restrictions on foreign investments;
- minimise domestic monopolies to zero;
- increase exports;
- deregulate capital markets and economy to promote competition;
- privatisate state-owned enterprise;
- make its currency convertible;
- eliminate government corruption, subsidies and cliques; and
- allow its citizens to choose from an array of competing pension options and foreign-run pension and mutual funds Friedman in (Sparks, 2003:208-209).

In the same vein, Mbeki (2002:4) recognises the impact of the power of globalisation and the free market, by sharing the requirements of the BWIs as prescribed in the orthodoxy of the Golden Straitjacket that South Africa, like any other developing country, has to honour. The doctrine which must be turned into an effective macro-economic strategy includes the following principles: trade liberalisation, fiscal discipline and sound macro-economic policy, privatisation, deregulation, tax reform, absence of civil strife, democracy, promotion of inward investment, secure property rights, avoidance of “crony capitalism” and adherence to financial markets and banking standards. Developing countries have to adhere to these policy prescriptions to promote growth and development on their respective soils. The challenge is that of regulating the blank cheque of the developing countries to developing macro-economic policies tailor-made to bring hope and prosperity, while
at the same time, there are increases in the number of people living below the poverty line, as well as other social ills, for example crime and civil war (Sparks, 2003:187).

Blunden and Dando (1995:2) write about the background of PPPs by stating that the development of PPPs lies profoundly in the orthodoxy of NPM, which continues to have an impact on all public administration in the world. The facilitation of the NPM to other parts of the world was/is being done by the World Bank which loans finances to the “developing countries and requires them to implement the NPM’s nostrums” (Blunden and Dando, 1995:2). The nostrums of NPM are based on five defining strands.

- **Managerialism** refers to hands-on, professional management based on the private sector management style. The emphasis is on setting work standards, performance measurements and outputs. Pollitt (1993: 166) writes that “managerialism is a set of beliefs and practices that consider better management as a means to improving economic and social conditions”.

- **Rational choice** argues for linear or disaggregated bureaucracy; contracting out of services; development of quasi-markets such as municipal bonds to improve service delivery and local economic growth and development; strengthening discipline through valorising the rule of law; and parsimony in public spending.

- **Hierarchy prescriptions** emphasise the value of exemplary and visionary leadership in the reform of local economies through PPP. The argument is that the PPP model should be cascaded through metropolitan organisational and departmental strategies linked and aligned to that of service provider(s). This requires “state-of-the-art information technology” and an effective management style to ensure that the partnership is sustainable and that VFM will be achieved (ibid.). This enables fiscal decentralisation to take place. Fiscal decentralisation is the process where government has to decentralise its fiscal and expenditure functions between lower and higher levels, with lower level unlimited authority to manage its resources. It involves the devolving of economic decision-making to enable the lower levels of government to take ownership of local economic development initiatives, and thus be accountable for results. The national government can provide support by establishing “executive agencies” to assist
metropolitan government with management of resources and developmental programmes.

- **The market prescription** emphasises the introduction of direct market competition to provide public services or market-like mechanisms to regulate relationships between purchasers and providers. The relationship between the government and the market force or private party is managed and controlled through contractual means. The overarching commitment of the private party to provide services is to develop a “stronger and deeply embedded customer orientation”, and simultaneously reform an efficient metropolitan government capable of keeping down public spending (Spier, 1986:8).

- **The network prescription** emphasises development of a sustainable long-term and non-hierarchical relationship based on trust, mutual understanding and a shared ethical or moral commitment between the service providers and the consumers. This prescription provides for the empowerment of all service providers (whether metropolitan government or private party) and service consumers (Polidano, 2004:86; Farnharm and Horton, 1996:72; Stoker, 1999:3).

The view is that it offers a new way of looking at government and to its extent in terms of carrying out its democratic mandates in the 21st century. Rabin, Hildreth and Miller provide ten tenets of the NPM as part of the new paradigm of public administration. According to them, government should:

- “act as a catalyst – it should "steer" rather than "row";"
- empower rather than serve;
- be competitive;
- be mission-driven rather than rule-driven;
- be result-oriented, and not base its actions on inputs;
- be customer-driven;
- be decentralised; and
- be market orientated” (1997:92).

By contrast, Elliot (1996), and Common et al., (1993:7) view it as “simply an uncritical adoption of the features of private management and ignoring fundamental differences of public sector environment.” In as much as the NPM theory is
considered relevant for this study, ironically that does not conclude that NPM is still
the relevant theory for Public Administration and Management in terms of its
contribution to its practice in the 21st century, and more so in the context of
developing countries or developmental states like South Africa. Although the NPM
was introduced as relevant theory which enables public administration to be flexible
and responsive, its development and adoption to public affairs was based on wrong
values, i.e. the private sector values, which are considered to be unsuitable for the
public domain (Fraser-Moleketi, 2007:1). Bourgon in Fraser-Moleketi (2007:1) writes
that although “the NPM derives its intellectual foundations from Public Choice
theory; it fails to serve as a viable theory for the 21st Century public administration.
This failure is attributed to the fact that the NPM theory started wholly from the
wrong private sector propositions.

The urgent need is to return to a more informed public focused theory, if Public
Administration is to be restored to a flourishing field”. Robertson (1999:25) writes
that (some) of the Public Administration scientists have begun to perceive signs of a
breakdown of the NPM in favour of a more public focus theory which would be
flexible to operate in ever-changing environments where governments return to the
culture of serving the people, also called the culture of promoting public interests
compared to the culture of self-interest found in the public choice and NPM theories
(Polidano, 2004:145). The argument is about how to accelerate the process to move
to a new direction of Public Administration and Management to mainstream the
interest of the people in all forms of development and service delivery. Rabin,
Hildreth and Miller (1997:112) and Nigro and Nigro (1981:89) agree that
“government administration differs from all other administrative work to a degree not
even faintly realised outside, by virtue of its public nature, the way in which it is
subject to public scrutiny and outcry. An administrator coming into government is
struck at once, and continually thereafter, by the press and public interest in every
detail of his life, personality, and conduct. This interest often runs to details of
administrative action that in private business would never be of concern other than
inside the organisation”.

Public service delivery can be undertaken in different ways. There are various
alternatives or approaches to implement the NPM theory, which are privatisation,
outsourcing, contracting out, leasing and joint ventures (Savas, 1982:9). For the purpose of this research project, the privatisation approach is discussed as the most appropriate alternative of NPM where PPP fits suitably.

2.4.2.1 Privatisation approach

Privatisation is one of the sub-components of the public choice theory. Rabin, Hildreth and Miller (1997:112) write that an “essential redefinition of the public choice theory is that of privatisation of a portion of the public sector and the expanded use of contracts and regulations”. This redefinition is the promotion of “simulation of market-like conditions” in public administration, like the NPM (ibid.). This section concentrates on the reasons which lie behind privatisation; and the theory, practice, cost and benefits of privatisation. It is important first to define the concept privatisation, providing a brief historical background and the essence of its theory and application. Of note is that its application is subject to variability from region to region because of different environments in which different governments and societies operate.

The truth that dominates the fields of Public Administration and Economics is that resources are scarce and the needs of people are unlimited. This brings challenges, as government has to make choices and establish priorities to allocate resources according to the most urgent needs of people. The choice is to determine whether it is appropriate to be involved in deciding “when, what and how to produce and provide or to enable markets to decide on the economy” (Parker and Saal, 2003:25). The argument for examining this theory is its relevance to the focus of this research project because PPP is one element of privatisation (Kay, Mayer and Thompson, 1986: 284).

The term "privatisation" was first coined by Peter Drucker, and replaced the expression "denationalisation" (Parker and Saal, 2003:7, Probyn, 1997:87; Peppard and Rowland 1995; Ott, 2002:14). Privatisation means the transfer of “productive assets from the public sector (government) to the private sector under some type of equity sale or contracting out agreement” (World Bank, 1991:48). Parker and Saal (2003:37) provide a USA definition of privatisation as “government’s contracting out
Table 7: Total privatisation proceeds for the OECD countries

<table>
<thead>
<tr>
<th>Name of country</th>
<th>Total privatisation receipts in $</th>
<th>% of global total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>69 627</td>
<td>7.43</td>
</tr>
<tr>
<td>Austria</td>
<td>10 436</td>
<td>1.11</td>
</tr>
<tr>
<td>Belgium</td>
<td>9 611</td>
<td>1.03</td>
</tr>
<tr>
<td>Canada</td>
<td>10 583</td>
<td>1.13</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>5 438</td>
<td>0.58</td>
</tr>
<tr>
<td>Denmark</td>
<td>6 048</td>
<td>0.65</td>
</tr>
<tr>
<td>Finland</td>
<td>11 000</td>
<td>1.17</td>
</tr>
<tr>
<td>France</td>
<td>75 488</td>
<td>8.06</td>
</tr>
<tr>
<td>Germany</td>
<td>22 451</td>
<td>2.40</td>
</tr>
<tr>
<td>Greece</td>
<td>12 329</td>
<td>1.32</td>
</tr>
<tr>
<td>Hungary</td>
<td>11 530</td>
<td>1.23</td>
</tr>
<tr>
<td>Iceland</td>
<td>400</td>
<td>0.04</td>
</tr>
<tr>
<td>Ireland</td>
<td>7 613</td>
<td>0.81</td>
</tr>
<tr>
<td>Italy</td>
<td>108 586</td>
<td>11.59</td>
</tr>
<tr>
<td>Japan</td>
<td>37 670</td>
<td>4.02</td>
</tr>
<tr>
<td>South Korea</td>
<td>14 275</td>
<td>1.52</td>
</tr>
<tr>
<td>Luxemburg</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>Mexico</td>
<td>28 628</td>
<td>3.06</td>
</tr>
<tr>
<td>Netherlands</td>
<td>13 641</td>
<td>1.46</td>
</tr>
<tr>
<td>New Zealand</td>
<td>9 413</td>
<td>1.00</td>
</tr>
<tr>
<td>Norway</td>
<td>2 900</td>
<td>0.31</td>
</tr>
<tr>
<td>Poland</td>
<td>17 805</td>
<td>1.90</td>
</tr>
<tr>
<td>Portugal</td>
<td>25 292</td>
<td>2.70</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>1 976</td>
<td>0.21</td>
</tr>
<tr>
<td>Spain</td>
<td>37 645</td>
<td>4.02</td>
</tr>
<tr>
<td>Sweden</td>
<td>17 295</td>
<td>1.85</td>
</tr>
<tr>
<td>Switzerland</td>
<td>10 869</td>
<td>1.16</td>
</tr>
<tr>
<td>Turkey</td>
<td>7 231</td>
<td>0.77</td>
</tr>
<tr>
<td>UK</td>
<td>63 129</td>
<td>6.74</td>
</tr>
<tr>
<td>USA</td>
<td>6 750</td>
<td>0.72</td>
</tr>
<tr>
<td>Total OECD countries</td>
<td>655 662</td>
<td>70.00</td>
</tr>
<tr>
<td>15 EU countries</td>
<td>420 564</td>
<td>44.90</td>
</tr>
<tr>
<td>Total non-OECD countries</td>
<td>280 962</td>
<td>30.00</td>
</tr>
<tr>
<td><strong>Global Total</strong></td>
<td><strong>936 624</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

of local public services to private providers. A city or country government may contract with a private company to pick up the garbage, to keep city parks clean, to manage its hospitals, to provide ambulance services, to run schools and airports, or even to provide police and fire protection”. The essence of the theory of privatisation is that it requires public organisation with specific reference to metropolitan government to “acquire the functional ingredients of a business to survive” in the global, competitive, challenging and dynamic environment (Monique et al., 1998:66). It provides for economic and political benefits to (local) governments.

Margaret Thatcher, who became the Prime Minister of the UK in 1979, is considered to be the first pioneer of the modern privatisation programme. Collin Robinson agrees that privatisation has its origin in Britain by writing that “the United Kingdom by its persistent action over a decade created a framework for the planning and execution of privatisation programmes in an advanced industrial economy with well-developed capital markets, which would serve as a model for other countries at later times” (ibid.: 41).

It has taken a number of forms, namely: “from outright sales of state assets, through initial public offering (IPOs) of shares, to sales to domestic and foreign companies and to various forms of operating concessions such as build-operate-transfer (BOT)” (Parker and Saal, 2003:1). There is evidence that if the theory and practice of privatisation are applied correctly and professionally, the socio-economic condition of countries improves (ibid.). The global privatisation proceeds for the OECD countries and the impact of privatisation on economic growth of different countries are provided in Table 7 above.

The Report on Privatisation by the United Nations’ Development Programme provides that privatisation is “now a fact of life almost everywhere in the world, and lies at the heart of the newest based approach to Public Administration and Management” (UNDP, 1999:35). In the 21st century, privatisation is considered to be one of the norms in the practice of public administration because it enables governments to: expand and increase their sources of revenues; improve and sustain economic growth and development; and to redistribute wealth through wider
share ownership inclusive of the previously disadvantaged individuals (Polidano, 2004:6; Kasemets, 2003:1).

Parker and Saal (2003:7) write that governments privatise in order *inter alia* to: “raise revenue for the state; promote economic efficiency; promote wider share ownership, provide the opportunity to increase competition, and subject the privatised organisations or functions to market discipline”. Natrass (1998:226) states that the application of the theory of privatisation offers governments benefits which are *inter alia*: collecting proceeds from the sale of or use of a government property; turning a losing government function or organisation into a profitable or income-generating function; and expanding its tax base by taxing the new private organisation that has taken over the government function or enterprise.

Parker and Saal (2003:7) sum up the reasons for privatisation, as “what is owned by everyone is perceived to be owned by no one”. The above is possible when government approaches privatisation on economic grounds rather than on ideological grounds. To achieve the above benefits, government must answer the following questions so as to avoid “privatisation complications” (ibid.).

**Table 8: Privatisation checklist**

<table>
<thead>
<tr>
<th>Question</th>
<th>Checklist</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Do the institutions exist to support a thriving and efficient private sector?</td>
<td>Institutional environment</td>
</tr>
<tr>
<td>2. Will the privatised firm or function face real competition and in what forms?</td>
<td>Degree of competition</td>
</tr>
<tr>
<td>3. To what extent will the government involvement continue and what forms will it take?</td>
<td>The role and nature of metropolitan government involvement in the economy</td>
</tr>
</tbody>
</table>

Parker and Saal (2003: 6).
From this perspective, government must have knowledge about how to manage privatisation and partnerships with the private sector. Furthermore it must be equipped with the type of institutional structure and infrastructure necessary for improving social conditions. However, Kay et al. (1986:38-40) describe the cost of privatisation as the destruction of small companies, since the big and resourceful companies have a greater incentive to exploit monopoly power. Private organisations, since they are driven by the profit motive, are less interested in providing and sustaining services that are uneconomical. Hence in many countries not all privatisation programmes have gone smoothly (Posusney and Cook, 2002:59).

There are views that LED can be improved through nationalisation or the municipalisation process (SACP, 2002:3; Parker and Saal, 2003:7; Posusney and Cook, 2002:59). This means that (local) government alone can be able to improve economic growth, which creates employment for local people. Government’s partnership with the private sector is considered to be an "unstable marriage" because of varied value propositions. Government exists to promote the general welfare of the people by providing public services to all, and the private sector to make profit by providing business services to those who can pay for them.

Opponents to privatisation are the majority labour unions and organisations as well as individuals that share the communist or socialist ideology, with the high probability of sharing the Marxist socio-economic school of thought (Parker and Saal, 2003: 14; Posusney and Cook, 2002:59). For instance, labour unions in the UK formed an action network against privatisation. They wrote: “Prevent any further privatisation by local government. Privatisation isn't working. It puts children’s future in hock” (ibid.).

Salskov-Iversen, Hansen, and Bislev (2000); Finley (1989:7) and Hanke (1987:94) write that the opponents of privatisation argue against the proponents of this theory on the bases of the service delivery improvement and governance areas.

- “Performance: a democratically elected government is accountable to the people through its legislative organs such as parliament and councils. The profit motive of its agencies may be subordinated to social objectives.
• **Improvements**: the government is motivated to performance improvements, as well-run businesses that contribute to the government's revenues, which will then be distributed to promote the socio-economic needs of the people equitably.

• **Natural monopolies**: privatisation does not result in true competition, but in expanding the multinational corporations which limit the growth and sustainability of SMMEs. In addition, privatisation may create private-sector monopolies with high barriers to new firms entering the industry, as the existing firms have significant economies of scale that new firms cannot compete with.

• **Corruption**: both partisan and non-partisan officials are bound to uphold the highest ethical standards and standards of probity through policies and codes of conduct which provide for the declarations of interest by those in public office.

• **Accountability**: the public does not have any control or oversight of private companies.

• **Civil-liberty concerns**: government is accountable to the people, and can intervene when civil liberties are threatened.

• **Capital**: government can raise money in the financial markets most cheaply to re-lend to state-owned enterprises.

• **Concentration of wealth**: profits or privatisation proceeds end up in private, often in foreign, hands instead of being concentrated in the wealth of the nationals.

• **Lack of market discipline**: government keeps certain agencies under public ownership or functions because of their strategic importance to promote a better life for all.

• **Cuts in essential services**: If a government-owned company providing an essential service (such as the water supply) to all citizens is privatised, its new owner(s) could lead to the abandoning of the social obligation to those who are less able to pay, or to regions where this service is unprofitable.

• **Political influence**: government will have limitations to exert pressure on private business partners to implement government policy.

• ** Downsizing**: with privatisation, downsizing is often used as a form of organisational restructuring and making bureaucracies leaner. On the other hand, in municipalisation or nationalisation, retrenchments or downsizing rarely happen.
• **Profit:** Private companies do not have any goal other than to maximise profits” (Minogue, 2000:63; Lane, 1995: 43; Kusi, 1998:6).

Shah (2005:140) writes that like most options of the NPM theory, privatisation has its disadvantages. These are that the uncertainties of whether (1) the private organisation will execute its roles or not; and (2) it has enough capital or will make sufficient profit to sustain itself in the market after the current projects or whether the current project will lead to its liquidation. The most-used privatisation option by municipalities is PPP, but it is not the only option (Shah, 2005:128; Heymans and Schur, 1999). Savas (1982:142) concurs that PPPs has grown in interest as an appropriate option for "funding and delivery services, especially where there may be substantial capital or infrastructure costs”.

### 2.2.5 Governance theory

This section starts with the definition and background to the concept of governance. There follows a brief discussion of the theory of governance. The term "governance" in the context of public administration is defined as “general exercise of authority” (Schulman, *et al*., 1999:76; Grindle, 1997: 34; Smith *et al*., 1996:148-7). This definition is in line with the Webster’s Third New International Dictionary (1986:982), which defines governance as "the act or process of governing, specifically authoritative direction and control". This act ought to be a good action which can be heightened to mean good governance (Davids, Theron and Maphunye, 2005:64). Good governance is thus central to creating and sustaining an enabling environment for development and for the quality services to be provided in an equitable, participatory and transparent manner.

Good governance is “epitomized by predictable, open and enlightened policy-making, a competent bureaucracy which is imbued with a professional ethos acting in furtherance of the public good, the rule of law, transparent processes, and a strong civil society participating in public affairs” (World Bank, 1989:67). This means that government should not formulate and implement public or municipal issues in an arbitrary manner, and use tax payers’ monies to pay salaries of unaccountable and corrupt bureaucracies, or maintain unjust legal systems which promote
extrication with civil society and private sector in matters of public life (ibid.). Ismail, Bayat and Meyer (2002:8) share this view by writing that good governance requires the (local) authorities to liaise with communities, as they are the closest sphere of government to them, before taking any decisions which may affect their sustainable livelihoods.

In the context of this study, governance is a process of decision-making which calls for decisions to be implemented in a transparent, legal-orientated and effective manner. It requires the cooperation or involvement of the private sector and civil society movements in promoting a local government process that centres on improving sustainable local economic growth and development. This local government process must be open and transparent and provide the public with choices aimed at satisfying their respective needs and wants.

In a bid to realise good value governance in PPPs, metropolitan government must have knowledge and skills in public administration and management, and contract management, to avoid unwarranted risks. "Contract management" is defined by Grimsey and Lewis (2004:199) as the “processes undertaken to maintain the integrity of the contract and to ensure that the roles and responsibilities contractually demarcated are fully understood and are carried out to the contracted standard". Good governance would be realised when municipalities are able to manage risks or allocate risks to the party that is best able to manage it.

Good governance includes managing the metropolitan government’s resources in the most effective and efficient way and making citizens aware of their rights in the distribution of those resources – a process which must be done in as equitable a manner as possible. Good governance is attained by making sure that activities are conducted in a legal and honest manner. Good governance occurs when a group of individuals exercise legitimate authority and carry out activities in a transparent and sincere way (Bone, 1972:284). It exists when a body of people and institutions make and enforce laws for a particular society in a lawful manner to protect the rights of the people (Remney, 1975:49).
Good governance is therefore a type of governance in which public resources and problems are administered effectively, efficiently and in response to the vital needs of the general public. Governance is a multi-dimensional phenomenon. According to Steyler (2005:23), good governance in public administration is multi-dimensional. It has three dimensions, namely: administrative, economic, and political.

- **Administrative governance** is about the system of policy implementation, monitoring and evaluation. United Nations (2007:32) writes that with administrative governance, "public officials are required to increasingly exercise judgement over which form of accountability to prioritise in a given action. In this regard, the professional and personal accountabilities are vital to convert the good words of ‘serving the public’ into great deeds providing both the tangible and intangible aspect of service delivery."

- **Economic governance** involves all decisions made by the government that impact on the growth and development of the local economy and optimal management of resources. It is important that local economic growth not only be realised, but through it, poverty and unemployment be reduced so as to promote a better life for all. In economic governance, local government must enable the private sector, civil society movements and the people to participate and use their respective capabilities and endowments to gain income and other growth opportunities to increase and sustain their choices for development (United Nations, 2007:2).

- **Political governance** involves the decisions made by policy-makers to formulate (economic) policies and interventions to overcome implementation constraints. In addition, all local government stakeholders must be able to enjoy their freedom of speech and associations which can be used when PPP does not provide economic benefits, but deepens social challenges like unemployment and poverty (ibid.).

Good governance requires consensus on decision-making. The aim is to ensure that stakeholders take ownership of the projects that come about through their consensual decisions, shared vision and developmental mission. It is required of government to uphold the principles of good governance, which are: the rule of law;
participation; openness and transparency; equity; accountability, responsibility and responsible government. These principles are discussed below.

- **Participation** refers to access and involvement of individual citizens, members of civil society movements, business organisations and international organisation policy- and decision-making processes of the metropolitan municipalities. It is required of municipalities to enable effective participation of the people by empowering them with relevant skills and knowledge in PPP, LED and governance in general. This means that legislative and policy requirements for sustainable delivery processes such as the integrated development plans (IDPs), budgets, LED, and community-based planning (CBP) must be used in a robust manner by metropolitan authorities to consolidate democratic governance and improve service in their respective areas. The Division for Public Administration and Development Management of the United Nations writes that with participatory governance, all citizens irrespective of race, gender and class, interest and pressure groups, will be provided with access not only to PPP information, but to decision-making processes and power to influence how PPP can be used to improve their socio-economic conditions (United Nations, 2007:3).

- **With rule of law** – legislative and policy frameworks should be enforced to ensure that good governance is not performed as a ceremonial function, but as an appropriate means to uphold the principle of law and to put people first.

- **Open and transparent governance** “implies openness of the governance system through clear process and procedures enabling access by citizens and other stakeholders to information for their democratic participation and development” (United Nations, 2007:4). The process of LED and PPP must be transparent to all local government stakeholders regardless of distance from the physical institutions of governance and degrees of literacy. It is important that information on LED and PPP is available to all citizens in their own languages so as to bring efficiency in their responses to the process of governance. Openness and transparency “ensure that the accountability of public officials [PPP or LED specialists and practitioners] as well as their municipal institutions manage public resources in a manner that stand public scrutiny” (ibid.).
• **Accountable governance** has three dimensions: (1) “financial accountability through the use of power and authority to report on intended and actual use of government resources; (2) political accountability which has prominence in the municipal systems of checks, balances and control; and (3) administrative accountability through internal control, which includes municipal service codes or standards, incentives for good performance, and administrative reviews and oversights by competent officials” (United Nations, 2007:3). Accountable governance requires metropolitan governance to be responsive and responsible as it owes its existence to the people. Striving towards meeting and promoting the sustainable socio-economic conditions of the people is central to responsible, responsive and accountable institutions.

• **Equity** implies that the local public economic resources have to be generated and distributed in a manner where all citizens irrespective of race, gender and creed, benefit, although a consideration has to be given to the way disabled and previously marginalised people and women are mainstreamed into the economy of the metropolis.

The Committee of Experts in Public Administration (CEPA) in their fourth meeting noted that governance must enhance innovations in all the service delivery alternatives, so that each alternative chosen by the people can best satisfy the ever-changing socio-economic needs. Innovation must be “judged on its ability to create public value and place local economies in a high growth path” (United Nations, 2006:29). It is in this regard that good-value governance enables government to either discover or invent new models of improving LED. Innovations can also be based on case studies by other countries in a particular public administration area that would make a country’s government more public-focused.

Hartley (2005:44) writes that government can be innovative in: “service by finding new ways to provide services to people; process by designing new ways organisational processes to make government effective, efficient and economical; and position by changing into a new context to respond better to the needs and demands of the market”. It is important that such innovations comply with the principles of *Batho Pele*. Simply put, innovations in development must be people-
centred, and must be done in a manner where value for money will not be compromised.

2.3 Conclusion

This chapter has provided a theoretical base for the study. The chapter started off with a discussion of the concepts of PPPs, development and sustainable development. There followed a discussion on the theoretical base for LED in public administration which focused on the following theories: public choice, new public management, privatisation, and governance theories. The public choice, new public management, and privatisation are considered to be the inventions of the proponents of the capitalist economic model, which proposes self-interest or business propositions in the field of public administration. Critiques from the perspectives of the socialists or Marxists and traditional public administration have also been made, to at least balance the arguments. The point is that these perspectives are the most directly relevant intellectual explanations and motivations for the practices of PPP in LED in public administration and management.

The suggestion of the theoretical base is that there have been three stages in the history of public sector change, viz: (1) the traditional model of public administration; (2) the new public management model which is based on the rational economic model or public choice model of public administration; and (3) the new contractual model which incorporates approaches like PPP. Davis (1997:62) puts these paradigmatic approaches of public administration simply in saying that: “The first managerialism sought to reform public administration while keeping many of its essential features. It drew on values and techniques developed in business to improve efficiencies in government. The second trend, the move to contracting, through the new public management approach, has proved to be more significant in the globalising universe of public administration and management. It draws explicitly from economic theory. Contracting suggests it is not enough to import business practices. Government services must be delivered by business, according to contract won through competition. The result is a hollow state, a government which regulates markets but does not participate in them, a remnant public service which sets policy but relies on others to deliver the goods”.

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Lastly, the theory and concept of governance is appropriate for this research project, which aims at developing the PPP model to improve LED in metropolitan government, which is one of the institutions of public administration. Governance is appropriate not only to this study, but to the entire field of Public Administration and its practice. In theory, governance attempts to do more than "mere efficient management of economic and financial resources or a particular public service rendered through PPP. It is a broad reform strategy to strengthen the civil society institutions to make metropolitan government more open and transparent, responsive, accountable and democratic" (Hughes, 2003:77).
It must be remembered that there is nothing more difficult to plan, more doubtful of success, nor more dangerous to manage than the creation of a new system of local government. For the initiator has the enmity of all who would profit by the preservation of the old institutions and merely lukewarm defenders in those who would gain by the new ones. The hesitation of the latter arises in part from the fear of their adversaries, who have the laws on their side, and in part from the general scepticism of mankind which does not really believe in an innovation until experience proves its value" (Machiavelli, 1947).

3.1 Introduction

The aim of this chapter is to provide a brief international perspective on developmental local government from selected countries. The background to towns, cities, municipalities and local governments is discussed. Local governments were established because government wanted to be closer to the people it governs, provides services to, and sources taxes from. The idea was to enable the “decentralisation of functions and services that are cost-effective when rendered at a local sphere or level” (Parnell et al., 2002:18). Scholars like Cockburn (1977:13) refer to local government as a local state, to show that it is an extension of the national government. Leaders like Mandela refer to it as the "arms and legs" of the national government, with which to implement its policies and developmental programmes with local citizens, NGOs, CBOs and the private sector in a more efficient, effective, economical and equitable manner (ANC, 1994:8). This type of establishment is a response by governments to combat uneven development, exclusions and poverty, and promote shared governance found in many countries (Parnell et al., 2002:19). The creation of the local states or local governments or municipalities is not only a political process, but a juristic process which ought to be managed by competent state bureaucracies (ibid.). This means that a country’s constitution will make provision for the establishment of local government with specific objectives and functions to realise and perform. It is in their carrying out of
their functions that they should enable people to participate in the making of choices aimed at satisfying their needs and wants as part of democratic processes. Democracy is not only about the top-down approaches, but also a bottom-up approach where policies or by-laws can be initiated by citizens (Cloete and Wissink, 2000).

Craythorne (1997:9) writes that local governments of various countries have local autonomy, but can cooperate or have cooperative governance with other levels or spheres of government. However, with their local autonomy, they must not allow their developmental programmes or policies to be in conflict with the laws or policies of national or regional or provincial governments. According to Craythorne (1997:9), local autonomy means that municipalities have a right to govern, on their own initiative, the local government affairs of their community, subject to national government legislations. The notion of subjectivity does not mean that national government have a right to interfere in the governance processes of local government unless local government has acted in conflict with national legislations or policies. If in conflict, national government can abolish local governments or put the administration under its control for a certain period until the local government concerned proves to be competent to operate on its own and not to get into conflict with national laws and policies. Parnell et al. (2002:20) give an example of the British government that abolished the Greater London Council and metropolitan counties because they were considered to be frustrating the programmes of the national government. In South Africa, in 2006, national government had to put three municipalities under its administration because they were viewed as being in conflict with national local government service delivery implementation plans which resulted in poor service delivery (Kolita, 2006:6).

There is always a certain difficulty when discussing the subject of local government, in either a developed or developing country. This is a matter of definition. There are different definitions of local government. The common one is that of Reddy (1999:9), who defines local government as “a second or third level of government deliberately created to bring government to the local populace as well as to give its members a sense of involvement in the political processes that control their daily lives”. Local government is a government of a city, county, parish, township, municipality,
borough, board, or district closest to the people. Merriam-Webster Dictionary (1817) defines local government as the “government of a specific local area constituting a subdivision of a major political unit such as a council and the administrative body of persons constituting such a government. It is the government of the affairs of a city or town or district, by the people living there, through elected and appointed people to lead and administer respectively this government”.

All countries in the world have this type of government, but differ in terms of the "what" (the nature) and "how" (the extent to which) it improves the lives of the people it governs, and to which it provides local public goods and services. For example, countries differ in terms of what they call local government. Hilliard (1991:143) writes that Germans call it Gemeinde; French and the Nordic countries, (i.e. Denmark, Finland, Iceland, Norway, Scandinavia, Sweden together with three territories, namely: Aland, Faroe Islands and Greenland that are members of the Nordic Council but enjoy autonomy) call it Communes; the Swiss call it Cantons; the Fijians call it Provinces; the British call it Boroughs or parishes; Hong Kong people call it Cantonese; and South Africa calls it a Municipality or city. It is noted that in some of the Asian countries a municipality is taken to mean "a settlement of any size, contrary to the Western understanding that a certain minimum size of settlement is to be expected" (Hilliard, 1991:143; Bristow, 1989:1; Heymans and Tötemeyer, 1988:41).

Local governments around the world are not immune to the paradigmatic shifts in public administration of various countries (Shaw, 1996:4; Meltzer and Richard, 1981:41). Some states are called "developed states" which are characterised by the invisible hand of the markets and meritocracy such as USA, UK, Germany, France, Canada, etc. (Hunt, 2000; Hirst and Thompson, 1999; Rueschemeyer and Evans, 1985:4; Horward, 1898); some are called "developmental" states, which are characterised by the state (minimalist) intervention in the market, like South Africa, Taiwan, Japan, and Korea to name just four (Binza, 2007:6; Mufamadi, 2004:4 Jaguaribe, 1973); and yet others are known as "intermediate" states, which are characterised by the maximisation of state intervention and big bureaucracies (Brazil and India) (Granham, 2001; Willis and Game, 1994:48). This means that in those states that pursue a developed model, their local governments are developed local
governments, and the same can be said about the developmental states whose local
governments are developmental in nature and character (Meltzer and Richard,
1981:101). In this context, the nature of developmental states is briefly discussed as
South African local governments are called developmental local governments. In
addition, the 21\textsuperscript{st} century developmental local governments have to implement the
sustainable development agenda in their cities or towns or municipal areas together
with local stakeholders, in order to improve social and economic conditions of the
people without jeopardising the environment and squandering resources for future
generations.

3.2 International perspectives on the evolution of (developmental) local
government

3.2.1 Western and European experiences

Various authors have written on the origin, history, transformation and contemporary
nature and character, functions and powers of local governments in different
countries (Craythorne, 1997; Wilson and Game, 1994; Cloete, 1995; Hilliard, 1991;
Steward, 1988; Cloete, 1986; Loew, 1979). The literature reveals that local
government is as old as government, although established later than the national
government by various states (Marais, 1989:14; Barrat and Downs, 1988:5).
Countries which had been colonised seem to have established their local
governments based on the foundations left by their colonial masters (Wilson and
independence or post-apartheid era bear some characteristics of their respective
colonisers (Marais, 1989:14). The point of departure of local government relevant in
this research project is that of local government emerging from towns and cities of
the specific Western, European and Asian countries. Bristow (1989:1) gives the
international history of developmental local government as follows:

“Local government emerged from towns which are defined as planned communities
consciously created in response to clearly stated objectives. Town creation as an act
of will presupposes the existence of an authority or organisation sufficiently effective
to secure the site, marshal resources for its development, and exercise continued
control until the town reaches viable size”. 

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The establishments of local governments in the UK and USA serve as examples of this presupposition. With regard to the British experience, it was during the medieval period or before the Norman Conquest that the City of London developed a unique form of government which recognised the rights, privileges and laws that the people of the city or town had enjoyed since the time of Edward the Confessor (1042-62). It is this form of city development that finally emerged in 1067 as the first independent local authority in Britain and then spread to the whole of the United Kingdom. The towns or cities in the UK were subject to the "authority of the Crown through its Sheriff -- the Shirereeve or Portreeve" (Stoker, 1999: 141).

The shift in authority from the crown to the City Council took place in 1189, when the communes and office of the mayor were established. This led to the King and the Prince of England recognising the communes in 1191. Following on this, the King granted the citizens the right to elect their own mayor. The formation of communes enabled the creation of wards to enable the local representatives or Aldermen to summon "wise and discreet" citizens from their wards to consult on the common affairs of the town. Wards are used as a means to promote decentralisation in local government as many people participate and channel their demands and views via ward committees. The ward meetings led to the establishment of a Common Council -- a highest decision-making body in local government to make decisions aimed at promoting good governance and improving municipal service delivery. That contributed to great cities found in the United Kingdom, and was later spread to all colonies of Britain during the colonisation period. South Africa’s developmental local governments adopted the ward model in 2000 (Naude' Rossouw and Grigel, 2006:14).

It was in the 19th century that the developments of the cities of the UK and USA took a new town-planning or urban form. Bristow (1989:4) and Wigglesworth, (1971:63) describe ideas which are considered to be foundation stones for the evolution of new towns (and new town-planning or new urban form) that they term "the garden city". The term "garden city" is not new; it was already used in the USA in 1869, and in Britain in the early 1800s (Bristow, 1989:4; Wigglesworth, 1971:63). The impression is that the garden city serves as an attempt to devise new means of better
integrating the best features of towns or municipalities and a relevant country into a single urban form, and thereby granting new towns an authority to govern by creating developmental local governments that are effective in rendering local public services and improving local economies to efficiently improve the general welfare (Wigglesworth, 1971:63).

The relevance of the garden city concept in the present project is its contribution to the creation of urban agglomeration which is the “built-up or densely populated area containing the city proper, suburbs and continuously settled commuter areas which may be smaller or larger than a metropolitan area” (United Nations, 1998:143). The concept arises in cities where trade, information and industry are the hubs of generating local economies, and cities use these hubs to articulate their sustainable development functions and mobilise capital for expansion of the infrastructure (ibid.). The locus of this study is the metropolitan government, which is defined as the “set of formal local government areas that normally comprise the urban area as a whole and its primary commuter area” (ibid.:142). Modern cities or metropolitan governments do not serve only as concentrations of people and resources, but they also serve as hubs of local economic trade, and articulate or mediate major functions of the global economy (United Nations, 2003:135). This means that the concept of a garden city provides the notion that cities or towns must not be static; they must grow together with their local economy because a growing town or city or municipality is a growing market. However, growth of municipalities must be managed by means of effective tools to observe urbanisation processes and the ability of the municipality to link its urbanisation with local economic growth. The view is that local economic growth in urban areas is more effective than in rural areas (ibid.). This means that people migrate to urban areas in search of better economic opportunities for their individual maximisations.

It is in this context that a balance between providing services to communities and developing local economies to better the economic conditions of people has been sought. Bristow (1989:101) writes that “…[the authorities] are satisfied that the administrative mechanisms in new towns provide an adequate means to achieve balanced [economic] development in respect to rendering of [enabling] and ancillary community facilities”.

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The writing of Ebenezer Howard led to the founding of the International Cities Association in 1899. This association assisted with the creation of Letchworth Garden City, a municipality in the north of London in 1903, and this model spread to Europe, where garden city models were developed. The creation of: *die gartenstadt* in Germany, *la cite-jardins* in France, and *cuidad-jardin* in Spain, and the garden city of Good Hope in 1652 and later in 2000, the establishment of the cities or metropolitan governments of Ekurhuleni, Ethekwini, Tshwane, Johannesburg, Nelson Mandela Bay Municipality (NMBM) and City of Cape Town (CCT) in South Africa, all serve as examples of how developmental local government evolved within the context of new town planning and developmental policy discourses (Binza, 2006:482; Marais, 1989:44; Bristow, 1989:7). Countries like the USA, Australia, Japan, Hong Kong, and South Africa followed suit in building their towns or municipalities based on the ideas of Ebenezer Howard (ibid.).

The common discourse in development is about the challenge to coordinate and to time planning and implementation, which requires an exceptional degree of cooperation between various stakeholders within and outside the municipality. So the establishment of management communities chaired by elected representatives accountable to the council has served as an appropriate solution to the problem. Now, almost all local governments in the world have management committees to ensure the smooth running of service delivery and the socio-economic and physical development of towns. Some of these towns and cities have strong or weak mayoral systems (Craythorne, 1997:181; Hilliard, 1996:46). A strong mayoral system enables the political leadership headed by the mayor to have limited involvement in the administration authority and processes of the city, while the weak mayoral system provides for the ceremonial mayor or political leadership (Steytler, 2005:45; Dollery, 2003:90). The new role of these municipalities is to ensure that municipal resources are sustainable and allocated to areas which will enable the municipalities to be responsive to meeting the needs of the people, and to ensure that they are financially and economically viable (Dollery, 2003:89).

Another important point of departure worth mentioning is that developing countries (like South Africa) took a leaf out of the developmental local government book from...
the Nordic versions of a "European wave" of decentralisation and public-sector reform which started in the 1980s (Baldersheim and Ståhlberg, 1994:5). What led to developmental-orientated communes in the Nordic countries is that decentralisation and public-sector administrative reforms took the shape of the "communalisation of public responsibilities with the transfer of more functions from central government to local government; the granting of local government greater freedom; and the creation of local leadership which is committed to govern, reorganize and set local priorities to improve the socio-economic conditions of the local inhabitants" (ibid.: 7). The word Nordic means "the North" (Hilliard, 1991:187). The local government of Nordic countries, viz: Denmark, Iceland, Finland, Norway, Scandinavia, and Sweden as well as Aland, Faroe Islands and Greenland (which are autonomous from these countries but serve as members of the Nordic Council) are considered as the most decentralised and people-centred organs of policy implementation for the welfare states.

It is worth taking a brief look at the angle or approach to local government transformation of the Nordic countries in the 1980s prior to a brief examination of the African perspective on local government in the context of the international role of local government. The introduction of a developmental perspective on local government in the Nordic countries was due to the fact that "corporativist models which were based on modernisation and deregulation of pure capitalism used in the 1970s overloaded these countries and drove them over the brink of a resource pinch in the 1980s" (Batley and Stoker, 1991:145).

Looking for solutions to problems, countries’ presidents and ministers of local governments introduced a programme called "free communes" which focused on decentralisation, accountability, and bottom-up governance, where people participated in local governance (Baldersheim and Ståhlberg, 1994:4). Contrary to the top-down and corporativist approaches adopted by the Thatcher administration (that led to the theory and practice of democracy being questioned in Britain), a point of departure appeared more boldly in the manifesto of Tony Blair, the former British Prime Minister (Milakovich and Gordon, 2004:41-42; Batley and Stoker, 1991:147). Baldersheim and Ståhlberg (1994:4) explain that communes are municipalities with a special status given by national governments. Central to these communes is the
bottom-up and learning-oriented approaches that enable them to carry out experimental projects that are developmental in nature, a new way of conducting local affairs" (Binza, 2005:107). The philosophy of the commune programme is that "he/she who is wearing the shoe knows best where it pinches" (ibid.). The argument was that communes should be self-regulating so as to generate and sustain revenue. These municipalities are known for maintaining business and political relations with their central governments, i.e. public-public partnerships.

The methods by which reforms were implemented varied from country to country. As a result, the legal service delivery and administrative mechanisms of these communes vary from commune to commune of one country, and between communes in different countries. A public sector reform in Nordic countries, as with reform elsewhere, was an immense task. An experience of the East Asian countries’ local government transformation serves as a good example of reform, and is briefly discussed below.

3.2.2 Developmental states: experience of the East Asian countries

In the context of this research project, "developmental local state" is used synonymously with "developmental local government" (DLG). Developmental local government (DLG) is the "arms and legs" of the developmental state. Johnson (1982:27) refers to the DLG as a developmental local state to denote that it exists as an extension of the national state closest to the people, and which governs with and for the people. The DLG is autonomous from other spheres of government (see The Constitution of the Republic of South Africa, 1996). It is sustainable development-orientated and people-centred. This means that DLG in a developmental state has an "autonomy that is embedded in a concrete set of societal ties that bind the state to society" and provides institutionalised information, resources and governance sharing channels to promote sustainable economic development (Johnson, 1982:27). DLG must be accountable, responsible and responsive to the social and economic needs of the citizens. Autonomy and embeddedness are considered by Barberis (1996:84); Barrat and Downs (1988:62) and Rueschemeyer and Evans (1985:29) to be indispensable elements of local democracy, and are interdependent. This means that any municipality requires autonomy to exercise its authority to
obtain and allocate capital to strategic economic sectors and long-term projects that promote LED. As regards embeddedness, municipalities must establish effective relations with the local society and stakeholders that operate in their area. These relations must exist not only for information sharing, but also for vigorous participation and mainstreaming of previously marginalised communities into main LED and governance processes.

An archetype of the developmental state is briefly explained below. Developmental states emerged in Japan after the World War II out of the background of startling economic growth, where this state started to act as a “surrogate for a missing capital market and was enabled to induce transformative investment decisions” (Kriekhaus, 2002: 11). The states of Korea and Taiwan followed suit a year later than Japan. South Africa adopted the model of a developmental state after it obtained democracy in 1994. Japan, Korea and Taiwan used this paradigm to transform from underdeveloped and poor states characterised by ineffective bureaucracies, poverty, unemployment, illiteracy, exclusions in the process of governance and resources allocation or distribution and poor service delivery into developmental states. Naidoo (2002:481) writes that the developmental state “…consistent with the multi-dimensional fabric of development as a concept, could be geared more emphatically towards [local] economic growth (capital accumulation) and social or welfare upliftment of the poor”.

Developmental states started when the governments of Japan, Korea and Taiwan developed industrial structural policies to effectively implement industrial rationalisation. There followed the establishment of special State-Owned Enterprises (SOE) for the purpose of developing sound economic growth or capital accumulation policies, and the implementation of industrial rationalisation programmes. Tax breaks were provided for both international and domestic investors, and licences to import foreign technologies to bring efficiency and set the developmental state into a "path of high economic boom" where underdevelopment, unemployment and poverty were to be effectively combated (Rueschemeyer and Evans, 1985:24). The local state assumes a prominent role in mobilising capital for development and is central to economic transformation (Naidoo, 2006:481).
The Japanese, Koreans and Taiwanese developmental states were built on, and consistent with, the "Weberian hypothesis", which provides for public officials to have a special status in the public service and be responsible to develop and sustain effective governance systems which are aimed at improving service delivery and socio-economic conditions of the people. The developmental state prides itself on its prominent administrative machinery armed by a "strong bureaucracy that is capable of planning, implementing and supporting the state’s industrial transformation agenda to enable it to improve its export performance" (Naidoo, 2006:481). Barrat and Downs (1988:62) agree that officials of these developmental states follow "long-term career paths and generally operate with rules and established norms. This means that individual maximisation must take place via conformity to bureaucratic rules rather than via exploitation of individual opportunities presented by the invisible hand". Ababio and Makgoba (2002) and Mutuhuba (1993:27) state that developmental states have a coherent and meritocratic bureaucracy that emphasises the indispensability of internal and external networks. Meritocracy in Korean public administration has been used as human resources provisioning since 788 A.D. Meritocracy is noted to provide corporate or private organisations with confidence to obtain competent personnel and a definable esprit de corps (ibid.).

The internal network enables the entire bureaucracy to work cooperatively to maximise economic outputs and outcomes through its skilled and knowledgeable human resources scattered in all spheres or levels of government. An external network enables the local government to connect with society in general and industrial communities in particular. Okimoto (1989:170) writes that the "administrative web of the developmental [local] states of Japan, Korea and Taiwan are woven into society and public servants have professional associations with [local] industries and quasi-governmental organizations." Samuels (1987:262) concurs that the "centrality of networks has led the developmental [local] states to be effective and efficient not from their own inherent capacity but from the complexity and stability of their interactions with market players. In addition, connectedness of state and society is a catalyst for an increased competence and cooperation of government instead of capture". It is noted that the Taiwanese local state is the best that "unquestionably operates with a less dense set of public-private networks ties compared to the Japanese and Korean versions of developmental states" (Evans,
The private sector expertise in socio-economic policy and programme management has served the Korean government with administrative guidance and cultivated the culture of competitiveness and efficiency in its bureaucracy.

Developmental states are able to enforce the emergence of a free market rather than allowing the creation of rental havens, which happens when the state is not autonomous from the market forces. The autonomy is made possible by a skilled and knowledgeable or powerful bureaucracy who can successfully drive the state to become entrepreneurial rather than to conforming to its traditional status quo of public administration. Traditional status quo of public administration pronounces that the state role is that of providing public goods and services to the people, whereas the entrepreneurial public administration goes beyond this function to that of improving the socio-economic conditions of the people by being interventionist into the market (Wade, 1990:79). This means that developmental states must be capable of acting autonomously to work collectively with the market and society to combat underdevelopment, poverty and unemployment through building local economic growth that provides jobs to local inhabitants (Evans, 1995:34).

As an interventionist state, the developmental state must know when to intervene and to what extent, and the nature of its invention strategies must be known. For example, the Taiwanese government is "selective in its interventions and its bureaucracy acting as a filtering mechanism focusing the attention of policy and decision makers on selected economic sectors, products and processes crucial to the future local economic growth or achievement of the long-term economic vision of the state" (Wollman, 2003:26). This means that government must only intervene in strategically necessary areas that may hinder the government from reaching its set high economic growth path. A selective interventionist state can be equated to a minimalist state like that of Japan (Okimoto, 1989:2). Selectivity or minimalism reduces the demands on the bureaucracy and makes its effective performance easier, as it deploys limited resources for the execution of its core functions (ibid.).
3.2.3 The African experience

The evolution of local government in Africa can be traced back to when settlers landed, and colonised African countries. Like the rest of the world, municipalities serve as the lowest level of government which ought to be closest to the people and govern with the people. In the post-independence period, there were inappropriate shifts in the governance processes of many local authorities in Africa, following the pattern of their respective national governments, which were characterised by poor service delivery, human resources provisioning based on ethnical or tribal ties with the national government’s ruling elites, and the absence of democratic processes (World Bank, 1989:145; Worral, 1971:54). The argument is that the transformation of local government was not effective, as it was managed by inefficient bureaucracy. The management of budgets by national governments or federal states in Nigeria worsened the misappropriation of financial resources, maladministration, and poor service delivery (Salskov-Iversen et al., 2000:188). It is also important to summarise the historical evolution and functioning of local government in Africa.

According to Reddy (1999:31), the evolution of local government in Africa has had five stages:

- **Pre-colonial period**: indigenous self-rule under various forms of traditional chiefdoms or kingdoms.
- **Colonial period**: modern municipalities were established in urban areas where most Europeans and Westerners resided. In addition, traditional leaders were in charge of [certain] municipalities mostly in rural or urban outer peripheries with the colonial power in a system of indirect rule. The indirect rule was common to all the Anglophone countries where the British hand was felt through the indigenous or traditional leaders who were under the supervision of the Colonial District Commissioner responsible for law and order and judicial functions (ibid:11). South African local governments during the period that South Africa was a colony of Britain had the same experiences as other Anglophone countries in Africa. It is argued that matters were worse in the Francophone countries prior to 1918 as French policy was based on assimilation and a direct rule system of
governance with colonial administrators operating from municipal centres to village levels.

- **Transition period**: a period where Africans were preparing for their independence. Agreements which led to the establishment of democratic local governments between the colonial masters and African leaders were signed, although these democratic local governments were short-lived in some African states due to factors such as corruption, tribalism and a lack of developmental vision.

- **Post-honeymoon period**: this period was characterised by administrative and political centralisation by either one-party or military regimes under which local self-government was abolished. In most states, local governments served as puppets of the central government which led to a progressive decline of competence, resources, legitimacy and service delivery.

- **Contemporary new dawn**: this period started in the mid-1980s in some states and early 1990s in other states.”

In 1995, Anglophone Commonwealth countries agreed on the following local government programme of action to improve the efficiency and effectiveness of their municipal leadership, whose responsibility was to ensure that their respective countries and municipalities complied with local government principles enshrined in the New Partnership for Development (NEPAD), and the Commonwealth Round Table on Decentralisation and Democratisation for Senior Local Government Policymakers in Africa:

- "Adherence to the Commonwealth principles of democratisation and decentralisation entailing a commitment to democracy, fundamental human rights, the rule of law, the independence of the judiciary and just and honest local government including the empowerment of people at local government level, unrestricted political activity and fair and free local government elections.

- Allocation of the necessary resources and technical expertise by central governments as well as the international donor community, to ensure the successful preparation and implementation of a democratic agenda including support for a civic education programme.
• Recognition of the role that participatory local government in support of the consolidation of democracy and its developmental objectives implies.

• Promotion of corporative policy and an institutional framework for intergovernmental relations in the area of local government.

• An adequate enabling environment for local government, including the necessary constitutional, legislative and financial safeguards and allocation of resources.

• Effective devolution of power to ensure that local government is recognised by central government as a distinct sphere of government and a partner in development.

• Restructuring of ministerial organisations and decentralisation of the national administrative machinery in response to public sector reform and support for good local governance.

• Consolidation of the democratic process by support for post-election capacity building and induction/training programmes for elected local representatives.

• Recognition of the need for close links between local and parliamentary democracy at national level.

• Effective implementation of the IULA Toronto Declaration on the Worldwide Declaration of Local Self-Government as a valuable guideline for the promotion and strengthening of local government.

• Recognition that traditional leaders have considerable credibility in many local communities and that the creation of appropriate structures for the involvement of such leadership to assist with the realisation of LED and other local government goals.

• Full participation of women in local government.

• Full participation of local communities in the decision-making process, especially with regard to project identification and implementation.

• Democratisation and decentralisation strategies must not compromise the integrity of the country concerned’ (Reddy, 1999: 24-25; Commonwealth Local Government Forum, 1995:3-4).

Based on the above accords and principles to which African local governments had to prescribe, key strategic choices have to be made in order to bring efficiency in service delivery and other issues of relevant sustainable livelihoods, viz:
• The extent to which the municipality wants to go beyond its responsibilities for service provision to exercise a wider role in local governance.
• The degree to which it aims to introduce market enterprise strategies such as public-private partnerships that allows competition and contracting out.
• The degree to which the municipality improves and sustains local economic development and creates employment for local dwellers.
• The relative importance it gives to service delivery, including service to individual customers or communities.
• The extent to which it gauges the public perceptions about its governance, and the manner in which local economic development impacts on its inhabitants (Mutuhuba et al., 1993:43).

3.3 International characteristics

Common to all local governments, the following international characteristics can be identified:

• **Locality:** smallness is implied and a sense of community consciousness or solidarity. Local government will have relevance for a particular geographical area. The issue of size is important but has not been resolved.
• **Legal personality:** it owes its existence to law; powers should be clearly defined in laws based on relevant clauses of the country’s constitution.
• **Autonomy:** the ability to make binding decisions and policy choices within a legally stipulated framework and to allocate resources and provide services other than those of the central or provincial government, in the case of South Africa, is necessary.
• **Governmental power:** the authority to carry out formal governmental functions, namely: budget formulation, coercive revenue raising, decisions on personnel provisioning and utilisation, development and implementation of policies. IDPs and by-laws are important.
• **Participation and representation:** public participation in the development of strategic municipal governance systems and processes, notably municipal performance management systems, municipal budgets, and community participation programmes (Reddy, 1999:10).
3.4 The role of developmental local government in LED

Local governments of about 147 countries signed an Earth Charter in 1992 in Brazil, Rio de Janeiro, to enable local governments around the world to promote sustainable LED in their respective areas (United Nations, 2007:176). The Earth Charter provides that local government should implement sustainable development in cities. It requires of local government to be development-orientated with a goal to contribute to “combating poverty and exclusions through improved and shared local governance. This vision is to enable the cities of the world to become the ‘inclusive cities’ – a place where everyone, regardless of wealth, race, age, gender or religion is provided with an opportunity to participate productively and positively in sustainable development opportunities that the cities have to offer” (Myers, 2005:17). The Earth Charter, also called the Agenda 21 for Human Settlements, was first created in 1992, and was refined in 1996 at the City Summit or Habitat II in Istanbul. The organised actions by world countries on local government through the international local government policy discourses provide for local government to be development-orientated and to ensure that development is people-centred. The aim is to combat a dependency syndrome of local government on aid from provincial and national government and the dependency of local inhabitants on government.

The development-orientated local government sphere represents a determination to change the culture of local government from the traditional local public administration to the new public management, and lastly to the contractual public administration, which provides for contracts between local government and the private sector to be entered into to improve service delivery (Hughes, 2003:11; Bennet and Krebs, 1991:34). The policies stress the importance of local government in achieving socio-economic development to meet the needs of the inhabitants, and to introduce performance management systems in order for them to have a clear view of their constitutional objectives (Parnell et al., 2002:7; Reddy, 1996:75).

In an attempt to speed up the process of LED through PPPs, cities or municipalities of the USA, UK, European and Asian countries began developing their local economic development plans (LEDPs) in the early 1990s, to provide a legislative framework to implement local economic growth models. The steps commonly used
by developmental municipalities in formulating LEDPs and models are: (1) description of the community; (2) SWOT analysis (an analysis of community’s strengths, weaknesses, opportunities and threats); (3) community values and mission statement; (4) community assessment; (5) action plans for some of the priorities (City of Elim, 2005:2).

The international declarations, namely: the Local Agenda 21, IULA Worldwide Declaration of Self-Government, and European Charter for Self-Government, require municipalities of both the developed and developing countries to play a role in developing their local economies, with private institutions operating within their respective jurisdictions. The first step is for municipalities to develop their LEDPs as a guide and commitment to implement the recommendations provided for in the above-mentioned declarations. The provision is that municipalities of the 21st century must:

- Foster a stable and diversified economy;
- Create and sustain municipal employment opportunities;
- Improve the living conditions of the communities and sustain quality communities;
- Strengthen the skills and qualifications of the local workforce;
- Deliver municipal services that best meet local needs; and
- Build and maintain quality facilities and infrastructure for local economic development (City of Elim, 2005:27).

Although the details of the data gathering and analysis for LED through PPPs vary from country to country and from municipality to municipality, the basic tasks to be performed in most cases are the same. They are to:

- "determine the climate for LED in the jurisdiction, collect data on economic and political conditions, and decide on goals;
- determine which private agencies currently working in LED are accessible to local government for the purpose of research, coordination and planning;
- determine whether economic development should actually be conducted by local government alone, or in coordination with another agency, or by another agency alone;
• identify the barriers to coordination that exist in the jurisdiction;
• develop support for the proposed LED activities from organised business associations, labour unions, community and political groups, amongst others; the aim is to establish a formal advisory council with representatives from agencies involved in PPPs; and
• develop a set of milestones, a means of monitoring progress toward achievement of the milestones, and a plan for the revision of activities according to observed results" (Blakely, 1994:88).

The advances made in development vary from country to country. An assessment of the global status of LED reveals that municipalities have similar needs for improving their local economies and combating poverty and unemployment through PPPs. The International Union of Local Authorities (IULA) signed in Toronto, provides the following in an attempt to meet the above needs:

• “A clear, coherent and realistic legislature and administrative framework for local governments to operate in, which is based on principles of subsidiarity, accountability, participation, partnership and the enabling role of [local] government and services;
• The promotion of, and support for, stronger national associations of local government to represent and defend the interest of local governments before national governments and international organisations;
• Local officials to be more effective managers in partnership with the private sector and other non-state sectors;
• Training of local government personnel in public management, especially in the areas of financial, environmental management, and the management of partnerships;
• More women to be elected to, and take positions of leadership in local government;
• An information strategy for effective communication between members and key partnerships of local government networks and external parties.
• The promotion and facilitation of decentralised municipal international cooperation initiatives aimed at capacity building and the development of democratic local governments;
• A data base on good practice in areas such as LED, public-private partnerships, decentralisation, and sustainable human development [Local Agenda 21] municipal international cooperation;

• An enhancement of the impact of representation and lobbying efforts by local government associations and city networks, UN and other international organisations, through concerted and coordinated efforts;

• The formulation of a World Charter for Local Self-Government based *inter alia* on the IULA Worldwide Declaration of Self-Government and the European Charter for Self-Government;

• The development of a reporting system on LED, decentralisation and local government; and


The role of local government in LED is to enable a market between localised demand and supply with the aim of creating, implementing and sustaining the community vision of quality of life. LED is a tool that brings the "soul of communities to life" (Carpenter, 2001:1). Put differently, the outcome of LED is a quality community. A quality community is defined as a "safe family environment, [with] vitality and community pride in the residents, [with] community involvement [and] with a strong rapport with local officials. It is growth in accordance with local plans and policies, [as well as] concern for the environment. It is protection for the character of our communities. It is a place we call home" (ibid.). The argument is that there will be no quality communities if there is no local economic prosperity. The New York State Department of Transport (2001:7) concurs that “the concept of quality communities rests unequivocally on economic prosperity within the community. In other words, economic prosperity must be first established for other quality of life goals to be achieved".
3.5 The evolution of democratic South African developmental local government

“From the beginning, our history has been one of ascending unities, the breaking of tribal, racial and creedal [and ethnicity] barriers. The past cannot hope to have a life sustained by itself, wrenched from the whole. There remains before us the building of a new land -- from the ruins of the narrow groups, a synthesis of the rich cultural strains which we have inherited...the task is immense” (Luthuli, 1962).

This section provides a brief examination of the evolution of democratic developmental local government in South Africa commencing from the interim phase of democracy up to 2005, before the 2nd democratic local government elections took place on 1 March 2006. There follows a brief background to the evolution of local government in South Africa which began in 1652. The evolution of the South African government is three-fold: from commercial public administration (1652-1975), to “pure” local public administration (1975-1999), and “market-local public administration” (2000 to date). The market-local public administration is necessitated by provisions of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) which provides for and enables municipalities to forge partnerships with civil society and the private sector in order to accelerate the provision of services and improve LED.

In terms of the provisions of the RDP, local government has to improve the socio-economic conditions of the people. The mandate of the new democratic municipalities is referred to as a "developmental mandate", as the post-1994 municipalities are responsible not only for providing services, but also for improving economic growth and development (Reddy, 1996:75). As a distinct sphere, local government is responsible, like other spheres of government, for contributing to the high growth rate of the GDP, Gross Domestic Product per capita (GDP per capita), and Gross Geographic Product (GGP), which is the instrument to measure the economic growth of the regions or provinces in a state] to be able to assess its success in improving economic growth. Hence, Section 153 of the Constitution provides that “a developmental municipality must structure and manage its administration, budgeting and planning process to give priority to the basic needs of
the community, and to promote the social and economic development of the country” (The Constitution of the Republic of South Africa, 1996:63).

Like other Anglophone countries, the South African government contributed to the establishment of various local government fora, and has signed international accords that aimed at promoting the democratic and sustainable economic development principles of local government. Furthermore, South African local governments, irrespective of categories, have to abide by the provisions of these fora and declarations, which are the:

- International Union of Local Authorities (IULA), Toronto Declaration on the Worldwide Declaration of Local Self-Government;
- World Charter for Local Self-Government;
- European Charter of Local Self-Government;
- Local Agenda 21 based on RIO Sustainable Development Earth Summit of 1992;
- Commonwealth Local Government Forum;
- World Association of Cities and Local Authorities Coordination (WACLAC) which was formed in Paris in September 1996; and

It is in this context that South Africa is considering the capacity building of senior leadership of its municipalities to competently inhabit the Transnational Discourse Communities (TDCs) which are also referred to as "epistemic communities" (Haas, 1992:35). Epistemic communities are defined as "a network of professionals with recognized expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge within that domain or issue-area. They have often proved to be significant actors in shaping patterns of international [local government] policy coordination" (ibid.). Salskov-Iversen et al. (2000:183) connect with Reddy’s argument that in the last two decades of the 20th century, a number of TDCs for local government have been formed, “inhabited by experts from a wide range of countries and they tend to have a global, rather than national or local, outlook on key issues” (Reddy, 1999:24). South Africa is cautioned to stop being pedestrian about reforming its society. It must become a learning society where both the public and
private sectors request their human resources not to be "work-shy" but to learn new issues of local governance.

3.5.1 The Interim phase: the birth of new democratic developmental local government

The need for democratic, legitimate and responsive local government to meet the needs of the people irrespective of race and settlement areas became imperative in the 21st century. Hence, the democratic government, when it took power in 1994, established local government interim systems and processes to meet the socio-economic needs of the people and to make the environment suitable for reconstruction and development. The first democratic local government elections in South Africa marked the beginning of an interim phase of transformation which lasted for five years (1995-2000). Although local authorities realised their democratic dispensation on 5 November 1995 in seven of the nine provincial governments (Eastern Cape, Free State, Gauteng, Limpopo, Mpumalanga, Northern Cape, North West), the municipalities in the Cape and KwaZulu-Natal provinces held their first democratic elections only in 1996.

This phase was characterised by the transformation of old apartheid system of local government to a democratic developmental local government which began to align its financial and service delivery boundaries with the constitutional boundaries. The preamble of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), agrees that the pre-democratic local government failed to meet the needs of all people. Hence transformation became an imperative notion and a process to be undertaken to make the government be the government of the people, by the people, for the people. The preamble of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), serves as a transformation radar of success for local government by addressing the what and the how of local government transformation. The preamble reads:

"Whereas the system of local government under apartheid failed dismally to meet the needs of the majority of South Africans;... the Constitution of our non-racial democracy enjoins local government not just to seek to provide services to all our people but to be fundamentally developmental in orientation; ... there is a need to
set the core principles, mechanisms and processes that give meaning to developmental local government and to empower municipalities to move progressively towards the social and economic upliftment of communities and the provision of basic services to all our people, and especially the poor and the disadvantaged;… a fundamental aspect of the new local government system is the active engagement of communities in the affairs of municipalities of which they are an integral part, in particular in planning, service delivery and performance management; … the new system of local government requires an efficient, effective and transparent local public administration that conforms to constitutional principles; … there is a need to ensure financially viable municipalities; … there is a need to create a more harmonious relationship between municipal councils, administrations and the local communities through the acknowledgement of reciprocal rights and duties;… there is a need to develop a strong system of local government capable of exercising the functions and powers assigned to it…”.(Local Government: Municipal Systems Act, 2000:2-3).

Transformation is defined as a “change in the appearance or character of something completely” (South African Concise Oxford Dictionary, 2002:1247). In a South African context, it is the post-apartheid process of social and political change to establish democracy and social equality. Within the context of democratic local government transformation, development is viewed as a “process by which local inhabitants increase their personal and institutional capacities to mobilise and manage resources to reproduce sustainable and justly distributed improvements in their quality of life consistent with their own aspirations” (Turok et al., 1994:30). The development process is centred on six pillars, viz: capacity-building, economic growth, economic resource distribution, participation, empowerment and self-reliance (ibid.: 31). However, the challenge facing developmental municipalities is that of inadequate institutional capacity owing to a lack of organisational, management and technical skills (the know-how) to use limited resources to improve and sustain development.

The Constitution of the Republic of South Africa, 1996, which was approved on 18 December 1996, provides for the legal directives by which municipalities must be
transformed and restructured. It further provides for the objectives of the new democratic developmental local government as follows. It:

- provides democratic and accountable government for local communities;
- ensures the provision of services to communities in a sustainable manner;
- promotes social and economic development;
- promotes a safe and healthy environment; and
- encourages the involvement of communities and community organisations in local governance.

Developmental local governments are considered to be creating “an enabling environment for local economies to grow and produce prosperity for all” (National Framework for Local Economic Development (LED) in South Africa, 2006:10). The White Paper on Local Government states that the “powers and functions of local government should be exercised in a way that has a maximum impact on the social development of communities – in particular meeting the basic needs of the poor – and on the growth of the local economy” (1998:18).

Moreover, new status and new developmental roles are granted in terms of Section 151-5 of the Constitution. Hence, the municipalities are no longer referred to as the lowest tier or level of government, but as a sphere which enjoys equal constitutional status with the provincial and national spheres of government. Section 153 (3) states, “a municipality has the right to govern, on its own initiative, the local government affairs of its community” (The Constitution of the Republic of South Africa, 1996: 63). This means that municipalities are established in terms of the constitution, and have the right to mobilise revenues, to render services to improve the quality of life of all dwellers equitably, effectively, efficiently and economically through public-public partnerships as well as public-private partnerships, to forge international relations where twin-city agreements can be signed, and involve communities in the affairs of local government.

The legal status of these municipalities is provided for in Section 151 (1) of the Constitution to effectively govern, and efficiently improve the quality of life of all citizens and free the potential of each person in the territory of the Republic. The municipalities are established in terms of section 155 (1) of the Constitution in the
form of categories (see Table 9). In addition, the government introduced a concept of shared governance to strengthen democracy and combat exclusions in the affairs of government through partnerships with civil society and the private sector. The developmental local government is seen to play a minimal role in the provision of services and in improving economic growth. Privatisation and contracting out (or outsourcing) was introduced as a means to an end, to minimise the role played by the government in resolving sustainable development. The argument is that the private sector can deliver the services more efficiently than the public sector. This means that the services are conducted by the private sector for the government. The assumption is that government will in this way get a chance to focus on its core functions (Parker and Seal, 2003:28; Ott, 2002:26).

The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), provides that “individual or public entities or agencies should carry out the contracted-out functions or services of local government”. This Act further provides for services to be provided through public-public partnerships as well as public-private partnerships. The former refers to a partnership between two municipalities or departments within the same municipality or the two spheres of government. This form of partnership may be seen as "the first step en route to eventual privatisation" (Sparks 2003:181). The latter promotes a business relationship between the public and the private sector.

Table 9: Categories of municipalities

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Total number in each category for the duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category A</td>
<td>A municipality that has exclusive municipal executive and legislative authority in its area, e.g. a metropolitan municipality.</td>
<td>6 Metropolitan governments</td>
</tr>
<tr>
<td>Category B</td>
<td>A municipality that shares municipal executive and legislative authority in its area with a category C municipality within whose area it falls, e.g. a local municipality.</td>
<td>243 Local municipalities</td>
</tr>
<tr>
<td>Category C</td>
<td>A municipality that has municipal executive and legislative authority in an area that includes more than one municipality, e.g. a district municipality.</td>
<td>47 District municipalities</td>
</tr>
</tbody>
</table>

With the end of the interim phase of transformation and the beginning of the mobilisation phase of transformation, developmental local governments were established with the purpose of not only providing services to the citizens, but also of improving the socio-economic conditions of the people. The nature of the developmental local government is discussed below as the new form of democratic local government.

3.5.2 Developmental local government

The White Paper on Local Government (1998:17) defines developmental local government as “local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of life”. There are four interrelated features of developmental local government, viz:

- maximising social development and economic growth;
- integrating and coordinating;
- democratising development; and
- leading and learning (ibid.).

Developmental local governments are considered to be municipalities that are development-orientated (Reddy, 1999: 1), with people as the "embryo" of such development (Parnel et al., 2002:4). Following the development of the White Paper on Local Government, 1998, came the development and implementation of four important pieces of legislations which provided for the establishment of local government as a distinctive sphere of government, interdependent, and interrelated with national and provincial spheres of government, and systems and processes in which service delivery and improvement of LED would be guided. These enactments are: the Municipal Finance Management Act, 2003 (Act 56 of 2003); the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000); the Municipal Service Partnership Policy, 2000; and the Local Government: Municipal Structures Act, 1998 (117 of 1998). They respectively serve as the legislative framework for this study and for the practice of local government administration in South Africa. The preamble to the Local Government: Municipal Structures Act, 1998 (Act 117 of
1998), states that “…there is agreement in our country on a vision of democratic and developmental local government, in which municipalities fulfil their constitutional obligations to ensure sustainable, effective and efficient municipal services, promote social and economic development…and work with communities…”.

The preamble to the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) stipulates that “…there is a need to set out the core principles, mechanisms and processes that give meaning to developmental local government and to empower municipalities to move progressively towards the social and economic upliftment of communities and the provision of basic services to all our people”.

Local government moved “away from management by command to management by contract” (Ott, 2002:26). A contract-based management was introduced during the stabilisation phase of local government transformation which began immediately after the second local government elections held in 2000. Contract-based management requires the management of local government to be in office for a period of five years. Their length of time in office will be determined by their performance. Hence, managers are obliged to sign the performance contract as provided for in the Performance Management Systems (Municipal Systems Act, 2000: 25). Mafumadi (2002:1) agrees that the stabilisation phase has been marked by progress in the establishment of new strong developmental municipalities with new political systems and new structures and systems established in terms of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).

The Local Government: Municipal Demarcation Act, 1998 (Act 27 of 1998) was promulgated to establish the Demarcation Board which was responsible for demarcating the municipal boundaries. It is foreseeable that developmental local government will continue to exist in the stabilisation phase of transformation which started in 2005 and is anticipated to end in 2015 (Mafumadi, 2001: 2).

The factors which were taken into account in determining municipal boundaries as provided for in section 25 of the Municipal Demarcation Act (1998:18), were as follows:
“(a) the interdependence of people, communities and economies as indicated by, *inter alia*:

- existing and expected patterns of human settlement and migration;
- employment;
- commuting and dominant transport movements;
- spending;
- the use of amenities, recreational facilities and infrastructure; and
- commercial and industrial linkages:

(b) the need for cohesive, integrated and unfragmented areas, including metropolitan areas;

(c) the financial viability and administrative capacity of the municipality to perform municipal functions efficiently and effectively;

(d) the need to share and redistribute financial and administrative resources;

(e) provincial and municipal boundaries;

(f) areas of traditional rural communities;

(g) existing and proposed functional boundaries, including magisterial districts, voting districts, health, transport, police and census-enumerator boundaries;

(h) existing and expected land use; social, economic and transport planning;

- topographical, environmental and physical characteristics of the area;

(j) the administrative consequences of its boundary determination on credit worthiness;

(l) the need to rationalise the total number of municipalities within different categories and of different types to achieve the objectives of effective and sustainable service delivery, financial viability and macro-economic stability”.

South African municipalities have local autonomy, which means the right to govern (Craythorne, 1997: 9). According to Reddy (1999: 10), local autonomy means the “ability of local government to make binding decisions and policy choices within a legally stipulated framework and to allocate resources and provide services other than those of the central or provincial government”. The extent of this right to govern is, however, subjective and limited. The point of departure is that in carrying out its
constitutional and political mandates, the local sphere of government must not be in conflict with national and provincial legislation. The Constitution of the Republic of South Africa, 1996, subsections 151 (3) and (4) respectively stipulates that “a municipality has a right to govern, on its own initiative, the local government affairs of its community, subject to national and provincial legislation...And the national and provincial government may not impede or compromise a municipality’s ability or right to exercise its powers or perform its functions” (1996:63). Craythorne (1997:9-10) notes that there is no municipality in the world that has absolute autonomy. Mandela in Parnel et al. (2002:35) shares Craythorne’s view by stating that municipalities are the agencies of the state, and the "arms and legs" of national government to effectively implement reconstruction and development programmes.

Theoretically, the local sphere of government is not inferior or superior to other spheres of government (Reddy, 1999: 1), but shares the same status as they do. Within the context of the focus of this study (which is the development of a PPP model to improve local economic growth in metropolitan municipalities), a factor to be noted is the limited local autonomy of the municipalities in question to “proceed with the procurement of a PPP without the written approval of the National Treasury or relevant provincial treasury” (National Treasury Regulation 16 of 2004: 2). There may be good reasons for this phenomenon of subjective and limited autonomy, but as Craythorne (1997: vii) notes “it will lead to uncertainty and possibly also to actions beyond the spirit of the Constitution”, and to “mixed feelings” in the process of improving LED and implement employment generating projects through PPP.

sustaining an effective practice of participatory democracy. In addition, it provides for
government-enacted community participation to ensure that the role of the people is
not only to go to the voting booth to elect government every five years, but rather to
participate on a continuous basis to assist government to govern. The view is that
people should take equal responsibility for governance and economic failures of the
government, and thus also receive accolades for any success. This view is
entrenched in section 152 (1) (e) of the Constitution, which provides that the
objective of local government is to “encourage the participation of communities and
community organisations in the matters of local government”.

The new system is appropriate to respond to the challenges of addressing and
ultimately overcoming the legacy of underdevelopment and the "paralysed" system
of local government inherited by the post-apartheid government. In addition, the
newly established system of local government is aimed at improving governance by
finding and developing the best possible mechanisms which are congenial to the
promotion of participative democracy (Mafumadi, 2001:1; Marais, 1989:189).

Furthermore, in carrying out their multi-mandates, developmental local governments
must give priority to the needs of the people, and such attempts must be reflected in
the restructuring and management of their administration, budgeting and planning
processes (see section 153 of the Constitution). Section 16 (b) (i) of the Local
government must foster participation and use their resources, and annually allocate
funds (economic capital) in its budgets to enhance community participation. The
same Act in section 16 (a) specifically states that communities must be involved and
participate in the formulation, reviewing and monitoring of the IDP, performance-
management systems, budgets, LED and service delivery options such as public-
public partnerships, and public-private partnerships.

It is appropriate to define the concepts "community" and "participation" so as to
provide clear understanding of exactly what people-centred development is.
"Community" refers to people living in a defined geographic area in which interest
groups are formed for common purpose and interest. The emphasis is on group
identity and collectivism rather than individual identity and self-centredness
(Mufamadi, 2002: 2). In the context of this research, participation means a mechanism by which both the Council of the municipality concerned and the community in the area of jurisdiction of that municipality engage with each other in the policy decision-making processes and through the ward committee system.


This study does not intend to deal with the entire sphere of local government in South Africa, but only with developmental metropolitan government, which will be dealt with next.

3.5.2.1 Developmental metropolitan government

The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998), and the Local Government: Municipal Electoral Act, 2000 (Act 27 of 2000), provide for the establishment of “strong” metropolitan government in South Africa. The metropolitan governments are also called unicities or megacities or metropolises (Hilliard, 1991:281). The word "metropolis" is derived from two Greek words: (1) metro for “mother”, and (2) polis for “city”. It originally meant the mother or parent city, and is now used for referring to the largest cities. The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998), section 2 provides the characteristics by which the South African metropolises were established:

- A conurbation featuring: areas of high population density; an intense movement of people, goods and services; extensive development; and multiple business districts and industrial areas.
• A centre of economic activity with a complex and diverse economy.
• A single area for which integrated development planning is desirable.
• It must have strong interdependent social and economic linkages between its constituency units.

The Local Government Transition Act, 1993 (Act 209 of 1993), since repealed, defines "metropolitan government" as an area which economically forms a functional unit comprising various smaller units which are interdependent economically and in respect of services. In terms of this Act, the metropolitan area is an area:
1. comprising the areas of jurisdiction of multiple local governments;
2. densely populated with intense movement of people, goods and services; and
3. extensively developed or urbanised and has more than one central district, industrial area and concentration of employment.

The White Paper on Local Government (1998:58) defines "metropolitan government" as "government whose area of jurisdiction covers the whole metropolitan area". A metropolitan area is a "large urban settlement with population densities, complex and diversified economies, a high degree of functional integration across a larger geographic area than the normal jurisdiction of a municipality". The rationale for choosing metropolitan government as the locus of this research study lies at the heart of its competitive advantage in economic growth, governance and service delivery.

The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998), section (7) provides for five types of municipalities that may be established within each of the above municipal categories so as to effectively achieve the above stated objectives, viz:
• **Collective executive system** – the executive leadership and authority of the municipality is vested in (or exercised by) the executive committee.
• **Mayoral executive committee** – the executive leadership and authority of the municipality is vested in (or exercised by) the executive mayor who is assisted by the mayoral committee.
• **Plenary executive systems** – the executive authority of the municipality is vested in the municipal council which is the legislative and executive body of the municipality.

• **Subcouncil participatory system** – subcouncils established for parts of the municipal category are granted delegated powers to run their council affairs. This is prevalent in some of the district municipalities in South Africa. It is important to note that the governance process of the subcouncils should not be in conflict with the governance of the main council of the district municipality.

• **Ward participatory system** – in a quest to improve and sustain participatory democracy at grassroots level, ward committees are established to deal with matters of local concern. The ward councillor then takes these concerns to the council for its approval (White Paper on Local Government, 1998: 18).

The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) specifically provides for the establishment of ward committees as a structural mechanism for public participation at a grass-roots level. It is argued that challenges to the effective implementation of the PPP model will be reduced to zero if ward committees participate in decision-making processes, and communities are brought into the mainstream of PPP projects. Section 72 (3) of the same Act provides for the primary objective of the ward committee as to enhance participatory democracy in local government (ibid.). The six metropolitan municipalities make up 538 wards, out of a total of 3 200 wards which are established in the Category B and C municipalities, for the period 2000-2005. The breakdown is as follows: City of Cape Town 105, Ethekwini 100, Ekurhuleni 88, Johannesburg 109, NMBM 60, and Tshwane 64.

The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998), section (8) provides for eight types of municipal systems that can be established within the metropolitan municipalities:

• “a [metropolitan] municipality with a collective executive system;

• a [metropolitan] municipality with collective systems combined with a sub council participatory system;

• a [metropolitan] municipality with collective systems combined with a ward participatory system
• a [metropolitan] municipality with collective systems combined with the subcouncil system and a ward participatory system;
• a [metropolitan] municipality with a mayoral executive committee system;
  a [metropolitan] municipality with a mayoral executive system combined with a subcouncil participatory system;
• a [metropolitan] municipality with a mayoral executive system combined with a ward participatory system; and
• a [metropolitan] municipality with a mayoral executive committee system combined with subcouncil and ward participatory systems”

Not all of the above types of municipal systems are in existence. The present megacities have made a choice between the two types of executive systems, namely the mayoral executive system where legislative and executive authority is vested in the executive mayor. In this regard, the City of Cape Town chose to establish a collective system combined with a subcouncil and a ward participatory system. Wards are grouped into 16 subcouncils established across the city to combat mixed feelings on the process of service delivery (IDP of the City of Cape Town, 2003/04:1).

3.6 Conclusion

This chapter has dealt with the imperatives of transformation and innovation on the part of government as it imposes a constitutional responsibility on local government to be creative in inventing new mechanisms to enhance local political, social and economic development for the benefit of local inhabitants. The rationale behind transformation was to craft and discern a new decentralised democratic developmental local government model which would be responsive to the needs of all local inhabitants, on its own initiatives. Hence, it is important for contemporary local authorities to begin discharging their socio-political and constitutional mandates that constitute the vision for developmental local government. The advances made in development vary from country to country. An assessment of the global status of LED reveals that municipalities have similar needs for improving their local economies and combating poverty and unemployment through PPPs.
The history, nature and character of local government have been discussed, with specific reference to the nature and the extent to which local governments of selected Western, European and Asian countries function and promote LED. The international characteristics of local government followed. A brief background on the nature of the new system of developmental local government in the (new) South Africa was provided. The new system is appropriate to respond to the challenges of addressing and ultimately overcoming the legacy of underdevelopment and the "paralysed" system of local government inherited by the post-apartheid government. In addition, the newly established system of local government is aimed at improving governance by finding and developing the best possible mechanisms which are congenial to the promotion of participative democracy (Mufamadi, 2001:1; Marais, 1989:189).
CHAPTER FOUR

COMPARATIVE ASSESSMENT OF LOCAL ECONOMIC DEVELOPMENT AND PUBLIC-PRIVATE PARTNERSHIPS IN CAPE TOWN AND NELSON MANDELA BAY METROPOLITAN AREAS IN SOUTH AFRICA

“By mobilising the resources of urban communities, government and the private sector we can make our cities centres of opportunity for all South Africans, and competitive within the world economy. The success of this will depend on the initiative taken by urban residents to build their local authorities and promote local economic development” (Nel 2001:1003; Mandela, 1995:5).

4.1 Introduction

The purpose of this chapter is to assess the development and contents of the LED policies of the City of Cape Town and the NMBM against the background of the national goals with LED. In order to achieve strategic public sector goals, the policies of municipalities have to comply with national socio- and macro-economic policies. The chapter starts with a summary of the main national policy development discourses over the past 14 years, to determine their significance for the manner in which the South African government operates, and to show how local governments have to structure their IDPs and LED policies to demonstrate not only compliance, but also innovation. This will also indicate the significance of the LED policies and IDPs through which the metropolitan governments show commitment to promoting and strengthening good governance and combating poverty and exclusions through local applications of the national government’s ASGISA programme.

To assess the impact of policies on development with reference to the promotion of shared governance, poverty alleviation and combating exclusions is not a simple task. The main reason for this difficulty is that the government’s attempts to do more for the previously economic excluded individuals and the poor generally, are still evolving. There are still increasing socio-political contestations, distortions and ideological conflicts that are slowing or negatively impacting on the effective
implementation of economic development policies for improving growth in municipal areas (Leigland and Thomas, 1999).

The LED policy discourse continues to evolve organically in the direction of more effective anti-poverty strategies, rather than being about mainstreaming programmes that provide assistance to the local private sector "that is more or less customised or targeted to the needs of that type of business, with the immediate goal of increasing business activity in the local economy" (ibid.: 3). This assessment of the policies of the City of Cape Town (CCT) and the NMBM attempts to show that they have been developed to combat poverty, unemployment and exclusions, not to expand or increase the local business activity (Partel et al., 2002:15). For instance, in this case-study project, an attempt has been made to assess the impact that the two LED policies have on achieving "desirable local economic outcomes or the outcome impact" of LED policies on the economic well-being of local residents by means of PPP (Ahn, Halligan, and Wilks, 2002:14; Stoker, 1999:152). The aim of using PPP was to assess whether the municipalities have a PPP model that they are using in implementing their LED policies to improve the business activities in their local economies. Ahn, Halligan, and Wilks (2002:14) write that the ultimate aim of LED policies is the economic well-being of local residents. Their view is that if PPP is used to improve and achieve economic objectives, the municipalities must use "outcome impact evaluation to obtain the information needed to enable policy makers to make an informed choice regarding PPP options that will maximise social benefits" (ibid.).

During the assessment of the policies, the biases that arise in the LED policies have been assessed. This means sectors of the local economy which use PPP to expand business activities in the metropolitan areas will be assessed, as well as how it was used. To start with the latter, the process of PPP in municipalities in South Africa is guided by the supply chain management policies of the municipalities which are developed in terms of the provisions of the Preferential Procurement Policy Framework, 2000 (Act 5 of 2000), which gives effect to Section 217 (2 and 3) of the Constitution of the Republic of South Africa, 1996. The supply chain management policies give effect also to the Broad-Based Economic Empowerment policy which provides for tenders to be awarded to business organisations or close corporations.
that are owned by previously disadvantaged individuals (PDIs). Bartik (2002:9) writes that there are biases in the implementation of LED policies which have causal effects on economic outcomes. An example is that of policies that “selectively provide financial aid and tenders to small firms such as the small- and medium-micro enterprises (SMMEs) to expand their business base and participate in economic activities”. In this case-study project, bias in the City of Cape Town was noted, as its LED policy provides for the creation of local area economic development (LAED) in economically distressed local areas only. The aim of the city is to turn around these economically distressed areas into economic fortunes for the city’s growth (ibid.:14). Most of the local residents in these economically distressed areas belong to previously disadvantaged communities.

One of the respondents from the City of Cape Town remarked that “these LAEDs are considered to be an enterprise community or local economic empowerment zones for the metro to allocate resources to stimulate and enhance investments in for the benefit of the locals. However, the establishment of the LAED was not an easy task as there were paradoxes in existence which were caused by the varying views of the metro’s citizens. Some people from the metro view the LAEDs as apartheid in reverse, and others view them as economic zones for improving a better life for all.” The respondents stated that in this latter view, industries have been established where “locals partner with big business to contribute and participate in world trade markets, thus harvesting fruits from a 12-year-old democracy in which shared governance, rights to human dignity and sustainable development are the stem of the new nation” (Respondent from the City of Cape Town, 2006).

The relationship between economic growth and development is also briefly assessed in order to avoid or minimise confusion in this discourse debate. Mafumadi has stated that "local" in local economic development, means that the "political jurisdiction at a local sphere of government is the most appropriate place for LED and government intervention as it carries alongside it the accountability, openness and transparency of local government to the people, business sectors and other spheres of government" (2000:8). To enable and facilitate LED, local governments have to review their policies and by-laws to enhance employment and investments, and to provide resources for the development of infrastructure and the skills
necessary for economic growth (Crouch, 2003:1; Spoehr, 2002:2; Felsenstein and Taylor, 2001:32). The development of socio-economic and macro-economic LED policies of the respective municipalities consisted of initiatives by the two metropolitan governments to take responsibility for improving the social and economic conditions of their respective citizens and also creating a suitable environment for economic growth to take place. These policy changes to promote LED in the respective case studies will therefore also be summarised in this chapter, as well as the participation of role-players like CBO, NGOs, local private sector organisations and individual citizens in the LED processes of the two metropoles. The relationship between the municipalities and local stakeholders is crucial to enhance the stability of the socio-political environment for a more appropriate outcomes-based local economic environment as the prerequisite for job creation and poverty alleviation (Gill, 2002:8; Giorgias, 2000:4; Mandela, 1999:3; Pimstone, et al., 1998:16).

4.2 The national context of LED

This section is devoted to the study of the new democratic South Africa’s policies that have a focus on promoting socio-economic development. The promotion of social and economic development is the legal requirement that developmental local government has to fulfil in terms of Section 152 (c) of the Constitution of the Republic of South Africa, 1996. Craythorne (1996:138) writes that the promotion of social and economic development (SED) is the new mandate for developmental local government, and is additional to the (old) function of providing municipal services. Municipalities have to consider that the development of LED policies is a process that is "inclusive, progressive and transparent and requires shared ownership" (Binza, 2007: 14). Shared ownership means that the municipalities must initiate and lead the process of development, but must do so in mutual partnerships with the local private sector, NGOs, CBOs, local communities and other organs of the state (Daphne, 1998:48). With regard to the participation of local communities, the emphasis is on mainstreaming the poor and previously marginalised inhabitants into local governance and sustainable development. People’s participation in the process of local development is not only the challenge experienced by the new democratic municipalities, but has also been a challenge for the former (local)
government(s) and transitional councils. It is one of the reasons that led to the first socio-economic policy, that is the RDP, to be developed to collectively deal with issues of "underdevelopment that affect the masses" (Levin, 2002:12; Pillay, 1996:47).

Heymans and Tőtemeyer (1988: 184) write that the intensity of the political reformation process took its toll when the black majority informed the then authorities that they were not demanding imposed solutions, “but rather the right to participate in the formulation of solutions”. The White Paper on Local Government, 1998, provides for slogans such as "One City, One Tax Base" that were used as a political demand for inclusiveness, shared governance and a form of resistance to exclusive apartheid government (Republic of South Africa, 1998:3). The argument of the previously disadvantaged people was informed by the resolution of the ANC’s 1969 Mogorogoro strategy and tactics document which asserts that "in our country -- more than in any other part of the oppressed world – it is inconceivable for liberation to have meaning without a return of the wealth of the land to the people as a whole" (ANC, 1969). It is therefore a fundamental feature of the strategy that victory must embrace more than formal political democracy.

The opportunity for such policy change arrived when the then State President Mr de Klerk announced, on 2 February 1990, the unbanning of political parties, and the release of political leaders such as Dr Nelson Rolihlahla Mandela and Mr Govan Mbeki, to name just two. Negotiations aimed at bringing about democracy began in 1992 and resulted in the signing of the Kempton Park Agreement in 1993, which became the source document for the first Interim Constitution of the Republic of South Africa, 1993 (Act 209 of 1993), and the Transitional Local Government Act, 1996 (Act 208 of 1993), now both repealed. Interim arrangements such as the Transitional Local Councils (TLCs) were made to take the country peacefully through the first democratic local government elections, which were held in 1995 and 1996 respectively.

One of the participants at the LED Masikhane campaigns hosted by the NMBM in 2004 as an attempt to get inputs from the citizens for the finalisation, approval and implementation of the LED, said that LED policy “must bring the balance by
responding effectively to the needs of the rich and the poor. Exclusions of women and disabled people from knowledge institutions such as universities must be combated. The NMBM must develop a policy which provides for economic targets and objectives that are achievable with the available limited budget”. He cautioned that "LED policies must not become a class project, and the role of local government in promoting social and economic development and shared governance can not pass unnoticed” (Respondent no.1, 2006).

The new post-apartheid government of South Africa has formulated and implemented a number of national policies since 1994 to address poverty and exclusion that have led to the development of PPP at a local government level to improve service delivery. These policies are the: Reconstruction and Development Programme (RDP); Growth, Employment and Redistribution Strategy (GEAR); and Accelerated and Shared Growth Initiative of South Africa (ASGiSA). In the assessment of these policies below, the focus is on their impact on socio-economic development and the promotion of good governance in the two selected metropolitan governments.

4.2.1 The Reconstruction and Development Programme

The Reconstruction and Development Programme (RDP) was the first comprehensive socio-economic policy statement of the ANC in the run-up to the 1994 political regime transition in South Africa. It called for a people-centred development, which was considered as part of the broader transformation process to replace the then still existing apartheid developmental policies. Transformation constitutes a vital touchstone in the South African policy discourse, and watermarks the golden age of macro development and participatory democracy in this country (Satgar and Mantashe, 1996:11). The goals of societal transformation necessitated constant progress and commitment of the government to improve shared governance and to ensure that developments "embrace all facets of social and economic life" of the people. In the RDP, the government continues to advocate economic growth, and in fact, puts forward a concept of sustainable economic growth as a fundamental requirement to alleviate poverty and unemployment (Chilcot, 1981:142).
The RDP was conceived by the ANC as an integrated, coherent socio-economic policy which sought to mobilise all peoples of South Africa and the country’s resources toward the final eradication of apartheid and the building of a democratic, non-racial and non-sexist nation. The RDP was conceived as an integrated process, based on reconstruction, growth, development and redistribution. "Growth" refers to the measurable increase in the output of the modern economy, and is considered to precede development. "Development" is seen as a marginal effort of redistribution to areas of urban and rural poverty. In this light, development is considered as a facet of growth or "deduction from growth" (ANC, 1994:1). Economic growth in the RDP is pursued as an end in itself, but is related to redressing the past imbalances and building a foundation for a new society (COSATU, 1998:29). The RDP provided the following objectives which the new government was committed to achieve:

- Meeting basic needs;
- Developing human resources;
- Building the economy;
- Strengthening democracy; and
- Implementing the RDP.

In order for these objectives to be achieved, certain principles had to be followed. The RDP embraced, for example, the principles of Agenda 21 adopted at the Earth Summit on sustainable development held in Rio, Brazil, in 1992. The RDP provided six basic interdependent principles which are considered paramount to the political and economic philosophy of the reconstruction and development:

- **A people-driven process**: This refers to a situation where people become the drivers and architects of development. Development must be people-centred to avoid citizen apathy, marginalisation of a special type, and exclusion. Statements like “Do not give people fish, but rather teach them how to fish” were uttered in government policy-making corridors. An integrated linking of economic development with human development is vital for combating the "dependency syndrome" of the people on governmental assistance, and furthermore, for sustaining development.

- **Nation-building**: This serves as the basis on which the country would take up an effective role in the global economy. South Africa is in the forefront of developing
and sustaining the vision and achieving the objectives of the NEPAD and SADEC. The country participates in the global economic markets and policy debates through transnational networks. Daphney (1998:44) advises that when building a nation a situation of (re)creating "first world and third worlds" within one territory should be avoided.

- **Link reconstruction and development:** The RDP integrates growth, development, reconstruction and redistribution into a unified programme which is aimed at meeting the basic needs of the people, and unleashing the previously suppressed human and economic potential in order to realise effective economic output through infrastructure and human development.

- **An integrated and sustainable programme:** Here the goal is to address the imbalances of the past, an integrated, coordinated and cooperative approach is considered imperative as a cornerstone for effective development. All three spheres of government need to work cooperatively to optimise government outputs, in addition to ensuring that all government efforts are directed at reconstructing and developing the country.

- **Peace and security for all:** This implies that the country’s security forces must provide protective services to all people in a non-discriminatory and constitutional manner.

- **Democratisation of South Africa:** "Democracy is not confined to the periodic exercise of franchise rights, but rather an [inter]active process enabling every one to contribute freely to reconstruction and development" (ANC, 1994:7). The RDP required fundamental changes in the way in which policies were formulated and implemented at the time: changes which place people at the heart of development and service delivery. Subsequently, a *BATHO PELE* (meaning putting people first) Policy was developed to further achieve the objectives and principles of the RDP.

Through the RDP, the government made progress in terms of delivery of services such as water, electricity, houses, delivery and health. However, the delivery of these services is not on par with the rate of population growth. Government programmes have rarely realised its policy targets in important areas of service delivery efficiently and effectively. In addition, people are increasingly complaining
that houses are given to those aligned to the ruling party (Binza & Hilliard, 1996:2). It also seems that a lack of leadership and capacity of the state, as well as corruption, are the main challenges that constrain the acceleration of the reconstruction and development agenda in South Africa today.

When the post-apartheid democratic government came to power in 1994, 30% of people lacked access to a safe supply of water near their homes. By 1997, the government had provided water and sanitation to more than 1.2 million people. Today, more than 10 million people have benefited from the government water supply programme (Mbeki, 2006:10). Access to water is considered as a right, not a privilege, as it is provided in Section 27 (1) (b) of the Constitution that “everyone has the right to access to…sufficient…water” (Republic of South Africa, 1996:13).

With regard to health care services, the Department of Health concluded that “free health care services for children and pregnant women were introduced in June 1996. Furthermore, free primary health care (PHC) services were extended to all citizens in 1996. During 1997, 204 new clinics were built, 364 new and existing clinics had residential units added to them, 38 existing clinics were upgraded and 53 mobile clinics were purchased. The expenditure amounted to R313 586 172” (Parnell et al., 2002:144).

The above examples show the progress made since 1994. However, poverty still exists, and many people regardless of race and gender are trapped in greater poverty than before. It can be said that the RDP does not only impact on service delivery, but also on job creation. However, the process of implementing the RDP has not been without contestations. One rural dweller once said, “The RDP is ridiculing our mothers. Our people are made to dig trenches. It is called employment. Whereas you walk right around this South Africa and you never find a white woman digging trenches. The dignity of our mothers is taken because they have to dig trenches, while they have to feed their babies, cook for their loved ones” (Parnel et al., 2002:245). There are reasons for government to get women involved in the RDP projects, particularly in the rural areas. Firstly, women are in the majority in South Africa: 52% of the population are women (Statistics South Africa, 2001). Secondly, men in rural areas use the bigger part of their wages to purchase goats and sheep
and spend less on groceries and children, while women consider their families as their top priority (Binza, 2007:11).

### 4.2.2 The Growth, Employment and Redistribution Strategy

The Growth, Employment and Redistribution (GEAR) strategy is a macro-economic policy of the state which came into effect in 1996. The government introduced GEAR as directed by the two policy documents of the ANC, namely: Ready to Govern (RTG) and the RDP, to address the macro-economic imbalances, including the budget deficit inherited from the past government. The government views GEAR as the strategy to finance “development with [its] own resources rather than depend on borrowed money. The role of government has to shift from being a major player in socio-economic development to the one of being a facilitator” (Binza, 2001:1). The government would facilitate the economic conditions through fiscal restraint, and budgetary reform, to mention a few. GEAR is a strategy to produce a "competitive fast-growing economy and create more jobs" (Parnel et al., 2002:60). The two members of the Alliance who viewed GEAR as a neo-liberal policy and a betrayal of the revolution of the people, did not welcome this strategy (COSATU, 1998:15).

There is a distinct difference between the RDP and GEAR. The latter stresses the vital role for non-state players in socio-economic development and service delivery, in particular the private sector. It further places emphasis on growth. Manuel (2002:6) has stated that:

“Growth and development require capital investments; and these reside primarily in the private hands. Therefore, a developmental state has to define and regulate its interaction with private capital in such a way that mutual benefit can be derived. This includes an industrial policy (GEAR) that helps to direct private capital into crucial sectors of the economy”.

The RDP stresses the importance of the state as the major player in the economy. It relies more on the development goals which the state has set itself to achieve. This view was shared by Mandela in 1995, in the preface to the White Paper on Reconstruction and Development Programme: “The interdependence of the objectives of the reconstruction and development on the one hand and growth on
the other is now widely accepted, not only within the government and the Parliament, but throughout the South African society” (Republic of South Africa, 1996:24).

GEAR was introduced in 1996, as South Africa’s macro-economic policy to place the country in a "high economic growth path" with a projected economic rate of 4-6% by 2000 (GEAR, 1996: 6). GEAR proposed a medium-term plan that aimed at loosening the "bolts" that constrained the economic environment. GEAR aims to improve economic growth and employment through:

- tighter fiscal controls to counter inflation;
- setting of an appropriate medium-term deficit target to eliminate government deficits and reduce debt;
- further or continuous revision of tax structure and range of budgetary changes to reduce further inflation and exchange rate management;
- formulation of trade and industrial policies to lower tariffs;
- tax incentives to stimulate investment;
- restructuring of public sector assets through public-private partnership or privatisation;
- expanding the infrastructure to enhance investment;
- flexibility in the labour market; and
- facilitation of maximum wage and price flexibility (GEAR, 2006).

The target was set to ensure that the above objectives would be realised. This further created legitimate expectations in the public that poverty and underdevelopment would soon be combated. The following were the targets set by GEAR:

- A GDP growth rate of 6% per annum by the year 2000;
- Job creation to rise steadily until about 409 000 jobs annually by the year 2000;
- An average real investment growth of about 11.7%;
- An inflation rate reaching 7.6% by the year 2000, which was later revised to a band of between 3-6% after adoption of inflation targets;
- An increase in foreign direct investment equivalent to almost 4% of GDP;
- The restructuring of public sector assets (privatisation);
• Flexible labour markets; and
• Redistribution of wealth and elimination of poverty (GEAR, 1996).

It is argued that the opposite has been achieved with regard to these set targets. For example, as regards economic growth, the growth rates declined from 3.2% in 1996 to 1.7% in 1997; 0.7% in 1998, and picked up to 4.5% in 2006. (South African Reserve Bank, 2006:8). Pillay (1996:5) states, “if we are to create jobs and thus to solve the unemployment rate and generally transform our economy we must reverse the trend towards minimising the role of government in the economy”, and create opportunities for the maximum involvement of the private sector in improving economic activities which aimed at developing a world class economy where jobs are created and poverty and unemployment are combated.

It can be concluded that GEAR managed to reduce budget deficits, and the government can concentrate on improving investment in social development. During the Budget Review in Parliament on 26 February 2003, the Minister of Finance announced that “the macroeconomic projections of the country signalled a positive assessment of the recent performance of the economy and an optimistic view of its future. However, reducing unemployment and ensuring that economic growth and development benefit all communities, remained the government’s policy challenge” (Manuel, 2003:5).

4.2.3 The Accelerated and Shared Growth Initiative of South Africa

In July 2003 President Thabo Mbeki announced the end of GEAR, after he had attended an international meeting of the 21st Century leaders, called The Third Way. He was the only President from the African continent who was invited to the meeting, and now Mbeki is also one of the members of this global movement.

The Third Way is a "global movement dedicated to modernising progressive politics for the information age. Third Way politics seeks a new balance of economic dynamism and social security, a new social compact based on individual rights and responsibilities, and a new model for governing that equips citizens and communities
in solving their own problems. In addition, its philosophy seeks to adapt enduring progressive values to the new challenges of the information age. It rests on three cornerstones: the idea that government should promote equal opportunity for all, while granting special privileges to none; an ethic of mutual responsibility that equally rejects the politics of entitlement and the politics of social abandonment; and, a new approach to governing that empowers citizens to act for themselves” (Giddens, 1999:5).

The Third Way approach to economic opportunity and security stresses technological innovation, competitive enterprise, and education rather than top-down redistribution or laissez faire. It favours an enabling rather than a bureaucratic government, expanding choices for citizens, using market means to achieve public ends and encouraging civic and community institutions to play a larger role in public life (ibid.).

The Prime Minister of Australia, Kevin Rudd, had this to say about the Third Way doctrine which most of democratic governments like Australia (South Africa included) have incorporated in their respective economic policies. In his speech delivered in the Australian Parliament on 11 November 1998, Kevin Rudd said that "competitive markets are massive and generally efficient generators of economic wealth. They must therefore have a central place in the management of the economy. But markets sometimes fail, requiring direct government intervention through instruments such as industry policy. There are also areas where the public good dictates that there should be no market at all. We are not afraid of a vision in the Labor Party, but nor are we afraid of doing the hard policy yards necessary to turn that vision into reality. Parties of the Centre Left around the world are wrestling with a similar challenge—the creation of a competitive economy while advancing the overriding imperative of a just society. Some call this the 'Third Way'. The nomenclature is unimportant. What is important is that it is a repudiation of Thatcherism and its Australian derivatives represented opposite. It is in fact a new formulation of the nation's economic and social imperatives".

It is in this context that ASGISA was developed to effectively deal with the growth, competitiveness and development challenges experienced during the GEAR phase.
This policy would enable the government to deal with the high costs of doing business, which prevent SMMEs in different municipal areas from surpassing current growth levels (Manual, 2005:3). The objectives of ASGISA are to:

- “Accelerate the pace of economic growth, and the rate of investment in the productive capacity;
- promote opportunities for participation of marginalised communities in economic activity, and improve the quality of livelihoods of the poor;
- maintain a progressive social security net, alongside investment in community services and human development;
- improve the capacity and effectiveness of the state, …[by] promoting service-oriented [local] public administration;
- build regional and international partnerships for growth and development;
- Reduce the unemployment rate from 30% to 15% by 2014;
- Reduce poverty from one-third to one-sixth of the population by 2014;
- Increase the annual GDP growth rate from the then average of 3% to 4.5% per year for the period 2005 to 2009 and to 6% for the period 2010 to 2014. ” (ASGISA, 2005:1-2).

The argument is that the policy would be able to broaden economic growth and development. In addition, it acknowledges all three spheres of government as important stakeholders in achieving and sustaining the 6% growth rate. Other important stakeholders are business organisations, civil society movements, and citizens who must be faster and better in improving growth. This means that both the making and acceleration of growth are a shared responsibility. These stakeholders in partnership with government must pride themselves on achieving and sustaining 6% growth by 2014, in order to halve poverty and have zero exclusion by that time.

The process of economic growth and development is not considered to be an easy path, unless government deals effectively with economic constraints as provided for in ASGISA. The view is that the above objectives would not be realised if the government is limited to providing solutions to the constraints to economic development. The constraints to ASGISA are as follows:
• "The volatility of the rand and level of the currency which is among other things by diverting economic or financial resources into limited and narrow areas of investment. Accelerating economic growth requires effective management of the country’s expenditure on long-term government capital projects. The cost, efficiency and capacity of the national logistics system. Backlogs in infrastructure and investment, and in some cases market structures that do not encourage competition, make the price of moving goods and conveying services over distance higher than it should be. Deficiencies in logistics are keenly felt in a country of South Africa’s size, with considerable concentration of production inland, and which is some distance from the major industrial markets.

• The shortage of suitably skilled labour amplified by the impact of the cost of labour. This problem is caused by the inferior and racial system of education and long distances that many workers are travelling to their work areas, which are an inheritance from the previous government.

• Barriers to entry in doing business, limits to competition owing to monopoly and limited new investment opportunities.

• Regulatory environment which contributes partly to the mediocre performance of the SMMEs with specific reference to their contribution to improving sustainable economic growth that impacts on job creation for the people.

• Deficiencies in state organisation, capacity and leadership. Government is not organised in a manner where it can better respond to improve the economic development of the country, and lacks capacity decisive leadership to economic policy development discourses" (Mlambo-Nguka, 2006: 2-5).

ASGISA attempts to deal with these constraints in an effective and economic manner by enabling and accelerating infrastructure investment programmes, industrial sector investment strategies, and skills and education initiatives through Joint Initiative for Priority Skills Acquisition (JIPSA). The view is that skills and education are considered as the epicentre of sustainable economic growth and development. In addition, the government must take bold steps to improve the second economy by opening opportunities for broad-based economic empowerment, and providing support to the SMMEs (ibid.).
There is progress in this regard. The slogan *Proudly South African* which is now frequently used is central to enhancing the active participation of all stakeholders in growth and development. ASGISA provides opportunities for all South Africans to create home-made economic solutions to problems of jobless and rootless growth and a dual economy. Whether this policy will achieve this is still to be seen. However, the alliance partners and business community have welcomed this macro-economic policy with open arms. This gives an impression that South Africa is in the new age called the "Age of Hope" (Mbeki, 2006:7).

Metropolitan municipalities are supposed to implement RDP, GEAR and ASGISA by strategically incorporating them into their institutional policies and programmes. This would improve the effectiveness and efficiency of municipal service delivery and local economy processes and programmes aimed at promoting the sustainable livelihoods of people. The most important institutional policy that has to conform to the above national policies and that each municipality is legally required to develop, is the integrated municipal development plan (IDP) which is briefly discussed below. Both the City of Cape Town and the NMBM have IDPs which were developed within the policy "context and content" of the above national policies (Cloete and Wissink, 2000:140). One of the respondents in the City of Cape Town commented that “The LED policy must not only comply with GEAR as that would perpetuate the economic problem, that of rich becoming richer and the poor poorer. LED policies must serve as means to an end for the metropolitan municipality to effectively realise the objectives of the RDP. The city or cities must make effective contribution to the country reaching 6% economic growth by 2014. The starting point must be the development of the IDP of the people”.

### 4.2.4 National Framework for Local Economic Development in South Africa, 2006-2011: Stimulating and Developing Sustainable Local Economies

The National Framework for Local Economic Development in South Africa (NFLEDSA), 2006-2011, was developed in 2006, six years after the developmental local governments were established in 2000 to realise the economic objectives of local governments. There have been mixed results by developmental metropolitan municipalities in improving economic development for communities, because of
increasing pressure of globalisation, and the non-competitiveness of municipalities caused by insufficient capacity and limited resources to tackle socio-economic issues (Mufamadi, 2006:1). This challenge was compounded by the lack of a governance system and visionary leadership to facilitate the development of innovative methods to enable municipalities to tackle economic issues in a globalising environment (ibid.).

The NFLEDSA was developed as an attempt to address some of the challenges mentioned in Chapter One, and to stimulate and accelerate the development of sustainable local economies to combat poverty and unemployment (Republic of South Africa, 2006-2011). The White Paper on Local Government (1998:56) provides that "metropolitan government is not directly responsible for creating jobs or employment, but it is responsible for taking active steps to ensure that the overall economic and social conditions of localities are conducive to the creation of employment opportunities". It is through this framework that LED was considered to be one of the five key performance areas (KPAs) in which municipalities are performance-evaluated. The other four are: municipal transformation and organisational development, basic service delivery, municipal financial viability and management, and good governance and public participation (DPLG, 2002:25; Weis, 2002:34). This means that the developmental metropolitan government must consider LED as an outcome, and as integrated with the four other KPAs. This integrated approach was first shared in the White Paper on Local Government, 1998, which states that the "powers and functions of local government should be exercised in a way that has a maximum impact on the development of communities - in particular meeting the basic needs of the poor -- and on the growth of the local economy".

The National Framework for Local Economic Development in South Africa, 2006-2011, contextualises “the new institutionalism that breaks down the distinction between economy and society, showing how economic decision-making and action is shaped by the shared values, norms, beliefs, meanings, and rules of the formal and informal institutions of society”. The new institutionalism calls for an integrated approach to the development and sustainability of both the economic and social capital in an equitable manner. It is through the new institutionalism that the
metropolitan government “will be more vigorous in creating an enabling environment for individuals, business and communities to organise themselves, take control of their destiny and work towards prosperity” (White Paper on Local Government, 1998).

LED is considered as a strategic performance area for municipalities to strengthen the networks of social interaction and build local democracy that "nourishes", i.e. local social cohesion (DPLG, 2006:4). The World Bank (1996) states that for local economic growth and development to be sustainable, there is a need to be “socially inclusive with economic outcomes or benefits equally shared”. This means that metropolitan municipalities must pursue local economies that are “robust and inclusive exploiting local opportunities, real growth potential and competitive advantages, addressing local needs and contributing to national development objectives” (DPLG, 2002:17). The metropolitan local economies must generate intensive trade, and contribute in terms of people, capital and natural resources.

The NFLEDISA provides for the following seven objectives:

- “Developmental metropolitan municipalities must shift towards a more strategic approach to the development of local economies [so as to speedily] overcome challenges and failures;
- To support local economies in realising their potential and making local communities active participants in the economy of the country;
- To elevate the importance and centrality of effectively functioning local economies in growing the national economy;
- To improve community access to economic initiatives, support programmes and information;
- To improve the coordination of economic development planning and implementation across government and between government and non-government actors; and
- To build greater awareness about the importance and role of localities and regions which globally are playing an increasingly significant role as points of investment facilitated by supportive national policies” (DPLG, 2006:7).
There are nine characteristics of local economies that are provided for in the NFLEDSA. They are as follows:

- People who are skilled to take full advantage of economic opportunities;
- Leadership to inspire confidence in the local economy and mobilise resources for further growth of the economy;
- A healthy workforce that is appropriately skilled and remunerated;
- Assets which are the natural, physical, financial, human and social capital necessary for growth and development of the local economy. These assets must be harnessed for the benefit of local residents and for meeting the country’s economic growth targets. The assets can be used to attract investments needed for the expansion of local economies;
- A reliable and accessible infrastructure to enable effective and efficient social and economic transactions;
- The local economies must not only be robust and inclusive, but must be integrated and networked with that of the provincial, national, continental and global economic dynamics and opportunities (DPLG, 2006:17).

### 4.3 The Case-Study approach

Willing (2001:70) writes that a case study is not a “research method. It constitutes an approach to the study of singular entities, which may involve the use of a wide range of diverse methods of data collection and analysis”. These research methods can range from "interviews, participant observation and document collection, action research, [to] questionnaires with open-ended questions or surveys" (Glesne, 2006:37). The case-study approach is used because it entails studying "a particular unit of analysis that usually takes place after the fact. It is an in-depth investigation on such occurrence" (Willing, 2001:75; Sommer and Sommer, 1986:174). Creswell (1998:61) defines a case study as an exploration of a “bound system or a case or multiple cases over time through detailed, in-depth data collection involving multiple sources of information rich in context”. This approach emphasises the “individuality and uniqueness of the participants and the settings” (Sommer and Sommer, 1986:174; Sax, 1979:88). A case-study approach is trustworthy because of its history, reliability and validity.
Willing (2001:70-1) writes that there are five requirements for a valid case study approach. They are:

- **An idiographic perspective**: This enables the researcher to understand an individual case in its particularity rather than the general field of study.

- **Attention to contextual data**: Through a case study approach a researcher takes a holistic approach by considering the case in its context. This means in the present case that the researcher pays attention to the ways in which the various dimensions of LED and PPP relate to IDPs and other related governments' socio-economic policies or interact with their environments, i.e. developmental metropolitan government environments [political, social, constitutional, and environmental environments].

- **Triangulation**: This enriches the research project as it allows the researcher to approach the case from different perspectives and integrate information from diverse sources to gain an in-depth understanding of the phenomenon under investigation. In addition, triangulation facilitates an appreciation of the various perspectives or dimensions of the case that constitute the research project, as well as its embeddedness within its various developmental contexts.

- **A temporal element**: This means that the case in question has to develop over time. For example, developmental metropolitan government came into existence after the second local government elections in 2000. In the same year, PPP was enacted in the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), and Municipal Service Partnerships of 2000 for local government to improve their municipal services through it. Furthermore, the two municipalities started in 2002 with institutional re-engineering to give effect to the main objective of local government as provided for in section 152 (c ) of the Constitution of the Republic of South Africa, 1996. This means that case studies are concerned with processes and their impact that take place over time.

- **A concern with theory**: This means that case studies facilitate theory generation. They are also used to test existing theories or clarify or extend such theories.

Glesne (2006:13) and Willing (2001:73-4) state that there are different types of case studies which can be used in qualitative research. They are:
Intrinsic case studies which contribute to better understanding of the particular case under investigation. An intrinsic case study is chosen because it is "interesting in its own right. It also pre-exists the research" (Willing, 2001:72). The concept of PPP was introduced in South Africa in 2000 when the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) and Municipal Service Partnerships of 2000 were enacted and promulgated respectively. Although in countries such as the United Kingdom, Finland, Australia, Germany and Singapore, the PPP was already used as an external service delivery improvement mechanism (Rudd, 1998:2). The current case studies have been selected for their intrinsic value.

In contrast to the particularity of the intrinsic case study is the instrumental case study which is concerned with broad or general phenomena. With this case study, the researcher will attempt to explore "how the general phenomenon exists within a particular case" (Willing, 2001:74). Simply put, how the case of PPP connects with the general case of improvement of economic development by [metropolitan] government. Through the instrumental case study, a researcher will be able to provide an insight into a specific issue or redraw a generalisation on how municipalities or local government develop their economies (Glesne, 2006:13; Bogdan and Biklen (1992:24; Sax, 1979:78). A literature search is also useful in this regard to provide the kind of insight into the general phenomenon or study of other cases by other scholars or researchers. This process then becomes a collective case study.

A collective case study allows a researcher to "investigate a phenomenon, population or general condition" (Willing, 2001:73).

A descriptive case study is "concerned with providing a detailed description which enables the researcher to generate new insights into, and a better understanding of, the nature of the phenomenon under investigation" (Willing, 2001:74). The nature of PPP and LED, as well as the theoretical bases for the study and components of the PPP model will be described here. In addition, a detailed description of LED policies is provided in Chapter Five.

Explanatory case studies go beyond description of the case within its context. "They provide explanations of the occurrences with which they are concerned" (ibid.). Explanations of why an appropriate PPP model is developed and
proposed for adoption by the South African metropolitan government is given in Chapters One and Seven.

According to Willing (2001:71), case studies use qualitative research methods to investigate them. The qualitative research methods that were used to generate material suitable for the case studies used in this research project include documentary assessment of PPP and LED policy goals and strategies in the two selected cases, as well as semi-structured interviews and direct participant observation of the researcher in the process of LED policy development, review and implementation.

4.3.1 Data analysis in case studies

In this section, conceptualisation of the data analysis process in case studies is briefly discussed. Creswell (1998:152) writes that analysis is "a sorting procedure". Wolcot (1994:58) and Bogdan and Biklen (1992:24) see it as a "quantitative side of qualitative research methodology as it involves highlighting specific material introduced in the descriptive phase of research project and displays findings through tables, charts, diagrams and figures or percentages". The data regarding the two LED policies of the City of Cape Town and NMBM had to be collected and processed before being analysed. Data generated by qualitative research methods is frequently voluminous (Creswell, 1998:143). Data analysis consists of making a detailed description of the case (i.e. LED policies) and its setting. This approach is applied to the metropolitan governments of the City of Cape Town and the NMBM. Description, writes (Creswell, 1998:152) is the “foundation of the qualitative research” where the researcher describes the nature and the purpose of the study.

Stake (1995:145) identifies four forms of data analysis and interpretation in case study research approaches which have been applied in this research project. They are:

- Categorical aggregation which allows the researcher to seek a collection of instances from the data, hoping that issue-relevant meanings will emerge;
• Direct interpretation which enables the researcher to look at a single instance and draw meaning from it without looking at the multiple instances;

• Patterns which are established by the researcher to look for a correspondence between two or more categories. In this instance, LED policies of the two municipalities are analysed; and

• Naturalistic generalisation which is generalisation to enable research audience or beneficiaries (in particular councillors and officials relevant for LED and other municipal policy and decision makers in this study), and scholars to learn from the research project, and to apply the model to various future cases. A case study approach requires "extensive verification" (Creswell, 1998:213). This means that when a researcher makes an "assertion and key interpretations in the study he/she must provide extra effort towards confirmation and triangulation" (Glesne, 2006:147; Creswell, 1998:210). Confirmation in this research study is provided by means of data sources or references, theories (see Chapter Two). According to Glesne (2006:147), when the researcher analyses data he/she must organise "what he/she has seen, heard and read during observation or data collection so that one can make sense of what he/she has learned". In qualitative research and case studies, it is required when analysing data to "describe, create, explain, pose hypotheses, and develop new or use existing theories" (ibid.).

Thematic analysis was used for the data analysis by coding and segregating the data clumps which were later analysed for the purpose of writing different chapters of this research project. It was also used when the completed questionnaires were coded to identify the number of respondents who have strongly agreed, agreed, strongly disagreed, disagreed or remained neutral (see Chapter Five). Glesne (2006: 152) writes that coding is a “progressive process of sorting the collected data (observation notes, interview transcripts, policy documents, questionnaires, and notes from the relevant literature). From this coded data, the researcher can describe and explain the phenomenon under investigation adequately. Thematic analysis allows for data to be categorised, synthesised, and interpreted. Data interpretation serves as a means of data transformation which occurs when the researcher transcends factual data and cautious analysis and begins to probe into
what is to be made of them”. In this research, interpretation occurred when the theoretical base to provide the structure of this study was applied to the conclusions from observation.

4.4 The Integrated Development Planning Approach: A developmental tool for local government

The purpose of this section is to define and explain the impact of IDP as an approach to enable the metropolitan government as an organisation to achieve sustainable local economic development. The process of developing, reviewing and adopting the IDP by the councils of the City of Cape Town (CCT) and the NMBM was observed from 2006-2007. As part of this case study, the researcher attended public participation meetings in the NMBM where IDP issues were raised and discussed by the individual local inhabitants, staff from tertiary institutions, NGOs, CBOs, labour unions, and business organisations. Two council meetings in 2006 and 2007 respectively were attended by the researcher, where the IDPs of the NMBM were adopted by the council. The NMBM is the closest municipality to the residence of the researcher. Owing to limited financial resources, the researcher was unable to attend the public participation and council meetings hosted by the CCT, but the adopted IDPs were made available to him either through electronic means or mail.

In both the IDPs of the two municipalities, LED strategies were aligned and linked to the IDP. This means that in the IDPs under the sections LED, the LED policy objectives, key performance areas and indicators for the period 2006-2007, are provided for in the respective IDPs. For example, the IDPs of the CCT and the NMBM provide respectively that the CCT will create about 100 000 jobs by end of 2008, and the NMBM acknowledged that for unemployment to be reduced to 10% in 2011, 100 000 jobs will be created through the Expanded Public Works Programme (EPWP) and 2010 projects by end of 2010 (IDP of the City of Cape Town, 2007/08:84; IDP of the NMBM, 2007/08:45). This approach implies that sustainable local economic development is not a sole responsibility of a Business Unit for LED, but that it is in fact recognised as an institutional responsibility.
The IDP is a process by which development is achieved in an orderly, manageable, and constitutional manner, where financial resources are allocated and linked to municipal programmes in a fiscally disciplined manner (DPLG, 2007). The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), Section 25, describes an IDP as a “single, inclusive and strategic plan for the development of a municipality which links, integrates and coordinates plans and takes into account the proposals for [the future] development of the municipality; aligns the resources and capacity of the municipality with the implementation of the plan; and forms the policy framework and general basis on which annual budgets must be based”. This means that the municipal budgets must be linked and aligned to individual performances and organisational performances as required by the South African Cities network balance scorecard.

The IDP enables metropolitan government to transcend its traditional service delivery approach, to deal with the challenges of the people in the democratic and developmental phase. It guides municipalities to strategically plan, manage, invest, develop and implement decisions in the medium term by taking into account the inputs from various stakeholders in their respective localities (IDP of Johannesburg 2003/04:5). The White Paper on Local Government (1998:4) requires that municipalities work with citizens and groups within the community to find sustainable ways to meet the social, economic and material needs of the community.

The Municipal Planning and Performance Management Regulations (2001:7) require that the IDP “crosses departmental divisions by linking the physical, social, institutional and economic components of planning and development with management and implementation structures”. Its main focus is to uplift the socio-economic conditions of the people, as it underpins all activities at the council level to eradicate the inequalities and backlogs of the past. Regulation 2 (1) of the Municipal Planning and Performance Management Regulations provides five areas in which the IDP must identify priorities:

- An institutional framework which must include an organogram required for IDP implementation and the management of internal transformation;
• Investment initiatives – the IDP must show how the municipality should invest its resources, and secondly, what investment programmes or areas have been identified;
• Development initiatives such as physical, social, economic and infrastructural development;
• Projects and programmes [to be] implemented within the municipality by any organ of state; and
• Key performance indicators and measures (Republic of South Africa, 2001:8). The view is that the IDP should enable the municipality to achieve the developmental objectives of local government as provided for in Chapter Seven of the Constitution.

The Provincial IDP Assessment Framework, which consists of three templates, was developed in 2001 to assist municipalities to develop, monitor and assess their IDPs and performances. The first template is the developmental objectives and outcomes/impacts template, which requires IDPs to inter alia:
• provide the municipalities with a strategic situational analysis that reflects their strengths, weaknesses, opportunities and threats;
• become financially viable;
• deepen democracy and facilitate representativity;
• ensure an equitable, growing, efficient, and sustainable economic environment;
• ensure the attracting and retention of private sector investment in order to achieve sustainable livelihoods and local economic development; and
• enhance the attractiveness of the metropolitan municipalities, province and the country for local and foreign direct investments (DPLG, 2001:18).

The second template concerns policy alignment, which requires municipalities to develop policies, programmes, projects, and strategies that provide for directions and commitment towards sustainable development. Lastly, the legal compliance template ensures that all developmental policies and programmes adopted by the municipalities are intra vires of national, provincial and municipal legislations. This means that the process of developing, assessing, adopting, approving, and reviewing the IDP must be within the provisions of the Constitution of the Republic

The IDPs must provide for institutional action to establish and maintain ward committee structures to be compliant with the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998). Section 17 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998), specifically provides for the establishment of ward committees as a structural mechanism for public participation at a grass-roots level. Binza (2007:25) argues that challenges to effective implementation of the PPP model will be minimised if ward committees participate in decision-making processes, and communities are brought into the mainstream of PPP projects. Metropolitan municipalities must design codes and procedures to inhibit corruption as it might happen that some of the members of ward committees will have vested interests in PPP projects that they are participating in. Leadership and policy guidelines are required to minimise ideological differences in communities, as PPP is not an uncontested phenomenon.

The involvement of ward committees, traditional and elected leaders, is to give meaning to and uphold the principles of participatory democracy. Section 72 (3) of the same Act provides for the primary objective of the ward committee being to enhance participatory democracy in local government (ibid.). The two metropolitan municipalities make up 165 wards, out of a total of 3 200 wards which are established in the Category B and C municipalities, for the period 2000-2005. The NMBM has the 60 wards and the CCT has 105 (DPLG, 2001: 21).

4.5 Local economic development policies

Great historical changes have taken place in the South African local government sphere. The introductions of the Urban Development Strategy in 1995, the Rural Development Strategy in 1997, the White Paper on Local Government in 1998, Municipal Service Partnerships in 2000, and Local Economic Development Framework in 2006, serve as examples of such changes. LED activities pursued by metropolitan and other district and local councils have increased and made an impact in attracting investments, combating unemployment and poverty. This
progress of local economic growth and development has been based on the limited success achieved by the apartheid local government which was ‘largely in the form of place-marketing’ (South African Cities Network, 2002; Nel, 2001:6).

With metropolitan government taking the lead in developing broad-based LED policies, a process which is supported by suitable qualified human resources with access to adequate budgeting, the LED business units are currently running projects that are aimed at improving local economic growth in partnerships with local business organisations and civil society movements. However, the development progress by the NMBM is not really comprehensive in terms of scale and focus when it is compared with that of the CCT, and other metropolitan municipalities such as City of Tshwane (CoT), Ethekwini, Ekurhuleni, and City of Johannesburg.

Central to the LED policy content of the NMBM and CCT is an appreciable attempt to make the cities become internationally competitive, a global destination for tourists and investors and skilled human resources. An economic growth rate of about 4-7% annually has been targeted to enable them to combat poverty and unemployment in their respective areas.

It is, however, important to examine the responses of the CCT and the NMBM in terms of how they have institutionally responded to the mandates of the Constitution of the Republic of South Africa, 1996, Section 152 (c) which provides that municipalities must improve "social and economic development" in their respective areas to promote sustainable livelihoods (Republic of South Africa, 1996).

4.5.1 City of Cape Town

The City of Cape Town (CCT) is located in the Western Cape Province. It governs and provides local public services to a population of about 3.1 million living in an area of 2 475 square kilometres with 1.3 million local inhabitants living below the poverty line, the majority being the previously disadvantaged individuals (PDIs) who constitute 78.8% of the population (IDP of City of Cape Town 2003/04:10). It is revealed in the IDP of the City of Cape Town (2006/07:34) that the city has “good partnerships with the private sector which is effective in improving the local
economy. Between 2000 and 2006, the local economic growth rate of the city grew at an annual rate of 3.7%, a success accorded to both the city and the business sector playing their roles more appreciably”.

The City of Cape Town was established in 2000 by the merger of seven local Councils, viz: Tygerberg, Oostenberg, Blaauwberg, South Peninsula, Helderberg, former City of Cape Town, and Cape Metropolitan Council. The city contributes 75% to the Cape Province’s Gross Geographic Product (GGP) and 11% to the GDP. The city had an annual growth rate of 2.6% between 1991 and 2000, compared to the figure of 1.5% of the national economy for the same period (IDP of the City of Cape Town (2006/07:34). There are about 26 000 people on its payroll, with white males dominating the upper levels of management. Chief among challenges facing the council are: high unemployment rates, high population growth rate which is growing faster than the economy, and thus increasing the unemployment rate, poverty and service delivery backlogs. The fertility rate is high in the sense that about 1000 babies are born a week (ibid.). The CCT has a Gini-coefficient of 0.67, which reflects the degree of inequality as reflected by racial distribution of income.

The mandate of the CCT is now to reduce inequality through the following:

• “Preferential procurement of persons historically disadvantaged by unfair discrimination;
• A re-orientation of government budgets to maximise job creation;
• Skills training and development of the human resource capabilities of the unemployed, marginalised and youth. In addition, implementation of JIPSA programmes to accelerate local economic growth” (City of Cape Town, May 2006:18).

The development and implementation of the LED is not a process done in a vacuum, but is a cumulative and integral process which takes into consideration the provisions of relevant national and provincial economic and growth policies, and that must also inform other institutional policies and programmes or plans. This means that the development of this policy was done in an integrated manner and is not in conflict with national and provincial policies or legislations. It serves to show the
response by the CCT to implement constitutional and policy mandates which require developmental metropolitan municipalities to, *inter alia*:

- Improve social and economic development;
- Combat poverty through accelerating delivery of municipal services;
- Enable an environment for employment to be created through local economic growth, and also by directly allocating council’s resources or direct involvement of the council itself to job creation;
- Develop municipal policies to redress economic historic inequalities and disparities. This policy must be a response of the cities to the national broad-based economic empowerment programmes; and
- Facilitate, attract, and sustain investments and facilitate the opening of a market to export local products made or grown or manufactured in the local economy.

The evidence of this statement is provided for in the city’s LED policy called the Economic and Human Development Strategy (EHDS) of the City of Cape Town, which provides that this [LED] policy informs the IDP of the city and builds directly on economic development policy work already developed by the council such as: Going Global, Working Local (GGWL); and the Local Area Economic Development Policy and Strategy (LAEDPS). In addition, the EHDS is informed by the national policies such as RDP, GEAR, ASGISA, Micro Economic Reform strategy (MERS), and Growth and Development Strategy (GDS); and provincial policies such as the Provincial Growth and Development Strategy (PGDS), Ikapa Elihilumayo, Provincial Growth and Development and Knowledge Management Policy.

The CCT’s EHDS is also informed by and complies with the provincial policies which require that the city must achieve the following economic objectives:

- “increase economic growth;
- increase employment and economic participation;
- reduce geographical and socio-economic inequality; and
- provide a sustainable social safety net” (City of Cape Town, 2006:8).

In May 2006, the council of the City of Cape Town adopted the Economic and Human Development Strategy (EHDS) as a 5-10-year strategy to provide for sustainable improvement of the people’s economic livelihoods. This is shown by the
commitment of the city to “improve income levels or GGP; give access to subsidies and transfers that enhance the material well-being of the poor; improve the capacity or capability of both the rich and poor people to access resources and reach their potential, through diverse livelihood strategies.

This is shown by the commitment of the city to “improve income levels or GGP; give access to subsidies and transfers that enhance the material well-being of the poor; improve the capacity or capability of both the rich and poor people to access resources and reach their potential, through diverse livelihood strategies and skills, as well as the social capital of communities that promotes human development and enable local inhabitants to participate fully in the economic life of the city” (City of Cape Town, 2006:6).

The EHDS will only be reviewed after five years. The EHDS provides objectives that the city has to meet as part of its contribution and participation in growing South Africa’s economy. The objectives of the EHDS are as follows:

- “To increase economic growth rate to over 7% by 2010;
- To increase jobs, especially better-quality jobs for low-and semi-skilled workers;
- To reduce the gap between rich and poor;
- To halve poverty (those falling within the indigent grant level); and
- To build the social, human and natural capital or residents in line with national and provincial policies” (City of Cape Town, 2006:8).
The high impact factor of this policy is its provision and focus on two significant variables of development, namely economic and human development. This city is the only city among the six metropolitan municipalities that has considered economic and human development interdependently and thus combined them into one strategy. This is because the city realised challenges to the reconstruction and development programmes, in that it still has a high rate of unemployment caused by...
limited economic growth, and a vast number of its population have limited knowledge and education. This is caused, among other things, by limited availability of knowledge information to the poor in particular. The South African Cities Network (2002:14) and the Eastern Cape Provincial Government (2002:32) require municipalities to develop LED policies that enable cities through improving local economic growth to:

- “Contribute to national resources and provide local residents with means to earn a reasonable living and improved quality of life;
- Build inclusive cities where all residents have the opportunity and capacity to share equitably in the social and economic benefits of the city life; and
- Develop sustainable local economies which contribute to and do not undermine the creation of sustainable and well-governed city”.

The CCT response to the above challenges was to provide through the EHDS a five-star approach aimed at assisting people to move from unemployment to full employment. The five-star approach is an attempt to ensure that economic development is sustainable and inclusive of all the people who live in the city regardless of class status (poor or rich), and that the capacity of the city and its people is continuously developed to make a world-class city (see the Urban Development Strategy, 1997). The approach also enables municipalities to “address local economic production, consumption and distribution though PPP.

The table below illustrates that the CCT has managed to identify and develop five economic strategic interventions through which PPP will be used. These local economic strategies are developing the local economy; promoting economies of the poor; bridging the binary divides between the rich and the poor, and between the females and males to combat inequalities; providing quality municipal services effectively, efficiently and economically; and improving and sustaining human, economic, and natural capital. PPP is considered to be one of the critical success factors of the CCT in LED as its EHDS provides that the CCT must form public-private partnerships to enable it to work closely “with key companies in key sectors to develop sector empowerment strategies which address the economic opportunities and contracts” (City of Cape Town, 2006:29).
Table 11: Five Star Approach: From unemployment to sustainable full employment

<table>
<thead>
<tr>
<th>Enhance global competitiveness</th>
<th>Targeted poverty reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector support</td>
<td>Skills development &amp; training</td>
</tr>
<tr>
<td>Destination brand management &amp; marketing</td>
<td>Informal trade support</td>
</tr>
<tr>
<td>Investment promotion</td>
<td>Low-skilled job creation (e.g. EPWP)</td>
</tr>
<tr>
<td>Area targeting &amp; management</td>
<td>Business support</td>
</tr>
<tr>
<td>Business &amp; consumer security</td>
<td>Business &amp; consumer security</td>
</tr>
</tbody>
</table>

Source: City of Cape Town (2006:24)

This means that a municipality would be able to:

- Focus on growing local economy directly and indirectly by creating an enabling business environment and building the household asset base of the poor;
- Recognise that the local economic livelihoods of the poor depend on increasing buying power;
- Facilitate the distribution of municipal goods and services to consumers in such a way as to enhance the economic livelihoods of the city and the people” (City of Cape Town, 2006:25).

4.5.2 Nelson Mandela Bay Municipality

The Nelson Mandela Bay Municipality (NMBM) is situated in the Eastern Cape Province with a population of 1.3 million. Three disestablished municipalities, namely Port Elizabeth, Despatch and Uitenhage constitute the NMBM. It has its
administrative and political seats in Port Elizabeth. Through decentralisation and transformation, administrative sites have been established in the Despatch and Uitenhage areas to ensure that the NMBM responds effectively to the needs and demands of its local inhabitants. However, 40% of the people in the area are considered to be poor or indigent, hence the Gini-coefficient of 0.56 (IDP of NMBM 2003/04: ii). It has the highest unemployment rate of 42% as compared with other metropolitan governments (ibid.). The manufacturing and tourism sectors serve as the hub of the municipality’s economic base. Its HDI is about 0.65%, which is higher than the country’s HDI.

In terms of the City Development Index (CDI) which is an indication of the standard of living of residents in terms of infrastructure provision, waste management, health, education and income per capita in a city, the NMBM is the lowest (50.1) compared to the CDI of the City of Cape Town which is 73.2 (South African City’s Network Annual Report, 2006).

The NMBM developed its LED called the 2020 Citywide Economic Development Strategy in April 2004. The LED vision of the NMBM is provided as follows: “Nelson Mandela Bay is a world-class, well-diversified and integrated competitive global economy that prides itself on the ability of its excellent business environment to create a sustainable livelihood for its inhabitants” (NMBM, 2007/08:12; NMBM, 2003/04:22). This LED vision is based on the principles of “Global Touch; Local Impact” strategy which aims at facilitating “global competitiveness of the NMBM in order to create economic growth that impacts positively on job creation, combat poverty and exclusions” (ibid.). The vision is also in line with the institutional vision 2020 of the NMBM as provided for in its IDP. This provides that the Nelson Mandela metropolitan area practices social justice in a culture of public participation guided by an efficient, accountable, non-racial, non-sexist municipality that focuses on sustainable environmental, social and economic development, improving the quality of life of its communities in a secure, safe and tourist-friendly environment” (IDP of the NMBM, 2007/08).

To achieve the above vision, the metro set the following objectives:
- “To achieve and maintain an economic growth rate of between 5-8% per annum;
To obtain an annual job growth of 3.5% in order to halve the current unemployment rate of 42% by 2020; and

To reduce by 60% the number of households living below the poverty line” (NMBM, 2003/04:23).

To achieve the above objectives, the metro saw fit to develop developmental thrust or key economic strategies to direct its short- to long-term economic development programmes. These developmental thrusts are as follows:

- Sector diversification and development;
- Human resources development through tailor-made training and development, and JIPSA programmes;
- Infrastructure development and investment; and
- Investment, trade and tourism promotion (ibid.)

The NMBM states that its development approach will enable the municipality to select sectors that will grow and sustain its local economy. The manufacturing sector is considered to be the primary sector that the metro should develop and diversify by means of identifying sub-sectors such as the fuel, petroleum, rubber-products, wood and related product. The manufacturing sector is the only sector that grew at an annual average of 3.5% in gross geographic value-added (GGVA) terms between 1996-2004. Others sectors that enable the metro to contribute between 67% of economic growth rate to the Eastern Cape Province’s GGP are: tourism and hospitality, urban agriculture, construction, logistics, and knowledge and information sectors (ibid). The executive mayor, Councillor Maphazi, has stated that local economy through these sectors cannot be realised if the metro would be acting in “silos from the local business organisation.” Partnership between the municipality and private sector is considered to be the value catalyst for bringing positive change in the local economy and people’s livelihoods (2006:4).

The objectives of the LED policy will only be realised when implemented through partnerships with business and communities. The values and principles of the 2020 Citywide Economic Development Strategy provide that the NMBM must “establish multi-level partnerships with both communities and the private/ investment sectors” (ibid.:29). Local economic capital will not be sustainable if it is the only focus of the
municipality. One of respondents commented that the municipality must realise "if there could be more than 150% sophistication in the local economic development with machines only, human resources would still be central to drive and direct that sophistication". This means that the growing of human capital through training and development must be realigned with "existing business and [new] investor requirements; major development and key growth sectors and industries" (ibid.). In addition, training and education programmes have to be developed in partnership with tertiary education institutions in the area as a means to effectively implement the JIPSA objectives.

The LED policy of the NMBM provides for long-term economic projects that are being (or will be) implemented through local government partnering with the private sector. Some of these projects have a combination of both public-private and public-public partnerships. These PPP projects are scheduled to commence and be completed during the period 1994-2020. The private sector is not only the local private sector, but also includes the internal business sector. The term "public" includes the NMBM and the provincial and national spheres of government. For instance, in the case of COEGA IDZ and the Port of Nqgura projects, which are PPP projects taking place in the NMBM area, all three spheres are involved in partnerships with the private sector. This means that the success of these projects would not benefit only the people of the NMBM, but also of the Eastern Cape Province and South Africa as a whole. Since the establishment of COEGA IDZ PPP project, 12 investors have been signed, with a total investment value of R30-billion. These investors are: Sati logistics company (R50-million), Cerebos (R60-million), Alcan aluminum smelter (R20-billion), PE Cold Storage (R50-million), Mediterranean Shipping Company (R50-million), Straits Chemicals SA (R5,8-billion), Afro-Asia (R75-million), and PetroSA (R39-billion) (COEGA, 2007:5; NMBM, 2004:17).

Three projects that have made an impact on job creation are the COEGA, the Port of Nqgura and the Motherwell Urban Renewal Programme. With regard to the other 13 projects, the NMBM has only completed the feasibility studies, with implementation to commence once the feasibility studies are complete and investors have made investment commitments.
Table 12: PPP projects in the NMBM area

<table>
<thead>
<tr>
<th>Name of Project</th>
<th>Amount in Rands</th>
<th>Jobs creation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. COEGA IDZ</td>
<td>R30 billion</td>
<td>16 142</td>
</tr>
<tr>
<td>2. Port of Ngqura</td>
<td>11.2 billion</td>
<td>6 040</td>
</tr>
<tr>
<td>3. Existing Port of Port Elizabeth</td>
<td>to start in 2014</td>
<td>-----</td>
</tr>
<tr>
<td>4. Port Elizabeth Airport</td>
<td>to be upgraded</td>
<td>-----</td>
</tr>
<tr>
<td>5. Madiba Bay Safari World Development</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>6. Greater Addo Elephant National Park</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>7. Motherwell Urban Renewal Project</td>
<td>1 billion</td>
<td>5 000</td>
</tr>
<tr>
<td>8. Statue of Freedom</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>9. Business Centre &amp; Science Technology</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>10. International Conference Centre</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>11. Uitenhage Despatch Development Initiative</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>12. Downtown Planning Project</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>13. Njoli Square Development</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>14. Colchester Development Node</td>
<td>----</td>
<td>----</td>
</tr>
<tr>
<td>15. Gateways &amp; Beautification project</td>
<td>----</td>
<td>----</td>
</tr>
</tbody>
</table>

All of these projects have been identified by the first executive mayor, Mr Nceba Faku, who agreed that "none of the feasibility studies have been submitted to the National Treasury as required in terms of the PPP Municipal guidelines and National Treasury Regulation 16 of 2004. Feasibility studies for big projects like COEGA and Port of Gqura were submitted to The Presidency, hence the government commitments to the success of such projects" (2003:2).

4.6 Progress with LED through PPPs in the CCT and NMBM

The cities acknowledged that they as local government are one of the important role players in economic development, and thus have a responsibility to act as a "facilitator, regulator, co-ordinator /manager, and investor in infrastructure for socio-economic development" (City of Cape Town, 2006:10). The EHDS is clear that the
private sector is the “largest economic stakeholder and has a role to play as investor, entrepreneur, innovator and most importantly as a job creator” (ibid.). This is interpreted to mean that public-private partnership can provide for sustainable economic growth that provides for job creation. The important role played by the private sector in local economic growth of the two municipal areas compared to that of [local] government is provided in Table 13 below.

The contribution by the NMBM in the LED is higher than that of CCT, but in both municipalities their role is less than that of the private sector, as shown in different sectors of local economy. It can be argued that the contribution of the local government to job creation is on the same rate as that of its contribution to economic growth. This means that the private sector is confirmed to be the best player in job creation (see the LED policies of the NMBM of 2006 and CCT of 2006).

Municipalities are encouraged to be pro-active by developing an approach or economic interventions which can enable them to identify and promote sectors that can be used to grow and sustain local economic growth to achieve the LED objectives. The LED policy of the NMBM provides a limited view of the city’s economic vision and progress since the metro was established in 2000. It is required of the NMBM to keep its LED policy updated so that executive leadership and management can make sound economic decisions. The CCT’s LED policy is more comprehensive than that of the NMBM. However, the current policy was last updated in 2006, and still shows some of the 2004 figures. How the council allocates a budget to solve daily social and economic challenges without an up-to-date information on its policies leaves much to be desired.

What is shown in this the case study is that LED is highly centralised in both the metropolitan municipalities to enable the business unit managers of the LED to take responsibility and provide accountability promptly to the political leadership. It is during the implementation of the policy and when projects have been cascaded that the devolution is happening. In the case of the CCT, LED projects are devolved into the different local area economic development zones scattered throughout the six local councils which make up the metropolitan area (Nel, 2001:1014). In the NMBM, LED activities are devolved and occur in the three towns that form the Bay.
Key focuses of the LED policies in terms of achieving global competitiveness of the two metropolitan municipalities are: investing in people; ensuring that there is world-class infrastructure and attractive investment areas; providing world-class local government services; facilitating cluster/sector development; and facilitating world-class marketing. Current and planned actions in this regard are: promoting investment and trade; key sector support; tourism development; major events; infrastructure development; improving local government services; and the supply of strategic information.

In addition, the two polices provide key focuses in terms of poverty reduction which are: ensuring a minimum "social safety net"; providing efficient basic services and infrastructure; improving spatial integration and environmental quality; promoting job creation and economic empowerment; and supporting community and social development. Current and planned actions in this regard are community-based job creation projects; small business support; tourism development; local government procurement; basic services; a poverty grant; and strategic information (Nel, 1999:4).

The EHDS of the CCT shows no information and progress by the city on PPPs. The 2020 Citywide Economic Development policy of the NMBM shows only projects that are (and will be) implemented through PPPs. There is limited information on PPP provided by the two policies. The researcher had to use questionnaires to get LED practitioners in both municipalities to respond about how these municipalities use PPPs to improve the social and economic development in their respective areas. In addition, there is no coherent and consistent PPP approach or model developed and tailor-made to accelerate and bring efficiency to economic growth of the NMBM and CCT. The respondents shared that the municipalities have limited ad hoc PPP projects which have been approved in terms of the Municipal Finance Management Act, 2003 (Act 56 of 2003), and their respective Supply Chain Management Policies. It is in this context that they have agreed that a more coherent and appropriate PPP model must be developed and adopted by the respective metropolitan councils to accelerate service delivery, improve local economic growth and broaden the
economic base of the cities, as tenders have to comply with the BBEEE requirements (see National Treasury, 2004; DPLG, 2006-2010).


<table>
<thead>
<tr>
<th>Sector</th>
<th>NMBM’s contribution to economic growth 2001</th>
<th>NMBM’s contribution to employment 2001 [not provided in the policy]</th>
<th>CCT’s contribution to economic growth 2004</th>
<th>CCT’s contribution to employment 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance &amp; business services</td>
<td>15.9%</td>
<td>---</td>
<td>37.7%</td>
<td>19.46</td>
</tr>
<tr>
<td>Wholesale, trade &amp; accommodation</td>
<td>13.0%</td>
<td>---</td>
<td>17.2%</td>
<td>17.93</td>
</tr>
<tr>
<td>Transport and Communication</td>
<td>11.5%</td>
<td>---</td>
<td>11.6%</td>
<td>3.03</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>30.7%</td>
<td>---</td>
<td>17.9%</td>
<td>19.43</td>
</tr>
<tr>
<td>Government, Community, Social and other personal services</td>
<td>24.3%</td>
<td>---</td>
<td>14.4%</td>
<td>31.83</td>
</tr>
<tr>
<td>Construction</td>
<td>2.5%</td>
<td>---</td>
<td>3.5%</td>
<td>5.62</td>
</tr>
<tr>
<td>Electricity &amp; water</td>
<td>1.4%</td>
<td>---</td>
<td>1.9%</td>
<td>0.40</td>
</tr>
<tr>
<td>Agriculture, forestry &amp; fishing</td>
<td>0.6%</td>
<td>---</td>
<td>1.6%</td>
<td>1.96</td>
</tr>
<tr>
<td>Mining</td>
<td>0.1%</td>
<td>---</td>
<td>0.2%</td>
<td>0.32</td>
</tr>
</tbody>
</table>

City of Cape Town (2006) and NMBM (2004)

However, there is no indication from the respondents that the PPPs feasibilities are submitted to National Treasury before the council approves and commences with the PPPs project as provided for in the Practical Guide on Municipal Service Partnerships of 2006-2010, and National Treasury Guidelines on PPP referred to as
Regulation 16 of 2004 (ibid.). It is necessary that the PPP model enables the municipalities to gain through knowledge and skills transfer. In addition, the PPP project must contribute not only to economic growth, but also to job creation. Job creation must not only accommodate those with skills, but the semi-and unskilled people and women must benefit, as the model should be considered to be the local government’s direct means and contribution to combat unemployment and poverty. In addition, the PPP must enable the two metropolitan municipalities to create economic development capacity in local government, building a world-class metropolitan economic environment, involving disadvantaged communities in economic activities, and ensuring that economic development is sustainable (Binza, 2007:14).

4.7 Assessment of public-private partnerships projects in the CCT and NMBM

In this section, a brief analysis and assessment of PPP processes and projects in the CCT and the NMBM is undertaken. There are PPP projects in both the metropolitan government which are implemented in various economic sectors. The following are the results of the assessments in both metropolitan municipalities. The municipalities have developed their respective Supply Chain Management Policies in terms of Section 217 of the Constitution of the Republic of South Africa, 1996; the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000); the Municipal Finance Management Act, 2003 (Act 56 of 2003); the Broad-Based Black Economic Empowerment Act, 2003 (Act 53 of 2003); the Municipal Supply Chain Management Regulations published by Government Notice 868 of 2005; and the National Treasury Municipal Guidelines of Municipal Service Partnerships of 2006.

The Supply Chain Management Policies are implemented when municipalities:

- Procure goods or services to a private party;
- Select contractors to provide assistance in the provision of municipal services; and
- Select external mechanisms referred to in section 80 (1) (b) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).
It was reported by the respondents that based on the implementation of the Supply Chain Management Policies, the PPP is considered to be an appropriate special vehicle to deliver municipal services and improve local economies efficiently and effectively. They argue that the Supply Chain Management Policies of the municipalities must be adhered to by all stakeholders to avoid tenders being rigged and the process of PPP being tempered with. Their view is that PPP is used in different forms such as contracting out; leases; build, own and transfer (BOT). The choice selected depends on the budget provided for and the type of projects or services [and their duration] that the municipalities procure from the private sector which are provided for in the terms of reference (TR) or the call for proposals from the municipality.

A respondent in the NMBM said that "one of the former mayoral committee members has been awarded a tender to provide bricks for the building of the 2010 Stadium. The view is that if this service provider was not involved with the municipality before, it is unlikely for his company to have won the tender. In this regard, the promotion of BBBEE is achieving mixed results as it only benefits the few black elites proudly know as the 'black diamonds'". The respondents from CCT commented that "tender-rigging is possible as some tenders are processed with haste. It is highly likely that with bid tenders people who were councillors or members of the political party in power are members of the directors or board of private companies that are doing business with the municipality". It is in this regard that an appropriate and coherent PPP model is needed to guide and provide a tailor-made framework for the municipalities to use the services of the business sector to improve their local economies in a sustainable and people-centred manner. Their view is that PPP is used in different forms such as contracting out; leases; build, own and transfer (BOT). The choice selected depends on the budget provided for and the type of projects or services (and their duration) that the municipalities procure from to the private sector. For the PPP processes to be coherent and development-orientated, the following must be observed:

- Firstly, the municipality must appoint a competent PPP project leader with skills and expertise in project management;
- Secondly, clear TR must be developed or proposals must be called"
• Thirdly, with the appointed service provider, draft PPP agreements must be signed by the municipality and the private party;
• Fourthly, quarterly reports to the municipality, DPLG and National Treasury must be drafted and submitted; and
• Fifthly, the PPP project must be monitored and evaluated.

There are few deviations noted, viz: that municipalities do not report to the national treasury as required in terms of the Municipal Guidelines on Municipal Service Partnerships of 2006, and National Treasury Regulation 16 of 2004. In many cases, it is only the municipal councils or municipal accounting officer or chief financial officer (CFO) who approves the PPP bidding documents. No inputs or referral to the National Treasury and the DPLG take place. The PPP projects familiar to the two national departments mentioned above are those that are implemented within the respective municipal jurisdictions, but are sponsored or the responsibility of the national departments, e.g. COEGA, Motherwell Urban Renewal Projects (MURP), and the 2010 stadium in the NMBM. In the CCT, the 2010 stadiums, central business urban renewal projects, RDP housing development projects, and Cape Town International Airport upgrading serve as examples of PPP projects in which the national government has concurrent responsibility with the provincial government and the municipality.

In the case of the security PPP projects, infrastructure development and projects such as building of municipal roads, infrastructure maintenance projects, human capital development projects that are provided through PPPs but these are expensive thus the principles of the National Treasury Municipal Guidelines of Municipal Service Partnerships of 2006 were not followed except those principles of their respective Supply Chain Management Policies. In addition, the frequent deviations experienced by the supply chain management of the municipalities that occur when an "urgent call for proposals by them must be treated as an emergency by the Supply Chain Management Unit (SCMU)" commented one of the respondents. For example, section 36 (1) of the Supply Chain Management Policy of the NMBM provides for the "accounting officer to deviate from, and ratify minor breaches of procurement processes if the dispense with the official procurement processes established by this Policy [when] procuring any goods or services [to a
private party] through any convenient process, which may include direct negotiations, but only – in an emergency; if such goods or services are produced or available from a single provider only; and for the acquisition of special works of art or historical objects where specifications are difficult to compile” (Supply Chain Management Policy, 2005: 31). The CCT respondents reported that they had not noticed deviations as they had a demand management unit within their SCMU which is responsible for requesting and monitoring requests for proposals by individual departments. The view from the CCT is that deviations are caused by lack of planning, and thus create opportunities for departments to undertake corrupt activities.

Based on the above objective assessment, there is a need for an appropriate PPP model to be developed for the metropolitan municipalities in South Africa to serve as a framework and a guide to ensure that the implementation of PPP projects will be effective, efficient and economical. In addition those PPPs will have to produce desirable outcomes for local economic growth, expansion of small, medium and micro enterprises, and job creation for the local people.

The subjective views from the respondents agree that there is no coherent and consistent PPP approach or model developed and tailor-made to accelerate and bring efficiency to economic growth of the NMBM and CCT. The respondents shared the opinion that the municipalities have limited ad hoc PPP projects which have been approved in terms of the Municipal Finance Management Act, 2003 (Act 56 of 2003), and their respective Supply-Chain Management Policies. Furthermore, jobs have been created by the municipalities through PPP. However, it is common that tendering processes for PPPs seem to benefit the very same and few people instead of all people, in particular those individuals that are aligned to the political parties in power.

4.8 Conclusion

The content of the policies which have been briefly analysed portray the nature of the government and the direction in which the economy is progressing. It has been said that GEAR is a "neo-liberal" policy, which means that the government is moving
towards the free-market system. In addition, the policies show that the public sector is an entrepreneurial public sector, as the RDP and GEAR embrace the ten principles upon which entrepreneurial public sector or organisations are built, namely: “steer or facilitate more that row; empower communities rather than simply deliver services; encourage competition rather than monopoly; be driven by missions, not their rules; fund outcomes rather than inputs; meet the needs of the customer, not the bureaucracy; concentrate on earning not just spending; invest in prevention rather than cure; decentralise authority; and solve problems by leveraging the market place, rather than simply creating public programmes” (Barberis, 1996:202).

The process of improving LED, combating poverty and exclusion, requires an integrated and participatory approach to effectively unlock opportunities for the poor and the marginalised to access economic, political, technological, social, and natural resources. Such approaches impact significantly on establishing and maintaining shared governance. The authorities must not limit, but rather create an enabling environment to enhance the promotion of poor people's rights to freedom, access to resources, and the right to take actions to own the development of solutions to problems which have led to poverty and exclusion. Social fragmentation as regarded as a binary divide between the haves and the have-nots needs to be discarded. It is important that the poor also trust in government and civil society structures.

In this research project, it has been noted that through the LED policies metropolitan municipalities are enabled to “re-image and economically brand themselves to attract both domestic and foreign investments into their areas” (Zhou and Bankstone, 1994:44; Loew, 1979:64). Various marketing, infrastructural and property development, CBD business renaissance, customer services and tourism promotion strategies are used to bring efficiency in realising these LED policy objectives (ibid). Mainstreaming of the informal sector through SMME development strategy into the formal local economy is also contextualised in the LED policy contents. Both municipalities have shown progress in terms of providing sustainable business opportunism and enabling an environment for the growth of the informal sectors in their respective localities.
The contribution to the success of economic growth rate is not limited to the roles played by the city and the local private sector; labour and communities are considered to be the “backbone of the economy as they play the roles of producing the means of production and consumers of the economic services and products that the private sector has innovated and the city has regulated” (City of Cape Town, 2007/08:10; NMBM, 2007/08:14). The view from the respondents during the case study period and as provided for in the analysis of the questionnaires is that the process of economic development must be stakeholder-driven and people-centred.

There are practical limits to the widespread application of the policies caused by the shortage of skills in many localities and sectors, the limited number of businesses owned by the previously disadvantaged individuals and women, and resource constraints are all impediments. It is important to emphasise that the two metropolitan municipalities have 165 wards, an average of 0.55% of the CDI and 67% of HDI, which shows that the socio-economic initiatives that exist are still very limited (CCT, 2006; NMBM, 2004).
CHAPTER FIVE

EMPIRICAL ASSESSMENT OF PUBLIC-PRIVATE PARTNERSHIPS FOR
IMPROVING LOCAL ECONOMIC DEVELOPMENT IN THE NMBM AND THE CITY
OF CAPE TOWN

“In virtually every subject area, our knowledge is incomplete and problems are waiting to be solved. We can address the holes in our knowledge and those unresolved problems by asking relevant questions and then seeking answers through systematic research” (Leedy and Ormrod 2001:3).

5.1 Introduction

This chapter first explains the empirical research methodology employed to compare and assess the utility of current PPP approaches in the NMBM and CCT case studies that were selected for purposes of this research project, in order to identify the existing weaknesses and strengths of the respective programmes. The research objective is to test the key hypothesis presented in Chapter One against the available empirical data. The second part of this chapter will summarise the empirical findings.

5.2 The empirical research

Leedy (1989:1-7) defines research as: “the manner in which we attempt to solve problems in a systematic effort to push back the frontiers of human ignorance or to confirm the validity of the solution to problems others solved. This includes both value-based theory assessments and factual empirical assessments. Research is circular in the sense that the researcher seeks facts (data) which seem pertinent to the solution of the researchable problem from within the research universe (environment) that gives rise to the researchable problem, and which is potentially also value-laden. The collected data is then organised, analysed, and interpreted within one or another normative or utilitarian value-based framework in order to facilitate the solution(s) to the researchable problem(s) that gave rise to the research effort originally. The research cycle is thus completed. However, it may be more...
realistic to see this cyclical concept as a helical (spiral) concept as research frequently gives rise to further unexplored problems which then require a repeat of the research cycle process for their solution." The Oxford Advanced Learners Dictionary (1995:996) defines research as “careful study or investigation in order to discover new facts or information.” Webster's Dictionary of the English Language defines research as “a studious inquiry or examination, especially a critical and exhaustive investigation or experimentation having for its aim the discovery of new facts and their correct interpretation, the revision of accepted conclusions, theories, or laws in the light of newly discovered facts or the practical application of such conclusions, theories, or laws” (Leedy, 1989:173). This means that the output of the research or the discovered facts must contribute to the development of the discipline to which the researcher affiliates himself/herself as the scholar, for example, how the recommendations or discoveries of this research work would impact on the development of the science and practice of public administration and management.

Binza (2001:288) writes that research is a scientific process applied to discovering unknown facts, i.e. to discover the undiscovered so as to bring the unknown to the fore or to make the "unknown known". In addition, research is aimed at discovering interpretations of existing facts, i.e. new insights into factual phenomena. There are two ways to discover the unknown -- by means of deductive logic and by means of inductive reasoning, known as the scientific method, which will be used to seek the unknown facts in this research (Leedy, 1989: 5-7). The deductive logic of a number of competing theoretical interpretations of, and prescriptions for, PPP phenomena across the world has been summarised in Chapter Two. This chapter will follow inductive logic by interpreting the meaning of the descriptive summaries of the PPP approaches to LED in NMBM and CCT that were summarised in Chapter Four.

Research in general intends to predict and explain specific phenomena by amassing various scientific facts in an endeavour to “tacitly agree to the epistemic imperative -- meaning a quest for truthful knowledge” (Mouton and Prozesky, 2001:4). Scientific facts must be reliable and valid. Palys (1997: 4) writes that reliability implies that “repeated observations of the same phenomena should yield similar results and those different observers following the same [research methodology] or procedures should arrive at the same conclusions. Validity means measuring what one wants to
measure.” According to Bulmer (1984:4), research methodology denotes the "systematic and logical study of the principles guiding [Public Administration] investigation, concerned with the questions of how the [Public Administrationist] establishes social knowledge and how he or she can convince others that his or her knowledge is correct”.

5.2.1 Selected empirical research methods and approach for this study

The primary intent of this section is to examine relevant research approaches and methodologies for the study that is aimed at developing a PPP model to improve LED in the South African metropolitan municipalities. The word "empirical" is a central term in scientific research and means that this research is observable (Punch, 2005:27). A case study approach and qualitative and quantitative empirical research methodologies serve as selected research approach and research methodologies for this research project. Qualitative and quantitative empirical research methodologies are briefly discussed below.

5.2.1.1 Qualitative research methodology

An empirical research study was conducted to test the theory of the investigation by means of qualitative research methodology. Qualitative research is used to provide "an emic perspective by studying human action as its primary goal is to describe and understand human behaviour" (Mouton and Prozesky, 2001:270). Qualitative research is an “inquiry process of understanding based on distinct methodological traditions of inquiry that explore a social or human problem [such as poverty, unemployment, and economic growth]. The researcher builds a complex, holistic picture, analyzes words, reports, detailed views of informants, and conducts the study in a natural setting” (Creswell, 1998: 15; Anderson and Arsenault, 1998:119). Its research methodology involves the “studied use and collection of a variety of empirical material – case studies, personal experience obtained through action research or participant observation, and interviews that describe meanings, procedures and challenges in the development or implementation of the case in question” (Anderson and Arsenault, 1998:119). Qualitative research can also be
used for “theory generation and verification” (Punch, 2005:16). The characteristics of a qualitative research as apparent in this research project are as follows:

- Field of focus of the research which in this regard is the local sphere of government with specific reference to metropolitan governments;
- The researcher as the key instrument of data collection through observation and surveys or questionnaires completed by respondents who are directly involved with PPP and LED processes in the CCT and the NMBM;
- Data collected as words or information used for the development of the model;
- The model as the process of the outcome of this research, not as the product;
- Analysis of data inductively from LED policies of these metropolitan municipalities, international and national literature of local public administration generally and in particular of PPP, observation of the key role players during the policy development and implementation stages, and questionnaires completed by the respondents (Punch, 2005:163; Creswell, 1998: 16; Bogdan and Biklen, 1992:45).

Qualitative research was selected because it enabled the researcher to spend extensive time in the field, which allowed him to gain "insider" perspectives on what type of appropriate PPP model is needed to improve LED in the two metropolitan municipalities and how the model should be developed. With regard to the question of time, this research project was registered in 2002, and a model was then developed in 2006, after thorough interaction with the LED practitioners and relevant councillors of the two municipalities, specialists in Municipal Infrastructure Investment Unit (MIIU), and practitioners of the two municipal workers unions of South African Municipal Workers Union (SAMWU) and Independent Municipal and Allied Trade Union (IMATU), who are always consulted on developments like these. In addition, the nature of the research questions allows for a qualitative research methodology. Creswell (1998:17) writes that “one first selects a qualitative study because of the nature of the research questions. The questions often start with how or what [unlike the research questions in the quantitative study which often start with why and look for comparisons of groups] so that initial forays into the topic describe what is going on”. Furthermore, this research methodology was selected because the topic of PPP linked with LED needed to be explored further in the field of Public Administration and Management with specific reference to local government.
<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Questions</th>
<th>Characteristics</th>
<th>Implications for practice (examples)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ontological</strong></td>
<td><strong>What is the nature of reality with regard to PPP?</strong></td>
<td>Reality is subjective and multiple as seen by research participants in this study.</td>
<td>Researcher used quotes and themes in words of participants and some from the literature and provides evidence of different perspectives.</td>
</tr>
<tr>
<td><strong>Epistemological</strong></td>
<td><strong>What is the relationship between the researcher and that being researched?</strong></td>
<td>Researcher attempts to lessen distance between himself and that being researched by being a participant in certain areas.</td>
<td>Researcher collaborates, spends time in [excursions and policy development processes] with participants or respondents, and becomes an ‘insider’.</td>
</tr>
<tr>
<td><strong>Axiological</strong></td>
<td><strong>What is the role of values?</strong></td>
<td>Researcher acknowledges that research is value laden and that biases are present although limited.</td>
<td>Researcher openly discusses values that shape the narrative and includes own interpretation in conjunction with interpretation of participants.</td>
</tr>
<tr>
<td><strong>Rhetorical</strong></td>
<td><strong>What is the language of research? English is used language of the research project.</strong></td>
<td>Researcher writes in professional style, using qualitative terms and limited definitions to explain concepts.</td>
<td>Researcher uses an engaging style of narrative, and employs the academic writing [language] through the assistant of the research promoter.</td>
</tr>
<tr>
<td><strong>Methodological</strong></td>
<td><strong>What is the process of research?</strong></td>
<td>Researcher uses inductive logic, studies the PPP topic within the context of democratic process and development local governments</td>
<td>Researcher works with particular details before generalisations. He describes the context and the content of the study, and the manuscripts have been in continuous revision to the satisfaction of the promoter.</td>
</tr>
</tbody>
</table>

Source: Creswell (1998:75)
Lastly, the researcher needed to provide a detailed view of the topic, not only from the [limited PPP] literature [available], but also from the perspectives of those involved with the application of PPP as an external mechanism to improve economic growth and service delivery in the local sphere of government. In this attempt, and based on this study, ten papers were published in accredited journals that range from providing a general perspective on the history and the contemporary nature of South African local government, LED with specific reference to its contracts at this sphere of government, the nature of PPP and its governance processes, policies that led to PPP and LED, and suggested possible strategies to implement PPP in hostile environments where ideology is the main constraint.

It is important that qualitative researchers approach their scientific exploration with a certain paradigm or world view which amounts to a set of beliefs or assumptions that guide their inquiry (Creswell, 1998:74). The assumptions in this research project are based on the following: "ontological, epistemological, axiological, rhetorical, and methodological" perspectives and approaches (ibid.).

The assumptions (in Table 14 above) acknowledge that the qualitative research methodology selected for this study to supplement the case study approach is "legitimate in its own right and does not need to be compared with other methodologies to achieve respectability" (Creswell, 1998:75).

5.2.1.2 Quantitative research methodology

Quantitative research methodology can be used to supplement the qualitative research methods and the case study approach, as is briefly discussed above. Bless and Higson-Smith (2000:28, 98) state that quantitative research “relies on measurement to compare and analyse different variables, which is conducted in terms of magnitude”. "Measurement" in this regard is expressed as the “type of scales used to measure things or sets of rules used for quantifying” (Bless and Higson-Smith (2000: 98). Lord Kelvin in Samuelson and Marks (1981:573) agrees by writing that “when [one] can measure what he/she speaks about and express it in numbers, he or she knows something about it. Otherwise his/her knowledge is of a meagre and unsatisfactory kind”. Ordinal scales are used (see dependent variables
below) as they enable an effective comparison to be conducted and “establish rank-order between different values of a variable to classify the feelings of the respondents” (Bless and Higson-Smith 2000: 99). The view is that respondents might disagree or agree on a matter at the heart of the questionnaire, but their degree of disagreement or agreement adds value to the research conclusions.

The empirical research techniques employed in this study are questionnaires and interviews. The latter, according to Palys (1997:144), involve “an ongoing question-and-answer dialogue between the researcher and respondent. And the former involves written responses to a document that is prepared ahead of time”. Bless and Higson-Smith (2000:104-105) state that interviews provide a researcher with a “direct personal contact” with the respondent who is asked questions relating to the research problem, and serve as a qualitative technique to solicit first-hand information, or primary source. One type of interview applicable to this research is in-person individual interview which enabled the researcher and respondent sit and talk eye-to-eye in a place or venue free of disturbance (Palys, 1997:145).

Structured and unstructured interviews were used to get respondents to express their views. In this case, the structured interview is considered to be part of the quantitative method and the unstructured aspect to be part of the qualitative research methodologies. Leedy and Ormrod (2001:199) write that the “questions for the interview should be carefully planned and precisely worded to yield the kind of data the researcher needs to answer his or her research questions”. In terms of the unstructured interview, the respondents were asked follow up questions with no deviations from the main research questions. With the structured questions, respondents answered the questions as scheduled and no follow-up questions were asked.

A research survey was conducted in the form of questionnaires to respondents in the two metropolitan governments. A self-administered questionnaire was used with the assistance of two field workers who sent the questionnaires to the relevant respondents working in the LED units of the two selected metropolitan municipalities. In quantitative terms, the self-administered questionnaire enables the researcher to make face-to-face contact with a single respondent who completes a
questionnaire by himself or herself, and where the researcher may or may not continue to be present (Palys, 1997:144). Self-administered questionnaires were used at the NMBM as the municipality’s offices were closest to the researcher’s residence and place of work. The advantages of these research techniques are: “versatility and the opportunity they provide of getting first-hand information directly from respondents. With face-to-face contact, a higher response rate is possible, and confusion and ambiguities can be efficiently attended to” (Bless and Higson-Smith, 2000:104-105).

The following three principal research methodologies were used in this research project to meet the objectives of the research:

- **The historical method**, which is appropriately applied to data that is in literary form or documentary by nature. Primary and secondary sources were consulted; as a result, the history and concepts of PPP and LED in [local] public administration were traced and developed further for the application or use to the South African local government environment. The historical method was also used to provide for the theoretical base of this research project (see Chapter Two).

- **The experimental method**, which is appropriate for data derived from an experimental control situation in which separate groups are involved. The experimental method was used as part of the case study which was conducted in both the CCT and NMBM. The case study of LED and PPPs is provided for in Chapter Four of this research project.

- **The normative survey method**, which is appropriate for data derived from observational situations and which may lie buried deep within the minds, attitudes, feelings/opinions, or reactions of people. Questionnaires were developed to obtain more appropriate data about the LED processes in the CCT and NMBM. An analysis and interpretation of questionnaires as part of the normative survey method is discussed in this chapter. Leedy (1989:133) states that the normative survey method implies the “assumption that whatever we observe at any time is normal (the norm) and under the same conditions could conceivably be observed at any time in the future. The basic assumption underlying such an approach is that given phenomena usually follow a common pattern or norm. Sometimes this survey method is called the descriptive survey
method in which case the researcher looks, that is, observes with intense accuracy the phenomena of the moment and then describes precisely what the researcher sees (observes).” In this case the researcher had to do the following:

- Observe with close scrutiny the population bounded by the research parameters;
- Thereafter make a careful record of the observed phenomena to be able to study the observations thoroughly (Leedy, 1989:133).

5.3 Data analysis in empirical research methods

In this section, conceptualisation of data analysis process with regard to the above research methods is briefly discussed. Creswell (1998:152) writes that analysis is "a sorting procedure". Wolcot (1994:58) sees it as a "quantitative side of qualitative research methodology as it involves highlighting specific material introduced in the descriptive phase of research projects and displays findings through tables, charts, diagrams and figures or percentages". Data must first be collected and managed before it is analysed. The reason is that data generated by qualitative research methods is voluminous (Creswell, 1998:143). Data analysis consists of making a detailed description of the case [PPP] and its setting, or as applied in metropolitan governments of the City of Cape Town and NMBM. Description, writes (Creswell, 1998:152) is the “foundation of the qualitative research” where the researcher describe the nature and the purpose of the study.

Stake (1995:145) writes that there are four forms of data analysis and interpretation which have been applied in this research project:

- **Categorical aggregation** allows the researcher to seek a collection of instances from the data, hoping that issue-relevant meanings will emerge.
- **Direct interpretation** enables the researcher to look at a single instance and draw meaning from it without looking at the multiple instances.
- **Patterns** are established by the researcher to look for a correspondence between two or more categories. In this instance, LED policies of the two municipalities are analysed.
• Naturalistic generalisation enables the research audience or beneficiaries, in particular councillors and officials involved in LED and other municipal policy and decision-makers as well as scholars, to learn from the research project, and apply the model to various future cases.

As compared to qualitative research, case-study approach requires "extensive verification" (Creswell, 1998:213). This means that when a researcher makes an "assertion and key interpretations in the study he/she must provide extra effort towards confirmation and triangulation" (ibid.). Confirmation in this research study is provided by means of data sources or references, theories (see Chapter Two, and research methods (in Chapters One and Five) (Stake, 1995:47). The view by Glesne (2006:147) is that the researcher when analysing data, must organise “what he/she has seen, heard and read during observation or data collection so that one can make sense of what he/she has learned". In qualitative research and case studies, it is required when analysing data to "describe, create, explain, pose hypotheses, and develop new or use existing theories" (ibid.).

Thematic analysis was used for the data by coding and segregating the data clumps which were later analysed for the purpose of writing different chapters of this research project. It was also used when the completed questionnaires were coded to identify the number of respondents who strongly agreed, agreed, strongly disagreed, disagreed or remained neutral (see the analysis below). Glesne (2006: 152) writes that coding is a “progressive process of sorting the collected data [observation notes, interview transcripts, policy documents, questionnaires, and notes from the relevant literature]. From this coded data, the researcher can describe and explain the phenomenon under investigation adequately. Thematic analysis allows for data to be categorised, synthesised, and interpreted. Data interpretation serves as a means of data transformation which occurs when the researcher transcends factual data and cautious analysis and begins to probe into what is to be made of them” (ibid.). In this research, interpretation occurred when the theoretical base to provide the structure of this study and the experiences from observation were analysed.
5. 4 The population and the sample

The population for the research observation and survey must be carefully chosen and clearly defined. In terms of the qualitative research method which was also used in this research project, "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 and Arsenault, 1998:123). With regard to the minimal use of quantitative research methods, measurable or quantifiable limits must be determined in order to set distinct limits on the population. The research population is chosen with the help of a sampling technique, which is a “technical accounting device to rationalise the collection of information, to choose in an appropriate way the restricted set of objects, persons, and events from which the actual information will be drawn” (ibid.:104). Terreblanche and Durrheim (2002:274) state that sampling is a “process used to select cases for inclusion or participants in a research study”.

It is in this context that a purposive sampling is used. Purposive sample is a sample which is selected by the researcher subjectively (Galloway, 1997:14). Purposive sampling is a form of non-probability sampling (Polit and Hunglar, 1995: 284). This is the type of sampling that will be used to select the LED practitioners in both municipalities, and those LED and PPPs specialists in the MIIU. In this regard, the researcher already will know something about the specific people in these institutions or LED events. The researcher will deliberately selects municipal leaders (councillors) and LED practitioners who have had (some) exposure to LED and PPPs in the field of local government.

The sample population in the two metropolitan municipalities consisted of elected representatives heading the portfolio of local economic development, executive mayors, municipal managers, (senior) managers, and staff members affiliated to the Business Unit for Local Economic Development; Chief Executive Officer of the Municipal Infrastructure Investment Unit (MIIU), project managers and accountants in the same unit who were requested to answer the questionnaires. Furthermore, members of the shop stewards councils of the South African Municipal Workers
Union (SAMWU), and Independent Municipal and Allied Trade Union (IMATU) formed part of the sample population so as to obtain reliable data to make sound recommendations on how the PPP model can impact positively on LED. At least 60 questionnaires were posted to the research population.

5.5 The introduction of bias

There is always the potential of distortion of the data through the introduction of bias into the research design. Particular attention should therefore be given to the methodology employed in the research process in order to safeguard against such bias. Bias is defined by Leedy (1989:161), as: “any influence, condition, or set of conditions, which singly or together, cause distortion or aberration of the data from those which may have been obtained under the conditions of pure chance. Furthermore, bias is any influence which may have disturbed the randomness by which the choice of a sample population has been selected.” It is suggested that the researcher must not disregard any evidence in contradiction with personal beliefs and opinions or arrange favoured conditions in order to derive desired results when analysing and interpreting the data, and when making inferences. The researcher should permit facts to speak for themselves by ensuring that bias does not exist.

5.6 The structure and design of the questionnaire

A questionnaire should, according to Lucey (1979:84), comply with the following objectives:

- It should reflect accurate information regarding the research study;
- It should meet the aims of the research; and
- It should be implemented within the ambit of available time and resources.

Self-administered questionnaires were designed, consisting of 80% structured statements. Open-ended statements were also used and constituted the remaining 20% of the questionnaire (see Annexure B). The questionnaire was designed after meeting with: the project supervisor; the Nelson Mandela Metropolitan University’s statistician; the Business Unit Managers (BUMs) for LED; Municipal Managers
(MMs) of the two metropolitan municipalities; and Portfolio Councillors for LED, in November 2005 and March 2006.

English is the language used as a medium of communication and of doing business in all the metropolitan municipalities. It was decided to employ English as the only language, including the covering letter (see Annexure A), in an attempt to improve the response rate.

5.6.1 Independent variables

Independent variables are variables which take place first and are used to explain the variation in the characteristic or event of interest. Independent variables are the conditions or characteristics that the researcher manipulates in his/her attempt to ascertain their relationship to observe the phenomena in question (Taylor, 1998; Ferreira, 1995; Lucey, 1979:98). Scholars of the social sciences categorise independent variables as explanatory variables, as these variables deal with the biographical characteristics of the respondents, for example the age group, gender, employment status, etc.

5.6.2 Dependent variables

Dependent variables are called response variables, meaning they are the responses of the respondents to the questions. Dependent variables are those to which subjects will be asked to respond; their effect depends upon the presence, absence, or quality of the independent variables. Dependent variables, according to Ferreira (1995), are those variables that may have some presumed effect, or that which takes place second.

For the purposes of this study, dependent variables are determined to be the attitudinal responses to aspects such as impact of the public-private partnerships on local economic development; increased sources of revenue for metropolitan governments; capacity building to implement the public-private partnership model and other partnership strategies aimed at local economic development; excellent service delivery; efficient, effective economic and service delivery policies; and civil
society participation in the affairs of metropolitan governments. In terms of this
description, the questionnaire will be divided into two main sections:

- **Section A**, (independent or explanatory variables) requested biographical
  particulars, containing information on present age group, mother tongue and
  gender. Seven questions were asked in this regard.

- **Section B**, (dependent or response variables) asked questions concerning
  attitudes about efficiency, effectiveness and economical service delivery;
  provision and attainment of service excellence; decentralisation of service
  delivery infrastructure; and the training of service delivery functionaries.

The five-point Likert response scale as described by Zimbardo-Ebbeson (1969:125)
was decided upon, as the measuring instrument and was employed in consultation
with the statistician and the promoter. According to this method, a person’s attitude
score is the sum of his/her individual ratings. The opinion per statement to be tested
is rated on a five-point Likert scale and was adapted for the dependent variable
statements as follows:

1 = Strongly agree  
2 = Satisfied  
3 = Undecided  
4 = Disagree  
5 = Strongly disagree

A pilot test of the questionnaire was conducted by way of a pilot study, using a
similar questionnaire to both the metropolitan governments and the unions in order
to identify any shortcomings in the original questionnaire, which were then rectified.
Five questionnaires were distributed to and positive responses received from the
offices of: the CEO of the MIIU, IMATU, SAMWU, and (BUM) for LED of CCT and
the NMBM.
5.6.3 Questionnaire distribution and responses

The criteria used to distribute the questionnaires were based on the findings of the pilot studies undertaken in November 2005 and March 2006 in the CCT and NMBM. The following criteria were used for the final distribution of questionnaires:

- The number of employees affiliated to the LED units regardless of their employment status and experience;
- The number of councillors serving on the standing committees of LED in both metropolitan municipalities;
- The office of the municipal employees’ unions with a full-time shop steward;
- The staff at the MIIU;
- The assistance of field workers who were employees of the municipalities for coordination, collecting the questionnaires from the respondents, and arranging for further interviews with the respondents and other relevant stakeholders involved in the development and implementation of PPP in the area.

Based on the criteria above, 60 questionnaires were distributed to the municipalities as follows:

- 32 questionnaires distributed to the CCT;
- 25 questionnaires distributed to the NMBM;
- 3 questionnaires distributed to the office of the MIIU;
- 2 questionnaires distributed to the offices of the municipal workers unions, that is, SAMWU and IMATU.

The assistance of the two field workers was used to bring efficiency and to ensure effective coordination of the questionnaire distribution to selected members of the sample population, namely: municipal employees in the LED units and councillors who were members of the standing committees on LED in the two municipalities. The field workers were asked to help municipal employees, councillors and permanent shop stewards to complete the questionnaires. The field workers were trained by the researcher before they distributed the questionnaires to the respondents to ensure that they remained neutral and provided professional assistance to the respondents.
Out of 60 questionnaires, 32 completed questionnaires were received from the respondents by the field workers and collected by the researcher from the two field workers in the CCT and NMBM in August and September 2006 respectively. The reason for not getting the total number of questionnaires back was explained by the change of political leadership and political reshuffling of councillors who were members of the standing committees on LED. Some of the councillors did not return the questionnaires and some of them did not complete them because they said they did not know about PPP and LED; they were new in the processes of local governance and LED in particular.

5.6.3.1 Interpretation of the questionnaires: Section A

1. Your Age

The majority of the respondents, some of whom were councillors, managers and staff in the LED Unit of the CCT and NMBM, MIIU, as well as shop stewards of the IMATU and SAMWU, were between the ages of 45 and 55,
and 31% between the ages of 25 and 35 years of age. This means that employees in these two municipalities had an age balance, and had a second-layer leadership who would deal effectively with future LED challenges when others between the ages of 45 and 55 had retired. The respondents who were between the ages of 35 and 45 years made up 25% of the sample population, followed by those who were between 18-25 years being 12% of the respondents. These organisations had fewer youth or young people on their payroll, as youth made up only 33.8% of the total.

2. **Your Race**

![Pie chart showing race distribution]

The responses from the participants confirmed that local government had progressed with transformation in terms of race as Africans made up 53.1% of the participants responsible for LED, followed by coloureds being 28.1% of the respondents. The majority of the coloured respondents were found in the CCT. In addition, whites and Indians made up 9.4% each. This means that the LED units were diversified in terms of thinking and race, and all these employees had one goal in common -- to improve the socio-economic conditions of the people in an equitable manner.
50% of the respondents were females, followed by males with 46.9%. It is argued that the local government had made progress in opening opportunities for females to be involved and to vigorously participate in the mainstream of local economies.
4. Status of Employment

The work experience of the majority of the respondents was not more than five years. Respondents with work experience of less than one year was 25%, 1-2 years was 28.1%, between 2-3 years was 6.3%, and between 3-4 years was 3.1% which totals 62.5%. The reason for this higher percentage could be that the developmental municipalities were new, as they emerged in 2000 and the country only achieved its democracy in 1994. Various changes had taken place between 1994 and 2000. However, the municipalities were not left ill-equipped in terms of skills and expertise, as 37.5% of the employees in the LED units had work experience of more than five years.
5. Work Position

The respondents to the questionnaires belonged to the following categories: elected representatives, managers, LED specialists, Administrators, Business Unit Managers, and shop stewards. The majority of respondents who completed the questionnaire were Administrators (31.3%) followed by LED [sector] managers (18.8%). and LED specialists (15.6%). Those respondents who did not indicate the category to which they were affiliated totalled 15.6%, equivalent to the number of LED specialists; elected representatives (9.4%); shop stewards from SAMWU and IMATU (6.3%); and one Business Unit Manager (3.1%). It can be said that the population mentioned in the targeted sample population could be reached, and completed the questionnaire.
6. Employment Status

It is important to note that the information regarding the development of a PPP model aimed at improving LED came from respondents the majority of whom were full-time permanent (53.1%) followed by 28.1% of full-time contract staff, 9.4% of part-time permanent, 6.3% of part-time contract. Only one or 3.1% of the respondents did not indicate his/her employment status. It is important to consider that Business Unit managers, Section 57 managers, members of the mayoral committees and some councillors were employed full-time for five years and other councillors on part-time permanent.
7. **Elected representative status**

Ward councillors who completed the questionnaire comprised the majority (9.4%) followed by shop stewards (6.3%), the mayoress (3.1%), and a member of the mayoral committee (3.1%). Those respondents who did not indicate their elected representative status made up 53.1%.

5.6.3.2 **Interpretation of the questionnaires: Section B**

1. **A partnership between the metropolitan governments and private sector is important to bring efficiency in service delivery.**

All the respondents considered a partnership between the metropolitan government and the private sector important in bringing efficiency in service delivery and enabling the local government to realise its constitutional objectives as provided for in Section 152 of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996).
2. The development of a public-private partnership model would enable the metropolitan governments to contribute significantly to the improvement of local economic development.

With the exception of 3.1%, the majority supported the development of a public-private partnership model as a means to enable metropolitan governments to contribute significantly to the improvement of LED in their respective areas. One of the respondents wrote that in the NMBM there were no guidelines for a model of a PPP. The metro made use of consultants and lawyers to develop a framework in the form of a memorandum of understanding which was followed by a contract developed by lawyers of the private party or NMBM that stipulated the details of the contract and the performances of each party in the relationship for the duration of the contract. The view was that there were national legislations that were followed in the development of such a framework and contracts. It was important that a PPP model be developed, as a PPP is one of the options to be pursued by municipalities to improve their local economies and service delivery.

3. This form of partnership would enable the municipalities to access capital or resources necessary to accelerate economic growth and the combating of poverty in their respective areas.

With the exception of 9.4%, who were undecided, the majority of respondents considered PPPs as not the only mechanism for improving local economic growth and development, but were also in favour of PPPs enabling municipalities to combat poverty and other forms of inequalities in their respective areas.

4. It is important that risks be transferred to a party or partner that could best bear it without jeopardising economic growth opportunities.

As revealed in the literature of PPPs and case studies both internationally and nationally, PPPs are not free of risk or are risky innovative arrangements. It is in this context that 71.9% of the respondents considered it important that risks
be transferred to a party or partner that could best bear it without jeopardising economic growth opportunities. 18.8% of the respondents were undecided, while 9.4% of the respondents disagreed with the transfer of risk.

5. **PPP would enable the metropolitan governments to gain skills from the private sector.**

About 90.6% of the respondents agreed that PPP would enable metropolitan governments to gain skills from the private sector. Some of the respondents mentioned that they were novices in local governance, and some stated that PPP was a new phenomenon which was challenging, and required people with skills and expertise so as to ensure that value for money in all projects was realised. Only 3.1% of the respondents were undecided and 6.3% disagreed.

6. **Skills transfer is necessary to improve the capacity of municipalities to render public services in an efficient, effective, economical and equitable manner.**

All respondents considered skills transfer necessary to improve the human resource capacity of the metropolitan municipalities to render municipal public services in an efficient, effective, economical and equitable manner “with a high degree of professionalism”.

7. **Economic techniques to measure the local economic growth rate by municipalities should be developed so as to know their contribution to GGP and GDP.**

The majority of the respondents (84.4%) supported the idea that economic techniques to measure the local economic growth rate by municipalities should be developed so as to know their contribution to GGP and GDP. The widely-held view in this regard was that there were tools to measure GGP and GDP, but not the growth rate of local economies in a municipal area. There was no contrary view, with the exception of 15.6% of the respondents who were undecided on the matter.
8. **PPP would contribute to metropolitan government “putting people first”**.

The majority of the respondents (56.3%) considered that a PPP would contribute to metropolitan governments “putting people first”. One of the respondents wrote that “as the government is in progress with building a Single Public Service… all spheres of government have to implement the Batho Pele policy which provides for local government to put people first. PPP as one of the 21st century innovations of the democratic and developmental-centred government on governance and service delivery is considered necessary to bring efficiency in improving and sustaining the socio-economic conditions of the people”. In addition, respondents felt that the private sector in this regard had two direct customers that had to be put first, namely the municipality and the communities. 34.4% of the respondents remained undecided and mentioned that it was “still early to argue against PPPs as the contracts in both the municipalities have a life span of 15-25 years – time will tell”. Only 9.4% of the respondents disagreed.

9. **Effective municipal intergovernmental relations are considered as a positive factor in achieving the municipal goals provided in IDPs.**

Nearly all the respondents (93.8%) concurred that municipal intergovernmental relations should be considered as a positive factor in achieving the municipal goals provided for in the IDPs. The argument was that the formulation, implementation, review and monitoring of the IDP was not the responsibility of the Planning and Strategy units, but of the institution and with the political supervision of the Councils. When PPPs are included in the IDPs, they are the responsibility of the municipality. Communities and other role players in local governance and LED could find no reason not to support PPP projects if they owned the process of producing the IDP. Intergovernmental relations enabled and facilitated team work among departments/units, and linked and aligned departmental objectives with those of the organisation. Only 6.3% of the respondents were undecided on the importance of effective intergovernmental relations on achieving municipal objectives provided for in the IDPs.
10. **Local economic development programmes must be linked and aligned to municipal budgets and be included in IDPs so that communities get to know of them and then provide support for such developments.**

All the respondents supported the view that LED programmes should be linked and aligned to the municipal budgets and be included in the IDPs so that communities could understand them and support such developments. This would provide opportunities during municipal imbizos and IDP reviews for the communities to review their decisions about the continuation of certain projects particularly if they foresaw potential weakness(es) and threat(s) to the project and to the growth of their local economies and development of their area.

11. **The participation of all metropolitan government stakeholders such as unions, relevant NGOs and CBOs, the business sector and citizens should be harnessed from the initiation phase to the final phase of the development of public-private partnership programmes and projects.**

The above statement was supported by 81.3% of the respondents. The view was that PPPs that are development- and community-centred as well as stakeholder-driven are likely to be supported from "infancy to the final stage of the project management", and all stakeholders would remain passionate and take responsibility for the sustainability of the PPPs project, unlike when it was municipally and private-sector driven. There were no contradicting views on the matter except for 18.8% of the respondents who were undecided about the participation of various role players or stakeholders in a project that was contractual between the municipality and the private service provider.

12. **Infrastructural development (e.g. building and maintenance of roads, hospitals, etc.) is the most viable option to make use of labour-intensive mechanisms to improve local economic development.**

Infrastructural development was considered by 81.3% of the respondents as the most viable option to make use of labour-intensive mechanisms to improve
local economic development through PPPs. The construction of municipal roads and RDP houses was an example of where the municipalities were making use of PPP that enabled the use of labour. The respondents mentioned that infrastructure development was considered as the bedrock for sustainable development and for the municipalities was an "investment destination of choice". However, 18.8% of the respondents remained undecided. The reason cited by some of the respondents was that in the provision of municipal safety and protection services through PPPs, security provisioning and utilisation was also labour-intensive and contributed to improving local economic growth as more people were employed.

13. **Private sector involvement in municipal service delivery does not lead to the municipality providing poor services to the people.**

The view of 40.7% of the respondents was that the involvement of the private sector in municipal service delivery did not lead to the municipality rendering poor services to the local inhabitants. However, 34% of the respondents had the opposite view. One of the respondents wrote that if the private sector “does not get enough profit from the partnership, service delivery will be negatively affected and communities will be the only ones who suffer as the consumers of a deteriorating municipal services by the private sector”. Only 25% of the respondent had no opinion on the matter.

14. **With PPP, the management of the metropolitan government responds quickly to problems.**

In this regard, 40.6% of respondents were undecided or could not say whether with a PPP, the management of the metropolitan government responded quickly to problems or not. However, the management in the PPP arrangement was considered to be effective and responding quickly to problems. This is reflected by the 8.8% who strongly agreed and 34.4% who agreed, which totalled 53.2%. 6.3% of the respondents strongly disagreed with the above statement.
15. The Public-private partnership model must show the type of risks involved in PPPs transactions.

It is important that “parties in PPPs know what they are in for” wrote one of the respondents. That it is important for the model to show the type of risks involved in PPPs transactions was reflected by the 93.8% of the respondents who agreed, followed by 6.3% who were undecided.

16. Partners must know how the risks should be minimised.

93.8% considered it important for both parties, in this case the metropolitan government and the private sector, involved in PPPs, to understand how to minimise risks. Only 3.1% of the respondents remained undecided and 3.1% disagreed.

17. The citizens feel valued when provided with a service, and would appreciate it if the municipality signs more PPPs deals.

The majority of the respondents (65.7%) agreed that citizens feel valued when provided with a service, and would appreciate it if the municipality signed more PPPs deals. Comments from the respondents emphasised that the construction and security sectors in the municipalities’ LED programmes generated more employment for the local inhabitants. 31.3% of the respondents remained undecided, and one comment was as follows: “The City of Cape Town has developed more Local Area Economic Development Industrial Sectors (LAEDIS) which at the moment are in a constructive phase, and the intention is for them to generate more employment and provide services to the citizens, …so will be able to make a judgement when these LAEDIS are opened”. 3.1% of the respondents strongly disagreed with the view that citizens feel valued when provided with a service, and would appreciate it if the municipality signed more PPPs deals.
18. **Private-sector involvement in LED leads to job creation.**

Local government has limited resources to meet the unlimited needs of the local inhabitants. Therefore, it needs more resources from other sectors like business to realise its primary objectives of improving economic conditions (among other things) of the people. In this regard, 88.8% of the respondents agreed that the (invigorating and resources distribution, and investments) involvement of the private sector led to job creation. However, 28.1% of the respondents remained undecided, and the remaining 3.1% strongly disagreed, stating that “government can create jobs alone through nationalisation, and the private sector can do much alone in making its mark in economic growth as was happening before the introduction of the partnership discourse”.

19. **The involvement of the private sector in municipal affairs strengthens democracy and improves shared governance.**

The highest response rate was that of the undecided respondents (31.3%), followed by those respondents who strongly agreed (25%) and respondents who agreed (18.8%). The combination of the positive responses totaled 43.8%. This is thus considered to be the voice of the majority. The conclusion in this regard is that the respondents supported the involvement of the private sector in municipal affairs as it strengthens local democracy and improves shared governance. On the negative side, the number of respondents who strongly disagreed and disagreed was 25% combined.

20. **Outsourcing municipal services leads to effective, efficient and economic service delivery.**

31.3% of the respondents were undecided whether outsourcing of municipal services leads to effective, efficient and economic service delivery or not. The majority, however, came from those respondents who strongly agreed (40.7%) and agreed (21.9%) with the above statement. Only 3.1% of the respondents strongly disagreed with the above view.
21. Value for money in local economic development could be achieved through PPPs.

The majority (68.8%) of the respondents agreed that value for money (VFM) in LED could be achieved through PPPs. One of the respondents commented that “it is important to note that PPPs are one of the mechanisms appropriate to improve service delivery and local economic growth by which VFM can be realised. In addition, it is not guaranteed that VFM will be realised as factors like the management style, political, social and economic influences and capital availability contribute to the success or failure of PPPs in achieving VFM”. 28.1% of the respondents remained undecided, and 3.1% per cent disagreed.

22. Conducting a SWOT analysis brings success to PPPs.

The majority of the respondents agreed with the above statement (93.8%) and 6.3% remained undecided.

23. The National Treasury never returns feasibility studies conducted by the municipality.

It seems that the municipalities do not submit their PPPs projects to National Treasury for approval as is required in terms of National Treasury Regulation 16 of 2004. This was shown by 71.9% of the respondents who were undecided or did not know whether the feasibility studies on PPP conducted by their respective municipalities were ever returned by the National Treasury or not. However, those who were knowledgeable about the PPP process at a local government level, indicated (21.9%) that the National Treasury never returned feasibility studies conducted by municipalities. 6.3% of the respondents disagreed with the statement.
24. **National Treasury must provide financial and human resources assistance to municipalities to speed up the process of improving LED through PPP.**

There is a call by municipalities to the National Treasury to provide financial and human resources assistance in order to accelerate the process of improving LED through PPPs. This is in line with Project Consolidate where national government has to provide municipalities with human resource capacities to improve their service delivery and socio-economic conditions of the local inhabitants in the form of trouble-shooters. It is in this context that 80.3% of the respondents agreed that the National Treasury must provide financial and human resources assistance to municipalities to speed up the process of improving and sustaining LED through PPP. Only 18.8% of the respondents were undecided. One of the respondents wrote that “the municipalities have their budgets which they under use. In addition, municipalities must stop using the spoilt system when employing staff members as they employ people with no capacity or skill but pay them anyway”.

25. **The PPP regime such as National Treasury, DPLG and Municipal Infrastructure Investment Unit must provide not only financial resources, but empower municipalities with skills to develop both their formal first and informal second economies for the benefit of all.**

In reply to the above, the respondents indicated with 96.9% that the PPP regime inclusive of the National Treasury, DPLG and Municipal Infrastructure Investment Unit must provide not only financial resources, but empower municipalities with skills to develop both their formal first and informal second economies for the benefit of all. Only 3.1% of the respondents remained undecided on the matter.
26. **Strong leadership is necessary to drive the process of local economic development.**

96.9% of the respondents indicated that the success of PPP lies mainly with the availability of strong leadership to drive the process of LED as a means to combat poverty and underdevelopment in various municipal areas, with 3.1% remaining undecided.

27. **Municipalities must establish their business or industrial advisory councils or boards to assist them with resources necessary for LED in their areas.**

90.6% of respondents agreed with the view that the municipalities must establish their business or industrial advisory councils or boards to assist them with the resources necessary for LED in their areas. Two comments from the respondents were that both municipalities had established a Local Economic Development Advisory Council (LEDAC) to advise council on various aspects of LED and city investments, although these councils had different names.

28. **Local economic development programmes and objectives must match human resource development programmes and objectives.**

The majority of the respondents (68.8%) supported the view that LED programmes and objectives must match human resource development programmes and objectives “to avoid [the economic] failure of the municipalities”. The response rate of the undecided respondents was 18.8%, followed by 12.5% of respondents who disagreed.

29. **PPP leads to increases in prices of goods and services that only the rich can afford.**

Only 40.7% of the respondents held the opposite view, disagreeing or strongly disagreeing with the above statement. This was followed by 25% who
remained undecided. The respondents who agreed that PPP led to an increase in prices of goods and services that only the rich could afford totalled 34.4%.


This was an attempt to determine whether the current progress of PPP at a local government level, in particular in the CCT and the NMBM, promotes Black Economic Empowerment. A challenge lay in interpreting the responses to this question as the respondents who strongly agreed and strongly disagreed, and agreed and disagreed showed the same results, 34.4% combined (see the table above). However, the respondents who were undecided totalled 31.3% and as a single category they had the highest score. Therefore the undecided 31.3% of the respondents is considered to be the answer to the question above.

31. Business development is an important component of local economic development as the attraction and retention of business activities is the best way to establish or maintain a healthy local economy.

The majority of the respondents (80.5%) agreed that business development is an important component of LED as the attraction and retention of business activities is the best way to establish or maintain a healthy local economy. This was followed by 12.5% who were undecided.

32. The gateway sectors to local economic development are technology, education, manufacturing, construction, transport and communications, tourism and services.

The survey showed that 87.5% of the respondents agreed that technology, education, manufacturing, construction, transport, communications and the tourism and services sectors are the most preferred gateways for LED in the metropolitan municipalities. One of the respondents wrote that “the above selected gateways contribute magnificently to generate and sustain economic capital for development such as physical, finance, social and economic. In fact,
these sectors are interdependent and the South African economy would not be generating the high growth rate it is, without them”. However, 12.5% of the respondents remained undecided on the question.

33. **Analytical techniques for PPPs are a necessity to improve and measure local economic growth.**

The majority of the respondents (65.6%) agreed that analytical techniques for PPPs are necessary to improve and measure local economic growth, and 18.8% of the respondents remained undecided. 15.6% of the respondents did not indicate their choices or answer the question. However, the response of the majority of the respondents (65.6%) is considered to be valid and reliable. Therefore recommendations on possible analytical techniques for PPPs will be made in the following chapter.

34. **Has your metropolitan municipality developed and implemented a local economic development policy?**

Both the municipalities had developed and implemented LED policies and strategies since establishment in 2000. 96.9% of the respondents agreed that their municipalities had formulated LED policies with the exception of 3.1% who indicated the opposite.

5.8 **Conclusion**

The interpretation and analysis of the questionnaires was done with the help of a statistician, Dr Jacques Pietersen of the department of Statistics based at the Nelson Mandela Metropolitan University (NMMU). It was suggested that the first section of the questionnaire be interpreted using pie charts and histograms, but because these graphs take too much space, Section B was analysed in quantitative and qualitative terms. The former enables the interpretation of the scores in numbers and/or percentages by the respondents to the questionnaires. The latter enabled the researcher to insert comments on each of the questions from the respondents. The
comments are verbatim from the questionnaire and have been shown in the text above using double quotes.

Difficulties were experienced in analysing and interpreting the answers to the questionnaires. For example, some questions were designed to elicit the same response from the respondents, but instead an opposite view was recorded. The assumption could be made that some of the respondents interpreted the question differently or did not understand it, but provided a response anyway. The reader should be aware of such skewedness and the difficulties in interpreting the questionnaire.

Of note is that the majority of the respondents agreed or strongly agreed with most of the statements. The majority in this regard include the combined responses of the respondents who strongly agreed and agreed to the statements. It is important to note that the respondents agreed that an appropriate PPP model should be developed to improve and sustain local economic growth and development in the CCT and NMBM, and this is developed in the next chapter.
CHAPTER SIX

A PUBLIC-PRIVATE PARTNERSHIP MODEL TO IMPROVE LOCAL ECONOMIC DEVELOPMENT IN SOUTH AFRICAN METROPOLITAN GOVERNMENT

6.1 Introduction

In this chapter, a generic PPP model called the Participatory Development Systems model (PDSM) and referred to as the PPP model aimed at improving and sustaining LED in two metropolitan governments in South Africa, is constructed. The model is hybrid in nature. It embodies and synergises elements of public administration (metropolitan government) and business management (private sector) as the partnership is between these two sectors. The policies of the present government embody these two elements in support of the country’s mixed economy (see the Reconstruction and Development Programme, 1994; the National Strategy, 1995; Growth, Employment and Redistribution, 1996; Accelerated and Shared Growth Strategy of South Africa, 2005; and all nine Provincial Growth and Development Programmes as well as various municipal Integrated Development Plans as are reviewed on a yearly basis).

The mixed economy is a result of a combination of a free market and a socialist system. The South African government is a democratic-capitalist government as it controls certain enterprises, allows the private sector to play a key role in economic development, and has a high level of welfare services which are pro-poor. South Africa is not alone; other countries that have democratic-capitalism with pro-poor policies are Sweden, Denmark, France, Germany, Finland, Austria, Australia, and the United Kingdom to name but a few, and are progressively limiting public-private partnerships (Binza, 2006:4).

In the context of the model, LED is considered to be the economic efforts of the people (irrespective of race, creed and gender) who share a common metropolitan geography organised by a metropolitan municipality for the people in partnership with the private sector. The World Bank states that LED "offers local government,
the private sector, the not-for-profit sectors and the local community, the opportunity to work together to improve the local economy. It aims to enhance good governance, competitiveness and encourages sustainable local economic growth that is inclusive" (Binza, 2008: 298; Blakely, 1994:226). According to the National Framework for Local Economic Development in South Africa (NFLEDSA), LED is considered to be about creating a platform and environment to engage stakeholders in implementing strategies and programmes such as PPP to improve sustainable economic growth in the area which impacts positively on the increase of GDP per capita (DPLG, 2006:10). The model is aimed at improving LED by "generating socially useful and long-term labour-intensive projects that contribute to job creation for the local inhabitants. The PPP projects must be affordable; meet the expenses of the metropolitan municipalities (i.e. the VFM provision); make a profit for the private party or developer; and improve employability of the local communities" (Blakely, 1994:226).

Ownership is integral to the model. Hence the argument that the gap between the two nations (rich and the poor) and two economies (the first economy which is more developed and the second economy which is underdeveloped) can be bridged if people operate in the mainstream of sustainable local economic growth and development. In the context of South Africa's transformation Blakely (1994:226) writes that it has become commonplace to describe and expand LED through PPPs by citing the "old parable that one can feed someone for a day by giving them fish, or one can feed someone for life by teaching them to fish"...But what really matters is who owns the fish pond. There is surely a difference between the two communities in each metropole, one with all of its tangible assets owned by distant investors and one with a significant degree of local ownership. The argument is that the "absence of local ownership implies either a lack of capital on the side of local inhabitants/investors or lack of confidence in local investment...neither is consistent with municipal local economic development and PPP policies" (ibid). In addition to the development of an appropriate PPP model for metropolitan government, a PPP model applicable to the provincial and national spheres of government is shown. The proposed PPP model called the Participatory Development Systems Model (PDSM) is based inter alia on, and is a refinement and expansion of the current PPP model for the national and provincial spheres of government as provided for in National
Treasury Regulation 16 of 2004. It is contrasted in this chapter with an alternative Community Cooperative Model (CCM) provided for in the NFLEDSA (DPLG, 2006).

The proposed PDSM provides prescribed conditions and processes for public-private initiatives at the metropolitan government that must be considered in order to for them to contribute effectively and efficiently to improving the socio-economic conditions of the local communities. The aim is to ensure that metropolitan municipalities comply with Section 120 of the Municipal Finance Management Act, 2003 (Act 56 of 2003), which makes provision for conditions and processes for PPPs to which all municipalities entering into PPP agreements should adhere. In addition, conditions for the implementation of this tailor-made PDSM must not only comply with the National Regulations 16 of 2004, and the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000); but also with the respective Supply Chain Management Policies; and the recently developed Municipal Guidelines for Municipal Service Partnership of 2006.

In addition, a number of criteria for assessing PPP projects to ensure their success were discussed. The assumption was made in Chapter One that a formulation of assessment criteria would render the PDSM effective, efficient, equitable, sustainable, replicatable and impactable on LED. In this regard the PDSM adopts four basic criteria to benchmark the extent to which each PPP project would be considered successful in a specific locality. Lastly, it was considered important to assess the cash flows of the institution and the organisational health as benchmarks of the PDSM to determine whether the model delivers successful PPP projects or not.

6.2 The Participatory Development Systems Model

It is important to provide the etymology and the meaning of the word "model". The word model has its etymology from both French modèle and Italian modello which can mean form or measure respectively (Binza, 2001:178). A model serves as a “plan from which a final product is to be made. It is a schematic description of a system, theory or phenomenon that accounts for its known or inferred properties and may be used for further study of its characteristics” (ibid). Roux in Cloete and
Wissink (2000: 140) writes that a model is a “substitute for reality…A representation of reality that is, hopefully, adequate for the problem at hand. It is made up of factors relevant to a particular situation and to the relationship between them”. Two dimensions emerge from the above definitions, namely: (1) a model enables a production of final goods or services and the delivery thereof; and (2) situational factors play a pivotal role in determining PPPs.

For example, two municipalities might enter into a similar PPP contract with a single party. A project might then fail in one of these two municipalities as a result of uncontrolled aspects of the municipal situation. In this light, the argument is that the success of the PPP model depends on the situation: the nature of the PPP contract and task; the composition of the PPP team; the structure of the project team to explain the chain of command; technological capacity; financial viability of the private party and the skills required to begin and maintain the project for the specified duration (Forsyth, 1983:229). Stainback (2000:1) agrees that “every PPP is different and every deal structure must be customised to meet the objectives of the individual municipality and private partner. And the level of responsibility of each partner can be designed to meet their capacity to perform or to their desired level of involvement”.

It makes sense to address the challenges of contextuality in which PPPs are designed and implemented by paying attention to social, economic, political and constitutional environment (Cloete and Wissink, 2000:180). Consideration of the interaction between the private party and the municipality, and the situational characteristics or the environment when developing and adapting the PPP model is of paramount importance to realise the value-for-money objective. The argument is that the PPP model is contingent on both the environment in which the project will roll-out and the qualities of the parties involved (Boyett and Boyett, 1998:65).

The contingency approach enables the specification of variables, i.e. leadership of the parties or environmental variables that influence the outcome of the project (Carmeli and Cohen, 2001; Cameron and Stone, 1995: De Gues, 1997). In this context, the National Treasury PPPs Unit, the DPLG, and the metropolitan government concerned would measure the success or failure of the PPP project
based on the motivational style, resource capacity and control of the private party. It is argued that situational control and the contingency approach are the key factors in determining PPP success.

The reason for the name Participatory Development System Model is that PPP in South Africa is development-orientated and stakeholder-driven. The definitions of participatory, development and systems centre on the involvement of more than one stakeholder and are considered to be means and ends to sustainable cost-effective provision of municipal services. It is important to define the meaning of each concept. There are many definitions of participation, development and systems, but the following definitions should suffice, as the aim of the study is to construct an appropriate PPP model to improve LED in the CCT and the NMBM. "Participatory" is derived from the word "participation" which is concerned with the "involvement by a local population and, at times, additional stakeholders such as the private sector, NGOs and CBOs in the creation, content and conduct of a LED programme or economic policy developed to change people's lives. It is built on a belief that citizens and other stakeholders can be trusted to shape their own future" (Dewar and Uytenbogaardt, 1991). The Asian Development Bank (2001:8) defines participation as the "process through which stakeholders’ influence and share control of development initiatives and of decisions and resources that affect them. The process enhances stakeholder ownership and commitment, and helps give a voice to the poor and disadvantaged". It is in this regard that this model is considered to be bringing the previously disadvantaged people and business into the mainstream of the local economy through promoting BEE programmes (Macozoma, 2004:9).

According to the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) "development" means sustainable development “which includes integrated social, economic, environmental, infrastructural, spatial, organizational and human resources upliftment of a community aimed at (1) improving the quality of life of its members with specific reference to the poor, and other disadvantaged areas of the community; (2) ensuring that development serves present and future generations”. From the above definitions, participatory development and systems use local decision-making and capacities to steer and define the nature of local economic
interventions, with the aim of combating poverty and unemployment within a specific locality. In this context the model does not presume to provide an accurate description of the municipal PPPs and value-management science. Instead, it should be considered as a frame of reference to better help all functionaries in PPPs to understand and appreciate the forging of sustainable business relationships with the private sector so as to bring efficiency in creating employment and combating poverty. The model does accommodate a variety of assumptions and has a built-in flexibility that enables it to yield alternative predictions that bring us closer to the real world of Economics of Public Administration, an area of study where PPP is a niche (Manuel, 2003:7; Malan, 2002; Black et al., 1999:3). The underlying assumption is that the appropriate PPP model requires capital such as human, physical, economic and social capital, to be successful. Furthermore, political support from government is required in terms of policies and legislation to provide an enabling environment to enhance the invigorative participation of the private sector, civil society movements and other interested international investors or development agencies.

The model will enable the metropolitan municipalities to achieve economic efficiency as there is more than one role player in the LED bound by a legal agreement to achieve local government objectives and the country’s vision 2020 (see Section 152 (1) (c) of the Constitution of the Republic of South Africa 1996:81 and National Strategy 1994:8). Local economic efficiency is defined in two ways, viz: allocative efficiency and technical efficiency (Black et al.,1999:5). The former refers to “a situation in which the limited resources of a metropolitan area are allocated in accordance with the wishes of its consumers”, the people, who in terms of the Batho Pele policy have to come first (White Paper on the Transformation of Public Service 1995:3). In addition, the allocative efficiency enables the inhabitants or consumers to interact with the producers, who are the metropolitan governments and their respective private partners as provided for in the PPP agreement. Black et al., (1999:5) agree that allocative efficiency involves interaction between the consumption activities of individual consumers and the production activities of producers.

It is important to ensure that both the metropolitan government with its private partner and the inhabitants or consumers of goods and services produced in terms
of the PPP agreement “achieve equilibrium simultaneously” (ibid.). Put differently, PPPs must ensure that there is no role player among the three (metropolitan government, private party and citizens or consumers) that would be short-changed. Therefore, the PPP model must realise a value-for-money objective as provided for in the National Treasury Regulation 16 of 2004, and Municipal Finance Management Act, 2003 (Act 53 of 2003). In addition, the model must enable local governments to realise the South African government’s Vision for local economies which is “robust and inclusive of local economies exploiting local opportunities, real potential and competitive advantages, addressing local needs and contributing to national development objectives” (DPLG, 2006: 20).

"Technical efficiency" refers to a situation in PPPs where budgeted resources such as economic capital and planned resources such as physical, social and human capital as well as time are utilised in the most efficient manner in order to obtain the maximum possible output (Black et al., 1999:7-8). Chandler (2004:171) and Todaro (2000:78) argue that for any PPP model to achieve economic efficiency, metropolitan government must "think and act out of the output box" by moving beyond output to outcome-based. Leibenstein (1966:17) cautions about the possibility of technical inefficiency or organisational slack which is caused by: lack of motivation by investors and municipal or private sector leadership; inadequate knowledge about market forces and production functions; lack of technical skills in areas of science, engineering and technology that are most required to complete the PPP project; and loopholes in labour contracts which result in litigations.

The PPP model provides for the transfer of risk to a party that may better bear it (i.e. the private sector) and the transfer of skills from the private sector to the metropolitan government. In terms of the latter, “lags in adjustment” will possibly be experienced as there is no guarantee for markets to adjust rapidly to supply and demand. Put differently, human resources might be deployed from metropolitan governments to work in PPP projects full-time or part-time, but might take time to learn or adapt to new PPP environments. For example, a person who was an electrical engineer in municipal government might need time to become retrained as a civil engineer in a PPP project. The success of this model depends on market forces as the primary vehicle of local economic growth and development with
government interventions (Gillis et al., 1996:131; Henderson, 1995:78). Markets are viewed to be incomplete in the sense that they cannot meet the demands from the citizens of certain public goods and services such as building of roads, street lights, police services and others (Black et al., 1999: 9). This proves that the private sector alone can render the PDSM unworkable (Payne, 1999:8; Henderson, 1991:18). A need for the metropolitan government to continuously assess and monitor from the beginning until the end of the PPP contract is considered important as part of metropolitan government intervention. It is required of metropolitan government to take responsibility for planning and control by approving feasibility studies undertaken by local governments together with relevant private parties before submitting them to the National Treasury for final approval. Planning and control form part of the important enabling function of (local) government.

The model is considered favourable for PPPs regimes, i.e. metropolitan governments and private parties to compensate for project-affected people (PAP) in cases of infrastructure development. PAP is compensated in cases where the PPP regimes acquire the land in use by local inhabitants through compulsory purchase. For example, the partnerships between the NMBM, COEGA and private investors led to the removal of people who used to reside at Ngqura. COEGA and NMBM constructed houses, primary and high schools and clinics for PAP; this is now known as Ngqura 360. In this context, transferable development rights (TDR) are recommended as an approach to be used to plan implementation of PAP (business people).

TDR is considered effective when private owners of land compulsorily purchased for PPP development on which non-remunerative uses are prescribed in the development plan and PPP agreement, are compensated by awarding transferable development rights for use in other areas where similar businesses could be constructed (Payne, 1999:19).

In this regard, the model is based on systems theory, which provides for the theoretical framework of this model, not because it is the best or only theory, but because “systems theory looks at the connections and to the whole. It enables
**Figure 2: The Participatory Development Systems Model for the CCT and NMBM**

**EXTERNAL ENVIRONMENT:** Economical, technological, social, political and physical

**INTERNAL ENVIRONMENT:** Vision, mission, objectives, functions and production factors:

<table>
<thead>
<tr>
<th><strong>INPUTS</strong></th>
<th><strong>CONVERSION</strong></th>
<th><strong>OUTPUTS</strong></th>
<th><strong>OUTCOMES</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Human, financial/ Economic, physical and social capitals; materials; time, decision &amp; PPP planning</td>
<td>PPP regimes; PPP projects; Stakeholder participation; Decision making; Recommendations and views from National Treasury, DPLG, relevant Provincial Treasury and Provincial department responsible for local government; PPP agreements/ contracts; implementation of PPP plans</td>
<td>Public goods and services; Poverty eradication; Employment; LED; LED benchmarking techniques; Robust and inclusive local economies exploiting local opportunities, real potential and competitive advantages, addressing local needs and contributing to national development objectives&quot;.</td>
<td>1. Socio-economic development objective (section 152 (1 c) achieves better life for all. 2. Better life for all the peoples of the metropoles.</td>
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Public/business management processes:

Planning, Organising, lobbying, financing, leading, empowerment, co-ordination and control

**IMPLEMENTATION PROCESS**

1. Conduct feasibility studies;
2. Establish specific developmental objectives;
3. Identify site or areas for PPP development/ LED;
4. Prepare and release request for proposals (supply chain management or PPP procurement must come into effect);
5. Review development proposals and select winning bidders;
6. Obtain recommendations and views from National Treasury, and DPLG
7. Negotiate and sign PPP contracts/agreements;
8. Enforce contract; and
9. Control / monitor project (0-25 years)

Sources: Adapted from National Treasury Regulation 16 of 2004; Fox et al., (1999).
organizations to look beyond the immediate context and to appreciate the impact of their actions upon the consumers of their services, and vice versa” (Nigro, 1965:22).

Systems theory is considered to be in line with what the South African Public Service wants to become, as the White Paper on a New Employment Policy for the Public Service, 2000 provides for a “model of excellence, in which service to society stems from commitment rather than compulsion. The management of resources should be regarded as a significant task for those who have been charged with that responsibility and …do so in a professional manner” (Fraser-Moleketi, 2007:3; Easton, 1971:7).

6.3 External and internal environments

Prior to any action directed at improving LED and service delivery in the local spheres of government, it is sometimes necessary to start off by focusing on what goes on around it. The rationale is to heed the fact that the LED and PPP processes and the provision of municipal services do not happen in a vacuum, but take place within an environment. The influences of the environment are either positive or negative. The positive influences normally lead to the achievement of objectives of local governments provided for in the Constitution of South Africa, 1996 (Act 108 of 1996), while the negative influences or ill-effects on service delivery can be caused by acts of God or government. An act of God can create service disparities or negative effects, for example, when there is a flood, a volcanic eruption, drought, etc. Corruption and the incompetence of municipal human resources can have ill effects on service delivery. Hence it is important for the metropolitan government to successfully manage the influences of environment.

The PDSM mentions two types of environment that should be considered, viz: macro environment (political, social, economic, technological, and legal aspects of the environment) and micro or specific environment (suppliers of services e.g. private sector and government, regulators) i.e. only government should regulate how services will be provided through monitoring and controlling the performance of both the municipalities and their partners by means of by-laws, rules and regulations, and competitors. In other words, municipalities will partner with the private sector so as
to make PPP affordable and beneficial to the local communities. In addition the model makes provision for inputs, conversion, outputs and outcomes which are briefly discussed below.

6.4 Service inputs

This section serves to explain how economic inputs can be made in order to successfully enhance investments for LED in the metropolitan government. LED inputs are related to “external stimuli” because the process of LED input is influenced by general and specific environments. Therefore, when preoccupied with inputs, it should be taken into consideration that because resources will always be finite and limited while the needs of the people are infinite and unlimited, existing resources should be prioritised. Metropolitan government requires adequate capital to fund the implementation of the PPP model. It is argued that when a local economy registers a high growth rate, municipalities need to seize the opportunity to increase their sources of revenue, as more people will be employed and be able pay for municipal services. These revenues are obtained from taxes, charges for services, subsidies and grants or intergovernmental transfers from national and provincial government’s focuses.

It will remain a challenge for developmental local government to seek additional sources of revenue so as to sustain the process of delivery. Service inputs in this regard should be treated in terms of performance standard and means of optimising productivity…measured in actual delivery of quality output i.e. services (Eastern Cape Provincial Growth and Development Strategy 1997:14). Partnership in service delivery can simultaneously minimise inputs and overspending of municipalities, and maximise service outputs. The model calls for every institution interested in sustainable development to be involved in LED processes and programmes such as LED activities. Strategies for effective delivery of LED programmes are normally carried out through privatisation, corporatisation, special purpose vehicles, build-operate-transfer (BOT- where the contractor builds the asset, operates it for a period, and then transfers it to the municipality), build-own-operate-transfer (BOOT), and the build-operate-train-transfer (BOTT) (White Paper on Local Government 1998: 100).
6.5.1 The Primary kinds of capital for local economic development

6.5.1.1 Physical capital

"Physical capital" refers to the infrastructure and natural resources required for the development of local economies. Mawhinney (2002:148) writes that to attract and sustain foreign direct investments and domestic investments, local government must have or strive towards a quality physical infrastructure so as to build investors' confidence. The Wikipedia Encyclopedia (2004:1) refers to physical capital as "non-human assets made by humans for production purposes which consist of producer goods and the infrastructure needed to support the livelihoods". "Producer goods" are tools and equipment that the metropolitan governments would use to improve their productivity, performance and professionalism needed for economic growth. Noteworthy is the "balanced growth" which is achieved when the infrastructure capital and natural capital are developed in tandem as prerequisite capital for LED (ibid).

6.5.1.2 Economic or financial capital

"Economic or financial capital" refers to the availability of financial resources which are invested or saved, and distributed in such a manner that they attract more financial investments. Winter (2000:2) and Winstanley (1995) write that economic capital is "convertible into money and may be institutionalised in the form of property" and revenue collection rights. Financial resources must be used to optimise economic growth (Black et al., 1999:183). Therefore local government must be encouraged and capacitated to function within the parameters of the Municipal Finance Management Act, 2003 (Act 56 of 2003), and to expand their revenue base by investing at least some of their moneys into infrastructural, human and social developments.

According to the Local Government: Municipal Systems Act (2000:14), economic capital enables local government to be financially sustainable so as to ensure the
provision of services “in a manner aimed at ensuring that the financing of such services from the internal and external sources of revenue is adequate to cover the cost of the initial capital expenditure required for the service, as well as the operating and maintaining or replacing cost of the physical assets”. Economic capital is the fundamental resource for local economic growth and development at all levels (Winter, 2000:2).

6.5.1.3 Human capital

"Human capital" refers to a situation where metropolitan government invests in learning and training through formal education of its human resources and members of communities. The economy of today requires human resources with skills and knowledge to manage innovatively the resources placed in their hands (Giorgas, 2000:3). Denny (2003:2) asserts that the “area in which governments have the greatest ability to generate sustainable resources [and capital] for improving local economies is through human capital, i.e. education”. Investment in human development (Wikipedia Encyclopaedia, 2004:12) would lead to metropolitan governments achieving economic growth through the use of intellectual capital or knowledge capital, as they will get royalties. A common paradox in the public sector is that of investing in people’s development and then seeing the flight of this human capital. Metropolitan governments have the problem of keeping skilled and educated people on their payroll, as most of these people migrate to the private sector seeking opportunities (Hatch, 1997:82; Harbermas, 1999:4). The view is that PPPs will transfer skills and knowledge from the entities of the private parties to the metropolitan government, i.e. "brain gain" (National Treasury Regulation, 16:2004:3), and not vice versa.

The then South African President, Mr Thabo Mbeki, considers investment in human capital to be significant in the growth and development of a local economy. In 2002, he stated: “We will have to attend to the improvement of the state machinery on a sustained basis so that it is both responsive to the needs of the people and accessible to the masses. Among other things, this requires that those who serve in the public service should have the necessary skills to provide the required goods and services as well as a commitment to serve the people” (Human Resources
Development Strategy for the Public Service 2002-2006:14). The essential role of knowledge in local economic growth is borne out by Borrus and Stowsky (1998:42) who assert that “investment in new knowledge, research and development activities enables metropolitan governments to jump onto and stay on a high-growth path”.

6.5.1.4 Social capital

"Social capital" is found in the “closed system of social networks inherent in the structure of relations between persons and among persons within a collectivity” (Zhou and Bankston, 1994:824). Giorgas (2000:3) sees social capital as the shared feelings of “social belonging that enable groups to set up institutions and other [social] networks that members can access”. Giorgas (2000:5) refers to social networks as “complex formations that channel and filter information, confer a sense of identity, allocate resources, and shape behaviour. Individual choices depend not only on the availability of material and intangible assets in the society at large, but also on the way in which the members of interpersonal networks interpret information and relate to structures of [developmental] opportunity”.

The view is that metropolitan government can make use of social capital to deal with negative impressions of some members of the community emanating from the development of public-private partnerships. Local inhabitants who have knowledge of PPP can be requested to inform others about the advantages of the system to “close doors of picketing of the misinformed reactionaries” (Black et al., 1999:183; Zhou and Bankston 1994:824). The view about the putting into use of social capital is asserted by Fukuyama (2001:7) who writes that it is an “instantiated informal norm that promotes cooperation between two or more individuals or parties”. Cooperation between metropolitan government and the community is considered to be of the utmost importance for improving local economic growth through PPPs.

Local government is not only responsible for rendering services and improving the socio-economic conditions of local inhabitants; it is also responsible for ensuring safety and security in its respective areas so that harmony and social stability can prevail to enhance investment and growth. The view is that the metropolitan government will use social capital as a means, "through social connections, to
resources that are keenly sought in capitalist South African society to improve their economic [capital] standing” (Winter, 2000:2). Coleman (1988:97) agrees that metropolitan governments must consider social capital as an imperative resource that they can use to achieve their objectives efficiently, effectively and economically. In addition, investment in social capital will secure for them economic and human capital and effective local democracy (ibid). The International Labour Organisation considers the value of social capital by emphasising the importance of involvement of social partners in the formulation and implementation of employment policies at a local government level.

6.6  Service delivery conversion processes

The process of service conversion takes place when LED inputs are turned into LED outputs and outcomes. The converting (of inputs into outputs) is about the allocation of resources to the quality and affordability of PPP beyond the narrow confines of attaining excellence through the model (Wilson and Game, 1994:269). The debate on action plans is normally structured around the following questions:

1. **What?** The quality and affordability of the LED project to be delivered through PPP in order to meet the socio-economic needs of the local communities. Prioritising resources and the needs of the people are considered on the basis of which goods and services should be delivered first and with what resources.

2. **Who?** The convectors of inputs into outputs are the developmental local government; private company(ies), NGOs; CBOs, interests, pressure groups; and citizens. However, the White Paper on Local Government mentions private company(ies), NGOs; CBOs; and communities that will render services with the municipalities. Moreover, the involved institutions should be responsible for informing their staff about who is in charge of a certain PPP project or economic activity so as to handle any complaints or clarity-seeking questions from the customers. Knowing who is responsible for a certain service is necessary in order to hold the person or institution accountable for the results.
3. **Why?** The developmental local government exists with the objective of improving the socio-economic conditions of the people efficiently, effectively, and economically to meet the basic needs of local inhabitants. However, barriers and dysfunctions are identified and alternatives or remedies are sought so as to continue working on achieving the set economic objectives as provided for in the LED policies of the metropolitan municipalities.

4. **How?** Tactics and strategies can be formulated but will remain only buzzwords if finances are not provided. To be succinct, efficient and effective implementation of any policy depends on the availability of sufficient finances. This question will always be sensitive to any government and institutions improving the general welfare of the people, and to the people as taxpayers. Therefore financial planning or budgeting by municipalities in particular will remain imperative even in 21st-century South Africa. By-laws, municipal rules and regulations and codes of conduct that will enhance accountability and control over municipal finances should be developed. In addition, the Municipal Finance Management Act, 2003 (Act 56 of 2003) must be implemented by all municipalities to ensure sound and sustainable movement of municipal finances.

5. **When?** Time frames should be set for each PPP project or programme. In essence, short-, medium- and long-term goals or projects should be codified in order to account for every developmental action taken by authorities (convectors). However, authorities should take note of the time in which a customer stands in a queue waiting for service(s) or for an answer to the complaints submitted to authorities even during the duration of the PPP project (5-25 years). Furthermore, if disparities are experienced, time must be set aside to allow the authorities to redress the situation to the local dwellers.

6. **Where?** Starting areas should be identified. For example, it is evident that both of the selected municipalities consist of underdeveloped, developing, and developed communities and areas. LED is place-bound and can be approached from any angle as long as the socio-economic needs of communities are satisfied. However, much emphasis should be put on directing services to those
who were disadvantaged and marginalised in the past and who are still underdeveloped. The developmental local government is responsible for stimulating and facilitating the development of the indigent and for developing their areas of living such as slum and squatter areas by means of providing land, houses, electricity and water, as well as of creating job opportunities. Improvement and maintenance of the developed areas should be excellently administered because these people have full rights to the consumption of goods and services, both as South African citizens and as taxpayers. It is imperative that the metropolitan government ensures that through PPP, the services rendered are of good quality and also affordable.

6.7 Development of assessment techniques to benchmark the welfare outcomes of promoting local economic growth and development through the PDSM

It is considered important that the development of techniques to assess and analyse the welfare outcomes of growth-promoting (LED) policies be briefly discussed. It has become clear that local governments find it difficult to measure local economic growth and development in their areas. The difficulties are minimised when these concepts are considered separately, which requires consideration of various variables. Reese and Fasenfest (1997:198) and Lipschitz (1993:164) write that finding a precise definition of growth and development and juxtaposing them has resulted in the formation of a "pot-pourri of defining variables that purport to make the distinction between the two concepts, viz: quantitative progress of LED versus qualitative progress, expansion of the local economy versus the distribution of local economic growth outputs, efficiency versus equity, increase in aggregate output versus structural change to accommodate the BEE programmes, income change versus income distribution, number of jobs created versus the quality of jobs, static efficiency versus dynamic efficiency."

It is suggested that metropolitan governments must concentrate not only on improving local economic growth, development and job creation, but must concentrate also on ensuring that growth and development occur in their respective areas. Growth and development that create jobs lie deep in the context of economic
distribution and welfare. According to Felsenstein and Taylor (2001:34), “the problem is with political expediency which “often dictates the equation of job creation with growth and development. The reason is that there is no assurance that economic growth will occur locally. And, even if the effects are felt at the local level there is no guarantee that they will be targeting the ‘right’ sections of the local inhabitants and improving their welfare. Often economic growth in South Africa brings aggregate benefits to those least in need: employment to high skilled individuals who already hold jobs or income increases and economic expansion to those who were previously advantaged in the pre-1994 era.” Central to the development and effective implementation of the LED policies must be the satisfaction of the socio-economic needs of all the metropolitan citizenry. This means that communities from the second economy as well as the first economy must benefit from local economic growth and development in each metropolitan area. In this regard, the cost-benefit approach must be used, where the inputs are less than the outputs.

It is understandable that both the CCT and the NMBM have limited patience to measure the benefits of their LED policies and PPP projects. However, the Cities of Johannesburg and Tshwane have developed and adopted techniques to assess the welfare outcomes of their LED policies. Of note is that all the metropolitan governments in South Africa have developed LED policies. It is in this regard that one must assess whether these policies are enabling the municipalities to improve growth that provides jobs for all people, to combat poverty of all races and to minimise economic inequalities. The following techniques developed by Felsenstein and Taylor (2001:35-37) are recommended for use by the metropolitan governments studied in this thesis.

6.7.1 Assessment of the employment outcomes

Metropolitan government must not count the number of jobs they are creating, but instead must measure the quality \( q \) and stability \( s \) of jobs (Felsenstein and Taylor 2001:35). In this context, metropolitan governments are seen to be taking the necessary actions to attract new firms and investors to their localities. The aim is to produce a "net employment estimate" \( (E^*) \) by attracting new firms and investors to help the municipalities in creating new quality jobs and improving local economic
growth or the Gross Value Added (GVA). The formula to assess the employment outcomes of the PDSM and LED policy is: \( E^* = E (1-q) (1-s) \). The argument is that the local economy must create jobs “that are likely to last and improve the quality of work offered to the individual” (ibid).

6.7.2. Assessing the area spillover effects of the PDSM in the entire metropolitan municipal area

The above two techniques could be used for assessing the contribution of the model on job creation in terms of stability and quality of the job for individual local inhabitants and the impact of such increases on the wage of each individual. The third technique goes beyond assessing the benefits of the model accrued to individuals, but assesses how the entire metropolitan municipal area has improved economically from the time that the model or LED policy came into effect to the time which needs to be evaluated or changed, for example, the NMBM Vision 2020, and the City of Cape Town’s Vision 2016 which are the policies which promote the use of PPP in economic development. This technique attempts to assist a municipality to see the kind of economic changes the LED policies have contributed. Felsenstein and Taylor (2001:37) state that this technique “attempts to account for the negative and positive area spillover effects of the LED policy”.

The assessment is both quantitative and qualitative. In terms of the former, the local spillover is scored and translated into a monetary figure so as to compare the monetary value of the PPP project with the costs and benefits of the project. The latter implies that effective implementation of the LED policy can have other gains for the metropolitan government than monetary gains, for example, successfully building a project as provided for in the LED policy, at the closest proximity to the people. People appreciate it by utilising it, and the project will attract more investors to the area, more businesses or firms will open, and more people would get jobs. The qualitative aspect includes an increase in "local prestige" of the area (ibid).

The assessment formula for Estimated Local Spillover Effects technique is:

\( \frac{LSS_i}{NPV(n)} \)
The assessment variable definitions for the above techniques are as follows:

\[ E = \text{total employment} \]
\[ E^* = \text{net employment} \]
\[ W = \text{monthly wage} \]
\[ \lambda = \text{balance of benefits and costs} \]
\[ LSS = \text{local spillover score} \]

The assessment parameter definitions for the above techniques are as follows:

\[ q = \text{employment quality} \]
\[ s = \text{employment stability} \]
\[ \delta \lambda = \text{opportunity cost of labour for different skills levels and regions} \]

(Felsenstein and Taylor, 2001:36).

It is hoped that the proposed assessment techniques will enable metropolitan governments to ensure that growth occurs in their respective areas, and that growth creates jobs for all the people in order to bridge the binary divide between the first and the second economies at present existing in South Africa. The present binary divide is considered to be the main challenge facing developmental local government. Mbeki (2005:8) concurs that the main challenge facing South African (local) government is to increase economic growth which benefits all people and businesses. Mbeki uses an analogy of a double-storey house to describe the challenge of “economic paradox” and considers municipal LED policies as a catalyst to solve the problem so that there is “no policy implementation failure” (Cloete, 2006: 16).

Mbeki writes: “On the top floor of the double storey house are the rich, living well. Stuck on the bottom floor, with no ladders to access the top floor, are the majority of South Africans who are poor. This depiction of the ‘first’ and the ‘second’ economies calls for investment in education, skills and in an economic infrastructure creating the ladders the poor need to join the rich on the top floor.”
"With the persistence of the Second Economy, two problems have emerged concerning the double-storey house analogy and its solutions. The ‘global’ economy that provides for the rich on the top floor has not provided employment for all. There is no employment ‘highway’ to the top floor for all South Africans except in the very long run, if at all. The modern ‘global’ economy of South Africa has been growing but growth mainly rewards capital and international corporations and returns insufficient reward to labour to dismantle the second economy.

"The global and marginalised version of the ‘dual’ economy starts from the fact that the bottom floor of the two-storey economy is best described as the marginalised, non-working economies of the old ‘black’ areas, the townships and rural areas, where dependence on the global economy for jobs, goods and services remains almost total. Most money does not stay to work in these poor areas. It is directed back into the ‘global’ South Africa almost immediately. There is substantial and rapid historical opportunity to raise the local income multiplier (cash circulation) on the bottom floor of the economy three times or so with economic rights’ programming that rewards local mobilisation and organisation by communities with known resources for agreed public purposes” (Mbeki, 2006:4).

6.7.2.1 Assessing the translation of the employment (E*) increase to wage gains (W)

The view is that growth would provide jobs and benefit two classes of workers, namely (i) those who earn high wages referred to as higher-wage classes, and (ii) those who earn low-wages referred to as low-wage classes. In the context of South Africa, the higher wage classes would be the high-skilled individuals, and the majority of the previously advantaged individuals. The low-wage classes would be the semi-skilled and unskilled or illiterate individuals mostly drawn from the previously disadvantaged communities, who are also the majority members of the second economy.

The LED policy that promote the use of this model must be assessed according to whether each wage class will be given higher or lower opportunity costs, and in addition, whether the LED policy will gain or lose the necessary credit in creating the
wage gain. Felsenstein and Taylor (2001:35) write that “the wage gains for each class need to be adjusted to account for opportunity costs and \( \delta_{i\ldots n} \) for \( n \) wage classes. The assessment formula for Estimating Local Welfare technique is: 

\[
\text{NPV}(n) = [E^* \cdot W(\delta_{i\ldots n})] - \text{COSTS}.
\]

Higher-wage classes will have higher opportunity costs and therefore a growth-promoting programme will be given less credit in creating their wages gain. Low-wage classes will have low opportunity costs: most of their wage gain can be credited to the growth-promoting policy, which then can be effected across different regions”.

### 6.8 Service outputs and outcomes

This section serves to explain the expected results or achievement of local government with regard to LED. The service outputs are by-laws, policies, rules and regulations on LED that ensure that the PDSM provides for efficient, effective, and affordable economic goods and services to combat poverty and unemployment in local areas. The rationale behind this is that the outputs and outcomes will be judged by their impact on improving and sustaining the socio-economic conditions of local dwellers. However, it is difficult to judge economic service excellence for three reasons mentioned by (Ziethaml, 1988:15). First, some of the economic services are “basically intangible”...cannot be measured and tested, and verified in advance of sale or distribution to citizens to assure quality, effectiveness, and excellence. Secondly, economic services are “heterogeneous” because their performance and productivity vary from municipality to municipality, from citizen to citizen, and from day to day. Thirdly “production and consumption of economic services are inseparable” as efficiency, effectiveness, quality, equity and excellence often occur during the process of implementation of this model. The meanings of efficiency, effectiveness, quality, equity and excellence are individually given below.

1. "Economic service efficiency" means being able to make the intended impact on the lives of the local inhabitants timeously and without wasting taxpayers' money (Oxford Advanced Learner’s Dictionary, 1995:370).
2. "Economic service effectiveness" means that the outcomes or results of delivery of economic goods and services have the expected effect, which is the satisfying of the basic needs of the local inhabitants. According to Ingraham (1995:7), effectiveness includes the "effort to represent the society and effectively consider the diverse viewpoints that are suggested by society." Moreover the process of economic improvement through PPP should be flexible and innovative and the special purpose vehicle (PPP) must perform satisfactorily and excellently from the citizens’ sense of reasoning and sight.

3. "Economic service equity" means that services must be distributed fairly and impartially. It includes the “application of the principles of justice to correct and supplement the law, where the law, by reason of its universality, is deficient” (Binza, 2001: 198). This entails that outputs and outcomes should be constitutionally and morally acceptable.

4. "Economic service quality" means that the SPV provides an acceptable standard of service to the municipality, the business partner, and citizens as customers. Actually, only customers can determine whether a service is of quality or not through comparison. Municipalities can conduct scientific surveys or should have a suggestion book where citizens as clients write suggestions or complaints, or appraise LED programmes through PPP (i.e. how inclusive, open, transparent, accessible, and responsive it is) as well as on the outcome of a service. Service quality stems from how well the metropolitan government as the provider produces and performs vis-a-vis the expectations of citizens (as customers) about how the metropolitan government should perform and promote sustainable economic development services (Ziethaml, 1988:15-17).

Improving LED is a process with steps and phases to be followed. For example, the model requires inputs to be made and then converted into outputs so as to improve the socio-economic conditions of the people. The model acknowledges that the process is not easy as there are both positive and negative influences from the external and internal environments. Stainback (2000:36) suggests that throughout the phases of the PDSM the following steps must be observed:

- "PPP project conceptualisation;
• establish project objectives;
• create the project vision;
• complete development market demand analysis;
• develop infrastructure programmes to enhance more investments and facilitate cash flow circulations;
• complete design of the implementation plan in line with the Service Delivery Implementation Plans (SDIP);
• prepare development budget and schedule;
• complete financial analysis;
• prepare development phasing plan to mark the beginning and end of each milestone;
• develop alternative public-private finance plans;
• develop alternative ownership, investment, development, and operation scenarios;
• develop public-private financing structures;
• complete private developer solicitation process after approval of feasibility studies by the National Treasury; and
• negotiate and close PPP contracts/deals".

6.9 Conditions and processes for the PDSM

The implementation process of the model must be in accordance with section 120 of the Municipal Finance Management Act, 2003 (Act 56 of 2003), which makes provision for conditions and processes for PPPs to which all municipalities entering into PPP agreements should adhere. In addition, conditions for the implementation of tailor-made PPPs agreements must comply with the National Regulations 16 of 2004, and the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000). It is argued that this model is developed taking into consideration the requirements of the relevant legislations. It is considered important that all PPP agreements that individual municipalities are entering into comply with any prescribed regulatory framework for PPPs as provided for in section 120 (2) of the Municipal Finance Management Act, 2003 (Act 56 of 2003).
Compliance is required regardless of whether the municipality is entering into PPP agreements for the purpose of improving LED or providing a municipal service. A municipal service is a service provided or to be provided by a municipality to the benefit of the local communities irrespective of whether the municipality provides the service through an internal or external mechanism as contemplated in Section 76 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000). Section 76 (b) (v) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) provides that a municipality may provide a municipal service in its area of jurisdiction or part of its area "through an external mechanism by entering into a service delivery agreement with any other [private] institution, entity or person legally competent to operate a business activity".

It is based on the above provisions that PPP is considered to be a legislative requirement to improve local area economic development and service delivery. It is important that this model complies with Section 120 of the Municipal Finance Management Act, 2003 (Act 56 of 2003) as well which provides the following requirements, viz:

1. “A metropolitan] municipality may enter into a public-private partnership agreement, but only if the municipality can demonstrate that the agreement will:

   • provide value for money to the metropolitan government concerned;
   • be affordable for the metropolitan government;
   • transfer appropriate technical, operational and financial risk to the private party."

In addition, feasibility studies must be conducted prior to the finalisation of the municipal PPP’s milestones as provided for in Municipal Public-Private Partnership Regulations of the Municipal Finance Management Act, 2003 (Act 56 of 2003), and the Local Government: Municipal Systems Amendment Act, 2003 (Act 44 of 2003). It is a requirement of the feasibility studies of the municipalities that they meet the following criteria:

(a) explain the strategic and operational benefits of the PPP for the municipality in terms of its objectives;

(b) describe in specific terms:
(1) the nature of the private party’s role in the PPP;
(2) the extent to which this role, both legally and by nature, can be performed by a private party; and
(3) how the proposed agreement will:
   3.1 provide value for money to the municipality;
   3.2 be affordable for the municipality;
   3.3 transfer appropriate technical, operational and financial risks to the private party; and
   3.4 impact on the municipality’s revenue flows and its current and future budget.
(c) take into account all relevant information; and
(d) explain the capacity of the municipality to effectively monitor, manage and enforce the agreement."

It is after the above conditions and processes for implementing PPP have been laid down that the Municipal Manager of the metropolitan government as an accounting officer should do the following:
(1) "submit the report on the feasibility study together with all other relevant documents to the council for a decision, in principle, on whether the municipality should continue with the proposed PPP;
(2) at least 60 days prior to the meeting of the council at which the matter should be considered, in accordance with section 21A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) which provides that the municipality must make public particulars of the proposed PPP, including the report on the feasibility study. In addition, it must invite the local community and other interested persons to submit to the municipality comments or representations in respect of the proposed PPP; and
(3) solicit the views and recommendations of the National Treasury, DPLG, and sectoral departments."

It is argued that the above model does meet the legislative requirements as provided for in Municipal Public-Private Partnership Regulations of the Municipal Finance Management Act, 2003 (Act 56 of 2003), and Local Government: Municipal Systems Amendment Act, 2003 (Act 44 of 2003).
In addition, the Participatory Development Systems Model is considered to be compliant and is complimentary to the PPP project life cycles for the local sphere of government which came into effect in 2007, and that of the national and national government which was passed in 2005. These two PPP project life cycles are briefly discussed below.

6.10 PPP’s project life cycle for the local sphere of government

The PPP project life cycle for the local sphere of government is provided for in terms of the Municipal Public-Private Partnership Regulations of the Municipal Finance Management Act, 2003 (Act 56 of 2003), and the Local Government: Municipal Systems Amendment Act, 2003 (Act 44 of 2003), respectively. The PPP project life cycle consists of six milestones which are considered to be a new feature compared to the PPP project life cycle of the national and provincial spheres of government. It is considered important for the metropolitan municipalities when implementing the proposed PPP model to do so in compliance with the PPP’s project life cycle for the local sphere of government as provided for in the Municipal Public-Private partnerships of 2006. The PPP’s project life cycle for the local sphere of government is self-explanatory and provides more information on how the municipalities should improve their local economies and bring efficiency into municipal service delivery.

The PPP is place-bound, which means that all the three spheres of government consider PPP as a means to an end in bringing efficiency in service delivery and sustainable economic growth and development. However, the PPP’s project life cycle for the local sphere of government is unique to that of the national and provincial spheres of government. With local government, the municipal councils have authority to approve the feasibility studies and other project milestones before submitting and requesting the final approval of the National Treasury, DPLG and Sectoral departments.
### Table 15: PPP's project life cycle for the local sphere of government

<table>
<thead>
<tr>
<th>Preliminary Feasibility Study [Project preparation period]</th>
<th>Milestone</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Assess service provision through internal mechanism</td>
<td>Milestone 1</td>
</tr>
<tr>
<td>2. Decide to explore external and internal mechanism</td>
<td></td>
</tr>
<tr>
<td>3. Appoint a Project Officer</td>
<td></td>
</tr>
<tr>
<td>4. Notify National Treasury and relevant Provincial Treasury (the Provincial Treasuries of the Eastern Cape and Western Cape Provinces)</td>
<td></td>
</tr>
<tr>
<td>5. Appoint a Transaction Advisor</td>
<td></td>
</tr>
<tr>
<td>6. Notify local communities</td>
<td></td>
</tr>
<tr>
<td><strong>Feasibility Study [Project preparation period]</strong></td>
<td><strong>Milestone</strong> &lt;br&gt; <strong>Treasury views and recommendation (1)</strong>&lt;br&gt;Demonstrating affordability</td>
</tr>
<tr>
<td>1. Assess the different options</td>
<td></td>
</tr>
<tr>
<td>2. Conduct a feasibility study</td>
<td></td>
</tr>
<tr>
<td>3. Set meeting date for Council to take “in principle” decisions</td>
<td></td>
</tr>
<tr>
<td>4. 60 days prior to meeting, make public particulars of feasibility study and invite comments from communities and businesses</td>
<td></td>
</tr>
<tr>
<td>5. Solicit views and recommendations of National Treasury, DPLG and Sectoral Department</td>
<td></td>
</tr>
<tr>
<td><strong>Procurement [Project preparation period]</strong></td>
<td><strong>Milestone 3:</strong> &lt;br&gt; <strong>Treasury views and recommendation (2a)</strong>&lt;br&gt;Demonstrating value for money and views on bid documentation</td>
</tr>
<tr>
<td>1. Prepare fair, equitable, transparent, competitive procurement per Chapter 11 of the MFMA</td>
<td></td>
</tr>
<tr>
<td>2. Solicit views and recommendations of National Treasury and relevant Provincial Treasury on bid documents, including draft PPP agreement, 30 days prior to issue of bids</td>
<td></td>
</tr>
<tr>
<td>3. Issue requests for proposals with draft PPP agreement</td>
<td></td>
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<tr>
<td>4. Receive bids</td>
<td></td>
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<tr>
<td>5. Compare bids with feasibility study and each other</td>
<td></td>
</tr>
<tr>
<td>6. 30 days prior to award, solicit views and recommendations of National Treasury and relevant Provincial Treasury on bid evaluation and preferred bidder</td>
<td></td>
</tr>
<tr>
<td>7. Negotiate with the preferred bidder</td>
<td></td>
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<tr>
<td>8. Finalise PPP arrangement</td>
<td></td>
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<tr>
<td>9. 60 days prior to signing, make PPP agreement public, and invite public comment</td>
<td></td>
</tr>
<tr>
<td>10. Prior to signing: Solicit views and recommendations on proposed items, terms and conditions, contract management plan and preferred bidder’s competency and capacity. Solicit views and recommendations of National Treasury, DPLG and prescribed Sectoral Department Format</td>
<td></td>
</tr>
<tr>
<td>11. Municipal Council to pass resolution authorising execution of PPP agreement</td>
<td></td>
</tr>
<tr>
<td>12. Accounting Officer of Municipality signs PPP agreement</td>
<td></td>
</tr>
<tr>
<td><strong>PPP Agreement Management [Project Team]</strong></td>
<td><strong>Milestone 4:</strong> &lt;br&gt; <strong>Treasury views and recommendation (2b)</strong>&lt;br&gt;Views on evaluation of preferred bidder</td>
</tr>
<tr>
<td>13. Accounting officer responsible for monitoring the PPP agreement</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Municipal Public-Private partnerships Regulation (2006:7)
The PPP’s project life cycle for the national and provincial spheres of government requires the approval of the National Treasury of the feasibility studies, procurements and value-for-money reports, and the contract and contract management plan (see Figure 3).

6.11 PPP’s Project Life Cycle for national and provincial spheres of government

The PPP’s Project Life Cycle for provincial and national spheres of government is provided for in terms of the Public Finance Management Act, 1999 (Act 1 of 1999), as amended, and National Treasury Regulation 16 of 2004.

1. The sphere of government or department concerned must conduct a feasibility study to determine the "nature of the private party's role" and the extent to which the party has to carry out its responsibilities. The study must be clear on strategic and operational benefits of the PPP in terms of the objectives of the municipality. It is important for the sphere of government or department concerned to invite comments or representations from the people and organisations interested in the proposed PPP project. In addition, input must be obtained from the National Treasury, DPLG, and any other relevant national or provincial department(s) and organ(s) of state.

2. The sphere of government or department concerned must demonstrate that the PPP agreement will “transfer appropriate technical, operational and financial risk to the private party; be affordable, and provide value for money”.

3. The sphere of government or department concerned must have the capacity to procure, enforce, manage, monitor, and regulate the PPP agreement.

The Public Finance Management Act, 1999 (Act 1 of 1999) as amended grants legislative powers to the National Treasury to approve or disapprove the PPP projects. The National Treasury must approve the:
(1) feasibility study before the national or provincial government begins with the procurements process;

(2) procurement documents and value-for-money reports; and

(3) negotiated contracts by the sphere or department or any organ of the provincial or national and the private party and the PPP contract management plan (see details on Figure 3).

It is important prior to the formation of public-private partnerships for the government to deregulate the economy. Deregulation is a pre-condition for the process of PPPs or pure privatisation to take place. The decisional context of PPPs is based on its benefits which are inter alia, to:

- reduce the role of the (local) government in the economy;
- reduce taxation to enhance local and foreign investment, and permit individuals to have more money to save for economic growth;
- boost the local economy and increase local economic opportunities;
- spread or expand local economic ownership more widely to such an extent that the previously disadvantaged participate in the realm of the economy;
- increase the choices of individual inhabitants;
- turn tax consumers into tax producers through the establishment of effective SMMEs and through BEE initiatives;
- enhance the circulation of cash flows within the jurisdictions of the metropolitan governments;
- enhance efficiency, effectiveness, competition and innovation in a productive free-market economy; and
- enable PPPs to replace the inefficient monopoly in service delivery with a variety of modes of service delivery and economic development (Spier 1986:17-20).
Figure 3: PPP Project Life Cycle for provincial and national spheres of government

1. Makes decisions to explore the PPP option
2. Registers the project with the National Treasury PPP Unit
3. Appoints project officer and sets up a project team consisting of persons from the municipality concerned, DPLG, relevant provincial department, and National Treasury
4. Develops terms of reference for transaction advisor team
5. Appoints transaction advisor team through open procurement process
6. Prepares a feasibility study which sets out:
   - strategic and operational benefits to the institution
   - how the institutional function can be performed by a private party and/or how state property can be used by a private party
   - affordability of the deal for the institution
   - proposed allocation of risk between parties
   - how value for money will be achieved
   - municipality’s capacity to procure, enforce, monitor, report on and regulate a PPPs project
7. Designs a fair, equitable, transparent, competitive, cost-effective procurement process. Observes the procurement phases:
   - possible expression of interest
   - pre-quality parties
   - request for proposals with draft PPPs agreement
   - structured engagement with bidders for clarification
   - receive bids
   - compare bids with feasibility study and each other
   - select preferred bidder, based on best value for money
   - prepare value for money report
8. Sets empowerment targets
9. Prepares bids documents, including draft PPPs agreements
10. Negotiates with preferred bidder
11. Develops contract management plan to enforce, monitor, report and regulate the PPPs agreement
12. Signs contract
13. Concludes close-out report
14. Project commences as per terms of contract

Binza (2005: 20); National Treasury Regulation 16 (2004:2)
6.11.1 Criteria for assessing PDSM

An assumption was made in Chapter One that a formulation of assessment criteria would render the PDSM effective, efficient, equitable, sustainable, replicatable and impactable in local economic development. The model adopts four basic criteria to benchmark the extent to which each PPP project would be considered successful in a specific locality:

1. contributes to job creation for local inhabitants;
2. improves the efficiency of local economic development markets;
3. improves access to PPPs for indigent and poor people; and
4. provides the basis for a more productive relationship between the municipality and the private party (Payne, 1999:12-13).

In meeting the above criteria, a successful model will embody the following:

- "An efficient way of identifying different and changing needs;
- adequate trust between the partners;
- clarity concerning the purpose of the partnership and roles of individual project leaders/managers and stakeholders;
- ability of each party to fulfil their roles;
- visionary and committed leadership for the term of the project;
- adequate access to information by all parties;
- access and continuous availability of resources (financial, human, and technological);
- compatibility within the prevailing political, economic and legal environments; and
- the potential for wider application and inclusions"(ibid.).

In addition to the above, the model should lead to "cost-effective service delivery solutions; promote innovative approaches to problem solving; advance the attainment of municipal objectives (see Section 152 of the Constitution of the Republic of South Africa, 1996 (Act 106 of 1996), and specific objectives provided
for in each municipal IDP); in a democratic environment, a PPP must take place openly in a fair and competitive environment” (ibid.).

6.12. Benchmarking the model in the delivery of successful of PPP projects

**Table 16: Assessment of cash flows and organizational health**

<table>
<thead>
<tr>
<th>Performance aspect</th>
<th>Tools of analysis</th>
<th>Key issues</th>
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<tr>
<td>Past: analysis of</td>
<td><strong>Financial model:</strong> the financial model required for procurement is a starting</td>
<td>What are the real sources and uses for cash for the business, and service</td>
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<tr>
<td>the cashflow to</td>
<td>point for understanding the cashflows (extract forecast from financial model for</td>
<td>delivery to the people?</td>
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<tr>
<td>date</td>
<td>rolling annual basis and compare actual forecast)</td>
<td>How is revenue likely to change over the project term?</td>
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<td>What are the revue determinants?</td>
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<tr>
<td>Future: analysis</td>
<td><strong>Project specific risk matrix:</strong> regular monitoring and updating of the risk</td>
<td>Is the underlying cost structure stable?</td>
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<td>of the projected</td>
<td>matrix and management plan developed during the procurement phase and application</td>
<td>What is the underlying capital structure and how appropriate is it?</td>
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<tr>
<td>cashflows</td>
<td>of the quantification techniques to the financial model.</td>
<td>What are the risks and are they likely to impact on the cash flows?</td>
</tr>
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<td></td>
<td><strong>Sensitivity analysis:</strong> test the effect on the cashflows of changes in value</td>
<td>At what points are dividends paid?</td>
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<td></td>
<td>of underlying costs and revenues (and other variables such as risk as appropriate).</td>
<td>Are there constraints on dividends?</td>
</tr>
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<td></td>
<td>Scenario planning: testing likely combinations of changes in variables to</td>
<td>At what percentage are BEE companies getting from the PPP deal?</td>
</tr>
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<td></td>
<td>establish downside (and upside) scenarios.</td>
<td>Are there constraints on shareholding by BEE companies?</td>
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<td></td>
<td><strong>Monte Carlo analysis:</strong> considering the effects of a range of values applied to</td>
<td>How does the payment mechanism work including any abatements for non-</td>
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<td>performers?</td>
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<tr>
<th>Financial position: an assessment of creditworthiness or insolvency of the organization or individual service provider</th>
<th>Financial reporting requirements:</th>
<th>Financial reporting requirements:</th>
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<tr>
<td>underlying costs and revenues using probability distributions and computer-aided simulation techniques.</td>
<td>Cashflow monitoring, key debt coverage ratios, working capital requirements and repayment schedules.</td>
<td>What strengths and weakness emerge from analysis of trends in key financial figures?</td>
</tr>
<tr>
<td>Dividend monitoring: dividend payments, actual and forecast.</td>
<td>Credit analysis: activity analysis, liquidity, long-term solvency, profitability and valuation.</td>
<td>What do the trends in the financial figures indicate about the organization’s financial position?</td>
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<tr>
<td>Audited accounts: either for SPV or individual service provider covering the last three years.</td>
<td>Audited accounts: either for SPV or individual service provider covering the last three years.</td>
<td>What is the rate of return, both achieved to date and projected?</td>
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<td>Moody/S &amp; P rating [if available]</td>
<td>Moody/S &amp; P rating [if available]</td>
<td>How many people employed, and to be employed for the during of the implementation of the PPP project?</td>
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<tr>
<td>Financial performance indicators:</td>
<td>Financial performance indicators:</td>
<td>Have dividends been paid?</td>
</tr>
<tr>
<td>Cashflow monitoring, key debt coverage ratios, working capital requirements and repayment schedules.</td>
<td>Cashflow monitoring, key debt coverage ratios, working capital requirements and repayment schedules.</td>
<td>Is there an effective cash management system?</td>
</tr>
<tr>
<td>Quality and quantity of management HR</td>
<td>Operational reports: a requirement should be placed</td>
<td>Are capital expenditures appropriate for future operational needs?</td>
</tr>
<tr>
<td>What style of management is being used (autocratic or participative)?</td>
<td>What person or group constitutes top management?</td>
<td>Is the organization which won the PPP’s tender knowledgeable and aggressive in tax planning?</td>
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| Operational audits: where necessary the (metropolitan) government should conduct its own audit of the management structure, including key managerial staff (in accordance with the relevant Acts and policies). | on the service provider to give updates on the management structure, including any changes in entire workforce. | What influence or control does the board of director's exercise?  
How long are top management personnel expected to remain in control? (should it be same as section 57 employees with a five year contract)  
What is the quality of the middle management and supervisory personnel in terms of planning and controlling work, with regard to meeting schedules, controlling costs, and improving quality and performance for the benefit of the citizens?  
What are the skills and abilities of the workforce?  
Are these skills adequate for meeting the needs of the contract?  
What is the general attitude and motivation of employees?  
What is the level of employee turnover?  
What training has been undertaken or will be undertaken?  
What skills will be transferred to the metropolitan government staff, and when? |

In addition to the above, the parties (metropolitan and private sector) forming the SPV must conduct strategic level performance evaluations on a yearly basis to assess the SPV success in achieving the strategic objectives of the organisation including the improvement of LED. The model will enable municipalities to have "skills gain", and to transfer risks (financial and operational) to the private party.

The model is aimed at improving local economic development by “generating socially useful and long-term labour-intensive projects that contribute to job creation for the local inhabitants.

The PPP projects must meet the expenses of the metropolitan municipalities (i.e. the VFM provision); make a profit for the private party or developer; and improve employability of the local communities" (Blakely, 1994:226).

6.13. Value for Money

This section addresses the management of value for money (VFM) which is central to the success of the PPP model. Payne (1999:3) agrees that VFM in PPP has an added value on the production of more and effective outputs/ outcomes with minimal resources. VFM has its foundation in the value-management studies which originated in the manufacturing sector of North America in the late 1940s. Value-management service is defined as one that "maximises the functional value of a PPP project by managing its development from concept to use through the audit of all decisions against a value system determined by the sponsor/client" (Kelly, 2003:59). The study was aimed at getting an appropriate solution to an impasse resulting from a stalemate between organisations which was caused by:

- using more resources (input) and getting less results (outputs), and
- the "soloist locomotive nature" of organisations in improving their bottom line and simultaneously the socio-economic conditions of the communities in which they serve and draw labour from (Binza, 2005: 4).
The government regime of North America at that time was in support of the study and eager to obtain the solutions to the above problems as it was explicit that taxpayers and consumers of public goods and services were somewhat short-changed (Kelly, 2003: 59). It was discovered that value analysis would be an appropriate organised approach to perform the necessary functions at the lowest cost. In addition, partnerships between organizations, in particular the public and private sector would be appropriate to ensure that voters/taxpayers and governments had value for money in the provision of goods and services. Value analysis is defined as an “organized approach to the identification and elimination of unnecessary cost” (Kelly, 2003: 60). An unnecessary cost is a cost that provides neither use, nor better life, nor quality, appearance nor customer satisfaction (ibid.).

"Value management" is a term used in Britain, the United States of America and throughout Europe with the exception of France, which uses the term "value analysis" to address VFM in PPP projects. In 1954, the US government implemented a formal programme of value analysis or VFM under the theme "value management in the public sector". Governments of developed countries like the British, French, Canadian, and Swedish governments, to name but a few, followed suit. In 1966 the government of Britain changed from value analysis to value engineering because most of the UK municipalities used engineers to implement and roll-out infrastructural projects aimed at creating labour-intensive employment for the local population. In South Africa, the post-1994 government under the direct political guardianship of the Minister of Finance, Mr Trevor Manual, saw fit to have VFM and PPP enshrined in Acts, policies and government manuals as a prudent norm to improve efficiency in service delivery.

It is important to note that VFM is hardly realised when the PPP projects fail to achieve maximum value which is “achieved when value management services are applied pro-actively at each stage of the project” and all projects milestones are observed (Kelly 2003: 60). Common to the application of value management in PPP ventures, the following steps must be followed: information; the client’s value system; functional analysis; innovation; evaluation and monitoring. Research reveals that a value-management service is most appropriate in bringing success to service delivery through PPP (Akintoye et al., 2003: 14; Stainback, 2000:44).
6.14 Possible options to improve LED: community cooperatives

The respondents to the questionnaires were asked to determine the most suitable and effective option used by their metropolitan municipalities to implement public-private partnerships. The following choices were given: build operate and transfer (BOT); build own operate (BOO); leasing; joint ventures (JV); cooperative arrangements; and operational or management contracts. The majority of the respondents considered cooperative arrangements as one of the most suitable and effective options to implement PPP. This connects with the metropolitan government’s view on improving and sustaining LED in the local sphere of government through sustainable partnerships, not only with the private sector, but also with local communities. The Community Cooperative model below is provided for and adopted from the NFLED in South Africa (2006: 43)

Figure 4: Community Cooperative Model

Government as Partner
Donors
Business and Technical
Local Government

Trustees
Management Committee
Member Accounts

Members
Equal Voting and Economic Rights

Programmes:
- Child Rights - Feeding, ECD, Education
- Investment Rights – local food production, gardens, grazing, nurseries, afforestation
- Clinic, ABET, etc.
- Periodic Markets
- Health Rights
- Taxi Project
- Construction projects;
- Urban renewal programmes
- Sports projects
- Hospitalization projects;
- Land lease, tourism etc.

Economic Institutions:
- Community Trust
- Child Rights Society
- Health Society
- Community Bank
- Local Currency
- Farmer Co-operatives
- Periodic Markets
- Regional Association of Reform Communities
- Spaza Shops
- Township supermarkets

Economic Rights:
- Ownership
- Working Local Economy
- Known Resources
- Local Multiplier
- Differentiated Local Market
- ‘Use Rights’ and Resource Prices
- Savings and Loans
- Child, Investment and Health Rights
- Franchises
- Stockvels
The South African government acknowledges that “to bring LED into operation it must ‘organise’ itself to partner citizens in programmes that confer rights to pursue public/community goals under programme rules and with programme resources that are known in advance. Using these ‘programme offers’ citizens mobilise and organise against known programme opportunities that engage them directly and enable them to become major players in local economic development and service delivery as partners of metropolitan government” (National Framework for Local Economic Development in South Africa, 2006: 25).

The Community Cooperative Model (CCM) considers metropolitan government as a partner with communities, business, international (and national) donors in making the cooperatives function effectively in the area of LED. Both the City of Cape Town and the NMBM indicated that they have community (economic) cooperatives. The view is that community cooperatives are economic-and development-centred. They are considered to be the “fish ponds” owned by the people the majority of whom were previously marginalised (Binza, 2006:496). Rosset (1997: 162) writes that community cooperatives are “worker-owned enterprises formed to produce [a] certain type(s) of [a] product(s). Members of the cooperative elect their management team, create departments or units for the cooperative to enable it to effectively respond to the needs of the customers, determines the provision, division and utilisation of labour, and doles out credit where needed”. CCMs are considered to be an appropriate vehicle to use the multiplier formula to grow and sustain local economies in the marginalised areas of the metropolitan municipalities. The argument is that the multiplier effect in the second economy is not equal with that of the first economy or developed areas of the metropolitan municipalities. The South African government has noted this inequality as follows: “Annually, government spends billions of rands a year on its programmes in marginalised areas, but a low income multiplier of only 1.4 stimulates little in the way of development. In the first economy, this income multiplier is between 7 and 12. If the local income multiplier in marginalised areas can be raised to about 4.0, the economic activity derived from government expenditure could be raised substantially, transforming the areas and allowing them to contribute meaningfully to the national economy” (National Framework for Local Economic Development in South Africa, 2006: 25).
Table 17: Strategies for effective implementation of Community Cooperative Model by metropolitan government

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<tr>
<td>Intensify support to metropolitan municipalities under Project Consolidate</td>
<td>Analyse the metropolitan municipal economies</td>
<td>Implement the new small business development strategy (including promotion and support for cooperatives)</td>
<td>Promote community organisation through development trusts, public-private partnerships, twining, cooperatives, etc.</td>
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<tr>
<td>Monitor and report on implementation of MFMA and Property Rates Act to improve sources of revenue generated from the growing local economy.</td>
<td>Target growth sectors and industry clustering such as manufacturing, services, construction, financial sectors, etc.</td>
<td></td>
<td>Encourage community or third tier banking to increase the cash flow circulation in the local economy</td>
</tr>
<tr>
<td>Finalise appropriate spatial policies in IDPs linked to a municipal-wide infrastructural-use management system.</td>
<td>Build capability for a local knowledge economy in particular the capabilities of the previously disadvantage communities.</td>
<td>Improve Access to Finance</td>
<td>Improve local trading markets and ring market systems. Create opportunities for local goods to have access to internal markets.</td>
</tr>
<tr>
<td>Improve infrastructure investment and intergovernmental coordination</td>
<td>Market the metropolitan regions and their products</td>
<td></td>
<td>Improve local multiplier of metropolitan government spending in all industrial areas identifies for LED projects.</td>
</tr>
<tr>
<td>Support Municipal-Business Forums</td>
<td>Establish Innovative Funding Instruments</td>
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Metropolitan government and social actor capability and institutional arrangements


It is in this regard that the CCM model is considered suitable for this study because of its ability to effectively reduce the economic bridges. CCMs are not only meant for
marginalised communities, but also for the developed or members of the first economy.

For the CCM model to enable metropolitan municipalities to realise their LED objectives, strategies to implement the model efficiently, effectively, and economically are proposed. Metropolitan governments can tailor-make these strategies to suit their diverse localities. It is important to consider that communities must be at the centre of any development that the metropolitan governments are pursuing, whether through PPP or not.

Community Cooperatives are formed by a group of 20-50 people wanting to do business with metropolitan government. These community cooperatives are appropriate in providing municipal services such as catering, cleaning, and rubbish removals. The CCT and the NMBM respectively have this kind of alternative municipal service partnership. The duration of cooperatives is 3 months to 3 years. Some of the leaders in these cooperatives venture into forming small, medium and micro enterprises. In this regard that the argument is made that cooperatives have a positive spin-offs to economic growth and development, and are considered as alternative external mechanism to mainstream communities in LED initiatives.

6.15 The Local Metropolitan Area Economic Development Model

The local metropolitan area economic development model (LMAEDM) was developed and adopted by the governments of the Scandinavian countries for their countries' local governments to improve local economic growth and development. It is used here as a means to showcase the LED model of the developed countries. This model has different variables that are adopted for the construction of the South African model as provided above.

The LMAEDM used by the local governments of Italy, Sweden, the European Union and Turkey is adopted and proposed for the South African metropolitan government to improve and sustain their local economies through PPP.
Figure 5: LED model for developed countries

Source: Blakely (1994: 83)
This model is shown with the aim to argue that it is not out of context for South African local sphere of government to have their own model that promote partnership between business and municipalities. It is argued that the model below is worth adoption by the South African local government polity as it has enabled the developed countries' local governments to improve their GVAs.

In addition, the concepts in the model seem to be similar to the concepts used by the South African government in its recent National Framework for Local Economic Development in South Africa proclaimed in August 2006. It must be noted that this model is not the proposed appropriate PPP model which the study attempts to develop, adopt and propose for the City of Cape Town and the NMBM. However, the model below showcases the critical areas of focus for the implementing of growth-promoting policies, i.e. the LED policies.

The above model is self-explanatory. It is based on the juxtaposition of economic growth and development, as mentioned above. In addition, it stresses the importance of the quality of relationship between the metropolitan government, the private sector, individual community members and civil society members. It is applied by most municipalities of the countries affiliated to the European Union, Turkey, Sweden, and Canada (Canzanelli, 2004:22).

This model can easily be tailor-made to suit South African economic environments and individual metropolitan situations. The view by the South African Cities Network is that “each local economy has its own unique strengths – is aware of its own competitive advantage -- and contributes to national growth and development in a special way. The level, nature and form of the resilience and vibrancy of each local economy depends on the specific conditions, circumstances and potential of that area. Each area has its own vision, strategies and implementation methods borne out of local experience.”

Canzanelli (2004:15) agrees that successful LED in the metropolitan areas depends on the invigorative participation of relevant economic and political regimes in implementing the LED policy and finding appropriate responses to their unique socio-economic and political needs and conditions. Participation is not considered to
be an end in itself, but a means for continuous dialogue and investment to make the local economic growth sustainable.

It is this continuous dialogue and earnest participation of the stakeholders that enables the local economy to valorise local potentialities and create new economic opportunities for BEE. In this context, the metropolitan governments would be able to bring and strengthen the local SMMEs. SMMEs are considered to be effective in creating economic growth in local areas, unlike the multinationals which benefit more in job creation (Grimsey and Lewis, 2004:181).

Metropolitan governments must realise that within their areas of jurisdiction there are universities which can contribute and assist in realising their respective LED policy goals. The contribution of universities to society is to develop human capital required for sustaining economic growth and improving productivity of the workforce. In addition, they contribute to the stimulation of thought and add to the knowledge of municipal leaders and local investors through research, skills and knowledge transfer.

The argument is that educated and skilled communities, government, business leaders and labour are the strength of a successful LED. In addition, assets are considered to be one of the paramount characteristics of the local economy. The communities’ labour and leaders form the businesses, in particular the SMMEs. They have access to all kinds of assets in their metropolitan areas such as capital, credit, knowledge services, training for development, etc.

Central to these models is an attempt to enable municipalities to bring efficiency to the economic success through PPP. The metropolitan governments must have capital, which presupposes “…any magnitude of development” (Baldersheim and Stahlberg, 1994:154-155). The view is that for LED to take place, metropolitan governments must convince the investors that they have the basic infrastructure (physical capital), [minimal] financing (economic or financial capital) to add value to what they will be obtaining from investors, or other revenue sources. In addition, there must be skilled and knowledgeable people (human capital) who are not “work-shy”, but creative (Binza, 2005) to lead and manage projects and programmes. The
social environment (social capital) must also be stable and accessible so that development can take place and labour be drawn to serve as the source for effective LED (Blakely, 1994:178). Creativity is considered the most important factor in economic growth because it improves labour and capital and extends resources. A brief description of the capital requirements for development is provided below.

LED by most municipalities in the world is sustained by encouraging sustainable development through broad-based community participation, planning, and regulatory and incentive programmes aimed at enhancing investment to boost the local economy. Municipalities of Western, European and Asian countries develop their local economies with the aim of improving the “liveability and quality of life of their respective cities through economic growth that creates (high quality) jobs, generates wealth and investment, and helps to ensure the municipalities' long-term fiscal health” (Hesketh, 2001; Hoover, 1948:9).

6.16 Conclusion

It is against this brief background that the Participatory Development Systems model or PPP model is developed to improve local economic development in the City of Cape Town and NMBM. The advantages of this model far outweigh the disadvantages which were discussed in Chapter One of the thesis, under Research Problems. The key to minimise disadvantages is for the metropolitan government and business sector or the SPV, created in terms of the contract between the metropolitan government and the private sector, to complete all the stages of PPP as provided for in this model in consideration of those stages mentioned in the PPPs' project life cycle for local government. Furthermore, the model provides for each PPP project to have its own vision, objectives and implementation plan, which must take place during the input phase. What must be followed is the conversion phase which enables the municipalities and the partners to prepare development budgets and schedules as well as decision-making processes with the robust involvement of all the key stakeholders to convert the inputs into outputs and outcomes. The stakeholders must note that the process of economic growth will always be influenced by both the external and internal environments as provided by this model in terms of the systems theory. It is considered important that the conflicting
preposition of government and business be addressed first, and both must respect the PPP agreement that are signatory to.

The outputs and outcomes of the model are considered important as they factor to the improvement of the general welfare of the local citizenry. The former is concerned with the realisation of the vision of the LED as provided in the National Framework for Local Economic Development (LED) in South Africa, 2006, which is “robust and inclusive local economies exploiting local opportunities, real potential and competitive advantages, addressing local needs and contributing to national development objectives” (Republic of South Africa, 20006:15). This LED vision is aimed at achieving the country’s economic target of achieving a 6% economic growth rate by 2014, as provided for in the ASGISA.

In this chapter an appropriate PPP model called the Participatory Development Systems Model aiming at enabling the South African metropolitan government to improve and sustain the growth and development of their local economies has been developed. It is proposed for use not only by the metropolitan governments under study, but by all municipalities that constitute the South African sphere of government. The model is for use by policy makers and decision makers in the National Treasury, DPLD and Sectoral departments, local spheres of government in particular the metropolitan governments, community members involved in community cooperatives, NGOs and CBOs who have an interest in PPPs and LED.

The PDSM is the original contribution to the study of Public Administration and Local government in South Africa. It contributes to the area of PPP with capitals (human, finance, physical and social) for development which are considered to be pre-requisite for sustainable development to take place. It enables different stakeholders to make input to PPP initiatives. These inputs can be made when the feasibility studies are conducted which allows for strength, weaknesses, opportunities and threats to PPP projects to be determine prior to the commencement of the project. The model enables also the national departments such as National Treasury and the Department of Provincial and Local government to know, approve and support the PPP projects by municipalities. In addition, it is through this model that the PPP risks can be transferred to a party that can bear the risk most (see Chapter two).
In conclusion, growth and development are not achieved easily; challenges do take their toll in certain seasons and lead to slow economic growth, whilst in some seasons, municipalities register a high growth rate. The above LED model was developed to assist and enable local governments to provide appropriate solutions to the above problems.
CHAPTER SEVEN

GENERAL CONCLUSIONS AND RECOMMENDATIONS

7.1 Introduction

The Constitution of the Republic of South Africa, 1996, Section 151 provides for the establishment of the local government sphere as a distinctive sphere of government closest to the people it democratically governs a sphere of government which is interdependent and interrelated with the provincial and national spheres of government. The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998), as amended, provides for the establishment of local government in accordance with the requirements relating to categories and types of municipalities, to be in line with the vision of democratic and developmental local government, and will place the contemporary municipalities in a “radar of success to fulfil their constitutional obligations to ensure sustainable, effective and efficient municipal service delivery, promote social and economic development, and encourage community participation in local governance to meet the socio-economic needs of the people” (Mufamadi, 2001:4).

In a bid to build and improve LED and to speed up public service provision, municipalities are entitled to forge synergies in the form of sustainable partnerships with the private sector and civil society, as provided in the Municipal Service Partnership Policy, 2000. It is therefore the responsibility of the metropolitan government to ensure that the partnerships are structured so as to flourish through continuous training and development, and a coaching and mentoring system. The aim is to improve the human capacity of the local sphere of government to manage LED initiatives and programmes effectively and efficiently, and to redistribute economic resources equitably. In this regard, LED would be improved and sustained through PPPs. The PPP model is developed for improving and sustaining local economic growth and development that contribute to job creation and poverty alleviation, reduce unemployment and reduce to zero the binary divide between second and first economies in each metropolitan municipal area.
It is considered important for all PPP deals achieved through the implementation of the PPP model for the governance principles to be upheld, and conditions for PPPs be adhered to. The Municipal Finance Management Act, 2003 (Act 56 of 2003), Section 120 makes provision for conditions and processes for PPPs to which all municipalities entering into PPP agreements should adhere.

Firstly, municipalities must conduct a feasibility study to determine the "nature of the private party’s role" and the extent to which the party has to carry out its responsibilities. The study must be clear on strategic and operational benefits of the PPP in terms of the objectives of the municipality. It is important for the municipality to invite comments or representations from the people and organisations interested in the proposed PPP project. In addition, input must be obtained from the National Treasury, DPLG, and any other relevant national or provincial department(s) and organ(s) of state.

A second point of departure is that LED by metropolitan government alone would have mixed results, and the promotion of a better quality of life for all would remain a "dream far from being reached" (Sineke, 2001:7; Schulman et al., 1999:147). An appropriate approach to sustainable development involves partnerships that span the private or profit sector, NGOs, CBOs, and local inhabitants (Tönnisson and Tönnisson, 2004:4). Pirie (1987:7-8) gives reasons why the public sector needs to form partnerships with the private sector, as financial capital is always needed by local authorities:

1. to increase the volume and expansion of their services so as to benefit inhabitants in newly established residential areas;
2. to purchase new technologies for the purpose of accelerating service delivery; and
3. for developing infrastructure necessary for LED. The private sector is the one that normally contributes the bigger share of the country’s GDP. Because the private sectors are interested in profit, they are considered as the "capital banker" as they use it to expand their businesses (Pirie, 1987:7).
The painful paradox is that government sources income from taxpayers (comprising the business sector and the general public), and ought to provide superlative service to them, but service delivery still does not touch the hearts of the people (taxpayers) residing in squatter camps and in some peripheral areas of the metropolitan governments. Pirie (1987:7) agrees with the statement that “over the years the quality of public service rendered to the general public has declined almost as rapidly as the price of service(s) has gone up.” Local authorities tend to be more efficient and effective in serving the needs of the producers and suppliers rather than being efficient in responding to the needs of the people.

7.2 Recommendations

The reasons mentioned by Pirie should not be considered as the point of departure of this research project, as there is indeed excellence to be found in current public administration. Furthermore, it should not be claimed that the superiority of private sector operations is inevitable, as that would be “overlooking innumerable failings on their (the private sector) part” (Rainey, 1991:10). The point of departure is rather that the synchronisation of public and private business operations is a means to an end for improving LED.

It is proposed that a new subfield of Public Administration called the Economics of Public Administration be developed to enable scholars of Public Administration (not from Economics or Political Science backgrounds) to adequately provide services to the country’s public administration. This will enable these scholars to conceptualise and vocabularise the new concepts in Public Administration and Management such as PPP and LED among others. Chandler (2004:11) supports the above suggestion by writing that what is new about the concept of PPPs, in comparison with earlier concepts or mechanisms in the LED nexus, is both the demand for a radical extension of political and economic rights – the demand for integration, cooperation and the clear comprehension that neither government nor private organisation alone would be in a position to create sustainable prosperity in its relevant area of operation efficiently and effectively without assisting each other.
7.2.1. Identify and define the target area

The identification and defining of a target area will assist the strategic planners to perform a complete professional analysis made up of perceptions of the people to be affected by the PPP or partial privatisation of the target area. The aim of conducting an analysis is to envisage the reactions through perceptions of the affected people and to be able to foresee the outcomes of the PPP project. Local authorities lack the capacity to do professional research. It is important to do a feasibility study in order to determine the costs and benefits of the project to the municipality and the inhabitants.

7.2.2. Design a win-win strategy

The advantage of building and expanding the local economies through partnerships is that all partners must win. Hence, a zero-sum game in which only one partner loses and the other wins should be avoided. An example of a win-win strategy is the 50-year PPP lease agreement between the NMBM and the Madiba Bay Holdings, which provides that the NMBM “will get 1% of every business transaction made by Madiba Bay Holdings with any developer who invests in the Madiba Bay Safari World project” (Matavire, 2002:4). The Madiba Bay Holdings will act as landlord of the investment, and any investors who want to invest in the development of the Safari Park will approach them, not the NMBM.

It is imperative that local authorities privatise or contract out to experts in the field of the target area the task of conducting a feasibility study and the designing of a win-win strategy. They must also see to it that the experts have no interest in the target area, to ensure that their research is objective.

7.2.3 Buy out the opposition

Lessons from the United States of America and Britain in the business of improving the growth of their local economies and service delivery through PPPs is that there is always opposition to change. The paradigm shift is from government being the major player in the economy and the provider of services to the private sector taking
the responsibility for improving local economic growth and job creation. South Africa is no exception, as labour unions and an Anti-privatisation Forum are against the government’s restructuring programme on which the PPPs are based.

The buy-out of opposition strategy aims to buy-out or remove key opponents. This strategy is implemented by offering a better deal to municipal employees (including union leaders) in the target area, such as selling shares so that they can be shareholders, and directors of the private company with which the municipality intends to form synergy. Furthermore, compensation in the form of “better pay packages, steeper wage gradients and faster promotion paths can be arranged, all typically lacking in the public sector” (Spier, 1986:21).

7.2.4. Design a share-issue strategy

This strategy is normally applied in pure privatisation. The first step to develop a share strategy is to evaluate the government’s asset. The evaluation is aimed at ascertaining the value of the asset to determine a realistic share price for the asset. It is important to build in incentives for employees who purchase and keep the shares for a minimum of five years. The impetus of holding on to shares is the impact on the growth of the company and the impact on the local economy. Incentive systems should be used to enhance the small and big domestic investors. In addition, incentives for domestic investors are necessary in order not to be beaten by foreign investors. It is said by Spier (1986) that the involvement of large companies is likely to boost the investment share value. Hence, a "Golden Share", which refers to a system that gives domestic companies a veto power over acquisitions, should be introduced by authorities to guide against the taking over of the business by foreign companies (21-22). Selling of shares must not be limited to employees only, but inhabitants must be accommodated in order to promote "positive attitudes towards a free-market economy" to avoid campaigns against restructuring of the state assets (ibid.).
7.2.5. Marketing strategy

In South Africa, the restructuring of state assets which embrace PPP strategy must be marketed professionally as there are people and organisations aligned against the process. It is vital to consider that those persons directly affected by the process will not meet policy decisions with regard to the restructuring process with enthusiasm. The classical socialism school of thought considers restructuring or PPPs as a threat to the status quo.

7.2.6. Build and keep up the momentum

To achieve the necessary momentum, the benefits of PPPs need to be sold to the inhabitants, particularly the opposition. There should be a demand for PPP programmes so that the capital can be kept flowing to sustain the PPP market. Furthermore, the private sector should deliver goods and services and manage the lease/concessionary contract according to the agreement signed.

7.2.7. Training and development

In a bid to develop an appropriate PPP model, human resources must be given basic work, scientific knowledge and skills. Innovative interventions are required to ensure that the training is relevant to the PPP and LED jobs, and that through training, the performance and productivity of staff are improved (Craig, 1987:317). Field and Ford (1995: 84) note the importance of conducting a needs assessment prior to training and development in order to determine the gap between “what employees must do and what they actually can do”. The Public Service Staff Code, Section 3.1 (g) defines learning as “…all those planned and purposeful activities which improve the knowledge, skills, insight, attitudes, behaviour, values, working and thinking habits of public servants or prospective public servants in such a way that they are able to perform designated or intended tasks more efficiently” and are productive. "Development", is defined by Cheminais et al., 1998:189) as the "planned process of ensuring through an appropriate learning environment a continuous acquiring of experiences, skills and right attitudes that impact on management effectiveness”. It is clear that development enables people to perform
their functions better as it is projected on empowering people with skills and expertise required to meet the present and future organisational demands.

7.2.8. Accommodating the historically disadvantaged communities

In South Africa, the resistance to PPPs is demonstrated mostly by the historically disadvantaged people. The best strategy to adopt to accommodate the opponents of PPPs is the share-value strategy where they would participate directly in the economic growth and redistribution. The historically disadvantaged individuals (HDIs) must form part of the shareholding of the bidding companies. It can be deduced that share-value strategy contributes in promoting Black Economic Empowerment.

7.2.9. Development and enforcement of LED and PPP policies and by-laws

International declarations, namely the Local Agenda 21, IULA Worldwide Declaration of Self-government, and European Charter for Self-Government, require municipalities of both the developed and developing countries to play a role in developing their local economies with private institutions operating within their respective jurisdictions. The first step is for municipalities to develop their LEDPs, PPP policies and by-laws as a guide and commitment to implementing the recommendations provided for in the above-mentioned declarations. The conclusion is that municipalities of the 21st century must:

- foster a stable and diversified economy;
- create and sustain municipal employment opportunities;
- improve the living conditions of the communities and sustain quality communities;
- strengthen the skills and qualifications of the local workforce;
- deliver municipal services that best meet local needs; and
- build and maintain quality facilities and infrastructure for local economic development (Cheminais et al., 1998:189).
Although the details of the data gathering and analysis for LED vary from country to country and from municipality to municipality, the basic tasks recommended to be performed in most cases are the same, \textit{viz}:

- "to determine the climate for LED in the jurisdiction, collect data on economic and political conditions, and decide on goals;
- to determine which private agencies currently working in LED are accessible to local government for the purpose of research, co-ordination and planning;
- to determine whether LED should be conducted by local government alone, or in co-ordination with another agency, or by another agency alone;
- to identify the barriers to co-ordination that exist in the jurisdiction;
- to develop support for the proposed LED activities from organised business associations, labour unions, community and political groups, amongst others.
- To develop a set of milestones, a means of monitoring progress toward achievement of the milestones, and a plan for the revision of activities according to observed results" (Blakely, 1994:88).

The role of local government in LED is to make possible a market between localised demand and supply with the aim of creating, implementing and sustaining the community vision of quality of life. LED is a tool that brings the "soul of communities to life" (Carpenter, 2001:1). Put differently, the outcome of LED is a quality community. Quality community is defined as a “safe family environment; it has vitality and community pride; it is community involvement with a stronger rapport with local officials. It is growth in accordance with local plans and policies. It is protection for the character of our communities. It is a place we call home” (ibid.). The argument is that there will be no quality communities if there is no local economic prosperity. The New York State Department of Transport (2001:7) concurs that “the concept of quality communities rests unequivocally on economic prosperity within the community. In other words, economic prosperity must be established first for other quality-of-life goals to be achieved”.

LED by most municipalities in the world is maintained by encouraging sustainable development through broad-based community participation, planning, and regulatory
and incentive programmes aiming to enhance investment to boost the local economy. Municipalities in Western, European and Asian countries develop their local economies with the aim of improving the “liveability and quality of life of their respective cities through economic growth that creates [high quality] jobs, generates wealth and investment, and helps to ensure the municipalities’ long-term fiscal health” (Weis, 2002:58).

It is argued that the above will fail if the metropolitan government does not adopt learning as a central paradigm of its development discourse. Strategies for PPPs can be developed and enforced through legislation, and capital be made available, but if the government fails to change with the changing times by becoming a learning organisation, the efforts to improve and sustain LED will become an imaginary local economic programme. It is recommended that the metropolitan government should adopt a learning paradigm so as to be able to gain skills and knowledge from the PPP arrangements.

### 7.2.10. Transforming metropolitan governments to become learning organisations

With the increasing rate of change comes the need for the metropolitan government to develop a learning culture in order to develop capacity to redesign, reform and/or re-engineer itself to respond effectively to changes. Although not the only determinant of transformation success, learning is fundamental to improving performance and productivity. The emphasis is placed on learning processes and systems to achieve Single Public Service (SPS) objectives as provided for in the Human Resource Development Strategy, 2002-2006; Public Service Act, 1994 (Act 103 of 1994); and the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996). Common to the above policies is the perception that human resources development is of cardinal importance in bringing efficiency and effectiveness to the delivery of quality in public goods and services. A culture of learning needs to be adopted to ensure that the local sphere of government is armed with competent and highly productive persons who are better equipped with knowledge, skills and expertise to improve organisational performance and productivity and ultimately impact on improving the socio-economic conditions of the citizens.
A learning organisation is an organisation in which employees acquire skills and knowledge through experience, practice or by being taught. A true learning organisation is able to improve service quality and employee performance. Marquardt (1999:78) describes a paradigm shift that makes a learning local government sphere different from the traditional former tier of government. According to the new paradigm, "learning is performance-based, and is considered as part of work and part of every employee’s job description". Employees in this type of organisation are driven by a desire for quality and continuous self- and organisational growth and development. Concomitantly, the organisation is able to face successfully the advanced competition confronting organisations operating in the global village. In this regard, Marquardt (1999:78) argues that the "organization possesses an ability to continuously adapt, renew, and revitalize itself in response to the changing environment".

It is important to know why we should make the South African Public Service a learning organisation. Boyett and Boyett (1998:83) explain that learning organisations are able to: manage change; increase energy, joy and commitment of human resource in work; provide public servants with a safe place to take risks with new ideas and behaviours; improve customer relations and quality of services; provide an invitation and rationale for building communities; and help employees to become active actors, not passive recipients of change. It is argued that learning organisations have the capacity to collect and store knowledge and transform themselves, and are able to equip their human resources for a cooperative success in the delivery of services (Marquardt, 1999:76). The argument by Marquardt (1999:76), with regard to the impact of a learning organization on the performance of human resources is that “…it empowers people within and outside the organization and makes them be proactive and innovative in shaping resources necessary for organizational growth and sustainability”. Hence it is important for the Public Service to develop a learning culture and to create a healthy atmosphere to enable public human resources to learn new operational and management skills, applications and techniques to optimise productivity.

One impediment to public service competitiveness is the “insufficient capacity to act” which refers to an inability of the Public Service to use its human resources to
achieve its goals effectively and efficiently (Nadler et al., 1992:155). One Director-General made a comment about the effect of insufficient capacity to act as follows: “…for an issue to get resolved, it always seems that it has to get raised up to my level. When we make a decision, we find out later that it has not been implemented! People in the department cannot identify a problem, develop a solution, and implement actions on their own” (Nadler et al., 1992:155).

How can one establish that the South African metropolitan government does have a capacity to act on problems? Nadler et al., (1992:156) argue that “failure to address key organizational problems and poor or no implementation of solutions or policies” are the symptoms of insufficient capacity to act which are manifested in three ways, namely: "suppression, complacency and confused priorities". The implementation failure takes place when public managers and leaders identify problems and take steps to develop solutions but do not implement those solutions, or implement them insufficiently. Implementation failure occurs in four ways, notably: (1) delivery failure which occurs when officials of all levels fail to recognise an opportunity to implement policies or good ideas; (2) derailment which occurs when managers recognise good ideas but lose them in the implementation process because the ideas were not fully developed; (3) investment overload which refers to the implementation of solutions after excessive investment in time and effort; and (4) replication failure which refers to a situation where solutions are implemented successfully in one unit or department, but not spread to the entire department or public service (Nadler et al., 1992:156-7).

It is argued that the government must have a clear strategy or policy to address the capacity of public officials to act. Priority areas must be identified and resources be allocated to speed up implementation of capacity-building programmes for developing competent human resources who are able to perform better and faster in a globally competitive environment. Clear accountability lines must be established both for transparency and control purposes.

Nadler et al. (1992:170) argue that “increased capacity to act is evident when there is a clear focus on core priorities, a bias towards results and empowerment that contributes to improving quality of service delivery [business results], and human
resources leverage”. It is noted that the leverage emanates from applying learning throughout the local sphere of government to "learn-efficient systems and to become a knowledge-intensive organization" that is capable of anticipating shifts in its changing environment (Peppard and Rowland, 1995:87).

It is worth mentioning that a good learning organisation is founded on the principles of high-performance work systems (HPWS), which is “a system that brings together work, people, technology and information in a manner that optimizes the congruence or fit in order to produce high performance in terms of the effective response to customer requirements and other environmental demands and opportunities” (Nadler et al., 1992:118). The impact of HPWS is not only on internal efficiency, but also on external effectiveness, which refers to the manner in which the organisation is able to cope with changes emanating from external environments. Nadler et al., (1992:120) argue that the design of learning must be “customer- and environment-focused. Because the primary environmental factor is the customer of the product or service that the local public service provides”. Hence the design of learning must be from the "outside-in" so as to be informed by the needs of the customer or people. This is not to say that the work and organisational processes and systems (the inside of the organisation) must be ignored.

As stated in the latter chapters, the development and implementation of the most appropriate PPP model is not straightforward, but complex. It requires of metropolitan governments to concern themselves with issues of transparency, accountability, the competitiveness of the PPP bids, the appropriate allocation of risks, private sector/developers' financial returns commensurate with risks, metropolitan government guarantees, investment, and credit enhancements (Ankintoye, et al., 2003:xix). Management of risk or risk-sharing is considered to be at the heart of most arguments against PPP (ibid.). To minimise risks and maximise benefits, principles of value-management service, where decisions against a value system determined by a client are audited, must be applied throughout the PPP project life cycle. Risk must be identified, assessed, mitigated and priced during the first phase of the project or prior to any proposal approved by the National Treasury.
7.2.11 New Public Administration theory

The current theory used in the practice of public administration is the New Public Management theory (NPM) which was founded on the wrong proposition held by the private sector. What is needed is public administration and a PPP that is more public-focused than serving the interest of the rich. It is recommended that the New Public Administration (NPA) theory be developed and adopted by the South African local government. With the development of the NPA, there will be a “return to issues of ethical and values of public administration which is centred on public orientation, where shared or common interests of citizens are the compass” (Fraser-Moleketi, 2007:2). In addition, the NPA will enable the government to be more responsible, responsive and flexible, and improve its direct accountability to the citizens. In terms of this theory, the state is seen to play an extensive role in sustainable development and in improving the material well-being of the people, in particular the poor. Pochards in Fraser-Moleketi (2007:2) agrees that “the state has missions even more demanding and compelling which consist in ensuring the control of all the forces and threats that weigh upon the world and are very varied and formidable: - the power of ideologies or extremisms of all kids...the power of hidden forces such as drug networks or mafia which undermine states and constitute an ever-present seed of disorder and conflict – powers connected with fantastic perspectives opened up by scientific discoveries, whether they concern genetic manipulation or the diversification of the methods of mass destruction;... To confront these powers and threats we need strong states and public authorities capable of rising to the challenge and acting effectively, both at their own level and at the level of the world as a whole... This role of public authorities seems to us more decisive for the future than relating solely to everyday needs of citizens”.

7.2.12 Proposed subfields of study of Public Administration and Management

Public Administration should not be studies in the vacuum. It is a study that is interdependent of other studies in social and natural sciences (Cloete, 1982:16). The following subfields of study are proposed:
1. **Economics of Public Administration:** This study focuses on how the metropolitan government as part of the organs of state improve local economic growth. It also focuses on how the economic resources are generated and distributed in the process LED though PPP. In addition, for PPP to be successful, it has been mentioned that economic vehicles such as special purpose vehicles (SPV) must be established and be managed in a business like manner so that they can be sustainable. In this regard, communities have been encouraged to form cooperatives which will need to make profit or surpluses as a sign that sound financial management principles and tools have been used. This means that the study of PPP is a mix of Economics and Public Administration Sciences, and hence the proposed new field of Economics of Public Administration will need to be developed further and adopted by Public Administration scholars. Courses such as economic theories, public economics, privatisation, management of outsourced public services, public sector forecasting which must cover feasibility studies for PPP projects, benefits analysis, Public sector logistics management; treasury management principles, basic corporate accounting and management principles.

2. **Risk Management for Public Administration:** PPP is a new phenomenon. It is multi-faced and complex concept which was developed to enable the public sector or metropolitan government to pass the risks to the private sector as the only party that can bear it most. Public Administration scholars and practitioners must understand the types, nature of and the extent in which risks affect or become a constraint to economic growth. This subfield must provide scholars and policy makers with research on how to mitigate these risks so that LED projects can be successful.

3. **Public Administration Law (PAL)** is proposed as a new subfield of Public Administration and Management. Courses like contract management, interpretation of statues or public policy, law of contract; local government law, service delivery law, company lay, corporate governance law; law of supply chain management; and financial law will be introduced as part of this
degree. PAL will enable scholars and practitioners to approach PPP not only from economics and risk management sides, but also from a legal side.

4. **Stakeholder management studies** are also proposed to enable scholars and practitioners to be equipped with skills and knowledge of lobbying, canvassing for effective participation of citizens and other role-players, and manage stakeholder relations in long-term public sector projects that involves the participation of the business sector as profit making institutions. In addition, customer relationship management, conflict resolution, sustainable development, decision making, project management, and systems management will be included.

### 7.3 Conclusion

South African local government is caught in the throes of change, which was shaped by South Africa’s liberalisation in 1994, and the 1995 and 1996 local government elections. The freeing of South Africans from the previous apartheid constraints led the democratic government to develop and implement a plethora of policies aimed at transforming, restructuring and democratising the local state and society in order to sustain the provision of public services and good local governance. The mounting responsibility facing municipalities is to obtain wisdom to effectively and efficiently "structure and manage its administration and budgeting, and planning processes to give priority to the basic needs of the community, and promote the social and economic development of the community", as provided for in Section 153 of the Constitution of the Republic of South Africa, 1996.

The bottom-up approach is considered to be imperative, and it would be prudent to take initiatives to improve LED so as to meet the needs of the local inhabitants. The argument for a bottom-up approach is that developmental municipalities would enable local inhabitants to tap their full potential so as to contribute and take the lead in the socio-economic development of their local areas. Parnell *et al.* (2002:3) write that “the essence of local economic development is that it gives municipalities new responsibilities for local development planning, which often involves partnerships with the private sector and civil society”. In terms of the Constitution, 1996,
municipalities are encouraged to be innovative in taking the initiative towards economic development. It is in this regard that Pimstone et al., (1998:154) consider LED as an “urban entrepreneurialism” which supports the notions of bottom-up economic development and willingness of the local government to learn and adopt new economic and management strategies from the local private sector. The argument is that the developmental local sphere of government has a vital role to play in improving the country’s economic growth. The Economic Development Working Group of the South African Cities Network (SACN) which consists of nine municipalities, namely Buffalo City, Cape Town, Ekurhuleni, Ethekwini, Johannesburg, Mangaung, Msunduzi, Nelson Mandela, and Tshwane, was established to investigate and develop bottom-up approaches for effective local economic growth. These municipalities are considered as the main economic engines in the country. Together they contributed 55.6% of the GDP in 2000, and the contribution keeps on increasing (Weis, 2002:4).

Of note is the “growth paradox” considered to be explicit in the nature and extent to which the economy is growing (Binza, 2003:5). The country’s economy is growing on the one hand, but on the other hand it continues to be jobless, voiceless, rootless, and futureless (Human Development Report, 1995/96:2-4). The involvement of metropolitan governments and their partnerships with the private sector is considered to be an antidote to this continuing paradox.

Distributional outcome will, however, not come easily as globalisation has effected tremendous changes in the character and functions of the South African government and body politic. The developmental orthodoxy of liberalisation by the present government has deepened its linkages with both the developed and underdeveloped countries. The same argument applies to the manner in which the government has profoundly improved its relationship with the (local) private sectors, non-governmental organisations (NGOs), community-based organisations (CBOs), and general citizenry. There are still contradictions in progress between government and some members of social movements, and among the country’s body politic on matters of privatisation and PPPs (Sparks, 2003:14).
The study further briefly highlights the difficult hurdles in the implementation of PPPs which still remain and which are ideological in nature, as well as other difficulties related to risks and the "work shyness" of some municipal public servants. In this context, lack of capacity, lack of capital and resources, poverty and unemployment are considered to be problems in this research study. In addition, "performance and PPP megaproject paradoxes" are considered to be problems which limit the success of the PPP model to improve local economies of the metropolitan governments (Flyvbejrg et al., 2003:10). Performance paradox is constructed from the a view that municipalities and governments around the world have “proposed, built many and much larger infrastructural projects, and many of these (PPP) projects have mixed results in terms of the environment, economy and public support” (ibid.). The latter paradox refers to the “irony that many and more PPP megaprojects are being proposed and built despite the poor performance record of many PPP projects” (ibid.: 11). To deal with the above problems, the study notes that the extension of a high-trust local democracy through synchronisation between public and private sectors is held to be a potential for good governance, accelerated municipal service delivery and sustainable local economic growth and development.

The solutions to the performance and the PPP megaproject paradoxes lie deep in the effective implementation of supply-chain management, hence the municipalities must be encouraged to comply with Chapter Eleven, Part One of the Municipal Finance Management Act, 2003 (Act 56 of 2003). It is required of the municipalities to also comply with the Municipal Public-Private Partnership Regulation of 2006, which provides that municipalities must develop their local economies through PPP and therefore comply with all the five milestones of the PPP project life cycle for local government.

The generation of resources from private funds can happen in different ways, such as developing municipal bond markets and through PPPs. In addition a harmonious economic and socio-political environment is necessary to entice investors to invest in the country. The role of municipalities is considered as that of creating an enabling environment conducive for government, private sector and communities to participate in building local economies that will result in improving economic growth.
A bottom-up approach aims at ensuring that at least economic growth will contribute to increasing employment for the local inhabitants to get jobs and combat poverty. In addition, developmental municipalities will benefit when the local economy has registered growth rates as its revenues will increase, and payment for service charges will improve.

The brief descriptive overview of the international forums that South Africa is a signatory to, is provided with that of the local governments of the countries of the world with opportunities and an array of procedures for projecting local concerns onto global agendas. One study asserts that local government is being “reshaped in the global discourse of the NPM. Not only are distant localities being linked together by very real and rapidly increasing flows of capital, flexible production processes, and people in motion; they are also becoming connected through networks of expertise” (Salskov-Iversen et al., 2000: 183).

It is important that LED programmes and projects must be accessible to all citizens and other relevant stakeholders. Accessibility to markets by citizens as voters and consumers of goods and services is considered to be paramount in enhancing the efficiency of any local economy.

The 21st century developmental local government must be development- and learning-orientated with development that is people-centred. The aim is to combat a dependency syndrome of local government on aid from provincial and national government and dependency of local inhabitants on government. In addition, the development-orientated local government sphere represents a determination to change the culture of local government and to abide by the triple bottom-line principles provided for in the Earth Charter and Local Agenda 21 adopted in 1992 at the Earth Summit in Rio, Brazil.

The new century is marked by times of increasing change, and presents challenges to public organisations to meet the increasing demands from the people they serve. Some of the challenges emanate from social, economic, political, technological and global environments. These challenges cannot be met effectively with yesterday’s skills and knowledge. The capacity and ability to adapt to a new learning
organisational paradigm and to anticipate change remains critical to the present public organisation. As organisations operate in a changing environment with continuously changing technology, they also need to adopt a paradigm shift from traditional organisation to a learning organisation which engages in scientific market research, staff development and performance management. The shift is necessary because a learning organisation is one in which people learn continuously and acquire knowledge and skills, not only for their career paths, but also for organisational success and service-delivery improvements. The study concludes that learning is one of the most important organisational strategies to improve performance and productivity. Improving the productivity of public human resources is a significant factor contributing to improving service delivery and thus bringing changes to people’s lives.

In addition, it is noted that the key challenges to effective policy implementation of LED is that the metropolitan governments have ambiguous economic policies and strategies and are therefore unable to tackle poverty; limited capacity to develop their own LED policies using their recent and reliable data, hence their LED policies are "cut and paste" of the national government LED strategies and frameworks, and unemployment and low skills levels which are major constraints to local economic competitive cities. They make significant contributions to the country’s GDP, but these remain the areas with the greatest concentration of poverty (South African Cities Network, 2006:10).

It is concluded that the theories and approaches discussed in this thesis are highly relevant to the present practice of local public administration. In addition, they are applied to the developmental programmes aimed at improving and sustaining local economic development. However, each theory, when applied, may have a unique impact, if incorrectly applied, on sustaining the socio-economic conditions of the peoples of South Africa, in particular those living within the jurisdiction of the metropolitan governments.

This thesis concludes that local government alone will not be successful in realising its mandates as enshrined in Section 152 of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) without the involvement of the private sector
and civil society movements. Therefore, the involvement of the private sector through PPPs is considered to be one of the most viable option. The Municipal Finance Management Act, 2003 (Act 56 of 2003) provides that a municipality may enter into a PPP agreement if it can demonstrate that the project is a value-for-money solution and improves efficiency in service delivery. The model will enable municipalities to have "skills gain", and to transfer financial and operational risks to the private party. It is in this stimulating context that one argues that the PPP model overlay is more than a convenient local government instrument to accelerate growth and development of local economies and service delivery; it is also a target of political economic opportunity for a democratic government.

However, development of the "natural moral inclination" of the elected representatives needs attention. The view is that leaders are endowed with moral sense, but not all possess it with equal strength, as required by government to build leadership capacity to act through education, training and development (Cooper, 1991:83). What this amounts to is that these theories offer an alternative that the classical political ideas embraced in the Reconstruction and Development Programme; Growth, Employment and Redistribution Strategy; Municipal Service Partnerships; and National Treasury Regulation 16 of 2004; the Constitution of the Republic of South Africa, 1996; Public Finance Management Act, 1999 (Act 1 of 1999), as amended; and Municipal Finance Management Act, 2003 (Act 56 of 2003) would enable voters or people to "look forward with hope and visions of the great promise of civic virtue" in times of ongoing changes (Cooper, 1991:183). The assumption is that the respect and the application of the above-mentioned theories would bring satisfaction to citizens as voters, public servants as technocrats, and elected representatives as servants of the people.

It is suggested that the South African municipalities adopt this model in order to be on an equal footing with other developed countries, and as a symbol of being committed to the implementation of the international declarations on local government to which it is a signatory. It is required of metropolitan governments to consider the impacts of the external and internal environments during the development, implementation, and evaluation of their LED policies and the proposed model. In this regard all stakeholders are required to use their scientific knowledge
and wisdom to ensure that the negative influences of the environments are minimal. It is considered important to conduct an environmental scanning before any actions towards LED are taken.

For development to be sustainable, the four types of capital mentioned above need to be developed in an interrelated and integrative manner. For example, the Ethekwini municipality notes that to achieve its vision of high economic growth and make the municipality globally competitive, it has to achieve the “balance between the need to redistribute resources and opportunities, on the one hand, with the requirements to grow and regenerate the economy on the other hand, as well as maintaining existing infrastructure and services. Actions to build on the inherent strengths of the economic capital will be vital to generate income and jobs. In order for this metropole to become globally competitive, the need exists to make serious efforts to upgrade human resources skills (human capital), and infrastructure (physical capital) to enable the metro to become a smart municipality, in touch with its citizens (social capital), and the world” (IDP of the Ethekwini municipality 2003/04:9).

This thesis is about the constructing of an appropriate public-private partnership model aimed at improving local economic development in South African metropolitan municipalities. This model is called the Participatory Development Systems model (PDSM) has been developed in chapter six to enable the municipalities to bring velocity in achieving their goals as provided for in Section 152 of the Constitution of the Republic of South Africa, 1996. It was neither about assessing whether the PPP projects in various metropolitan municipalities are effective or not, nor assessing whether the LED policies are able to place the local economy on a high growth path, enable the municipalities to combating poverty and unemployment.
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ANNEXURE A:

QUESTIONNAIRE COVERING LETTER
08 April 2006

The Respondents

<table>
<thead>
<tr>
<th>Respondent No.</th>
<th>Municipality</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Nelson Mandela Bay Municipality</td>
</tr>
<tr>
<td>Respondent No.2</td>
<td>City of Cape Town</td>
</tr>
<tr>
<td>Respondent No.3</td>
<td>Office of the CEO: MIIU</td>
</tr>
<tr>
<td>Respondent No.4</td>
<td>SAMWU</td>
</tr>
<tr>
<td>Respondent No.5</td>
<td>IMATU</td>
</tr>
</tbody>
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Dear Prof/ Dr /Sir/ Madam

A SURVEY ABOUT HOW PUBLIC-PRIVATE PARTNERSHIP [PPP] WOULD IMPROVE LOCAL ECONOMIC DEVELOPMENT IN THE CITY OF CAPE TOWN AND NELSON MANDELA METROPOLITAN MUNICIPALITIES

I would appreciate your cooperation with the above-mentioned research project.

The attached questionnaire is part of a Doctoral degree research project aimed at developing a public-private partnership model to improve local economic growth in the City of Cape Town and Nelson Mandela Metropolitan Municipality.
Your opinions and responses are very important to the national department of Provincial and Local Government, South African metropolitan governments, and to the researcher. Your opinions and responses will enable the researcher to develop a model for public-private partnership. The envisaged model should assist metropolitan governments to attain their constitutional mandates of improving local economic growth and development, shared governance, and combat poverty and unemployment in their respective areas.

The questionnaire has been designed to take a maximum of **five to ten minutes** to complete. No names have to be given and complete anonymity is guaranteed.

Your views and ideas on how the public-private partnership model should be developed and how should it be used to improve and sustain local economic growth and development, matters a great deal. If you would like to receive a copy of the summarised version of the research results, please indicate this at the back of the copy of the questionnaire and I will see to it that a copy is mailed to you.

I thank you so greatly for your assistance in the completion of my research project.

Yours sincerely

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Port Elizabeth, 6031  
Tel: 041-504 2256/2706  
Fax: 041-5041956  
Email: Mzikayise.binza@nmmu.ac.za
ANNEXURE B:

THE QUESTIONNAIRE
A SURVEY ABOUT HOW PUBLIC-PRIVATE PARTNERSHIP [PPP] WOULD IMPROVE LOCAL ECONOMIC DEVELOPMENT IN THE CITY OF CAPE TOWN (CCT) AND NELSON MANDELA BAY MUNICIPALITY (NMBM)

The purpose of this survey is to assess the progress made by the above two South African metropolitan governments on Public-private partnership in order to improve and sustain local economic growth.

Section A: Please make a tick (□) next to the appropriate answer.

1. Please indicate your age.

<table>
<thead>
<tr>
<th>Age</th>
<th>Count</th>
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</thead>
<tbody>
<tr>
<td>18-25 years</td>
<td>3</td>
</tr>
<tr>
<td>25-35 years</td>
<td>10</td>
</tr>
<tr>
<td>35-45 years</td>
<td>8</td>
</tr>
<tr>
<td>45-55 years</td>
<td>10</td>
</tr>
<tr>
<td>55-65 years</td>
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<td>65 years and above</td>
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2. Race Group:

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<tr>
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<th>Count</th>
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<tbody>
<tr>
<td>African</td>
<td>14</td>
</tr>
<tr>
<td>Coloured</td>
<td>10</td>
</tr>
<tr>
<td>Indian</td>
<td>4</td>
</tr>
<tr>
<td>White</td>
<td>4</td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>

3. Gender:

<table>
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<tr>
<th>Gender</th>
<th>Count</th>
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</thead>
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<tr>
<td>Female</td>
<td>17</td>
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<tr>
<td>Male</td>
<td>15</td>
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</tbody>
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Please indicate your period of service/employment

<table>
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<th>Count</th>
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<tbody>
<tr>
<td>Less than One year</td>
<td>8</td>
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<tr>
<td>One year – Two years</td>
<td>7</td>
</tr>
<tr>
<td>Two years- Three years</td>
<td>2</td>
</tr>
<tr>
<td>Three years- Four years</td>
<td>2</td>
</tr>
<tr>
<td>Five years and over</td>
<td>10</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
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</table>
5. Please indicate your position in the metro

<p>| | |</p>
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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>7</td>
<td>An elected representative/Councillor</td>
</tr>
<tr>
<td>1</td>
<td>Business Unit Manager</td>
</tr>
<tr>
<td>6</td>
<td>Manager</td>
</tr>
<tr>
<td>3</td>
<td>LED Specialist</td>
</tr>
<tr>
<td>8</td>
<td>Administrator /Officer</td>
</tr>
<tr>
<td>3</td>
<td>Shopsteward</td>
</tr>
<tr>
<td>4</td>
<td>Other</td>
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</table>

6. Please indicate your status of employment

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<td>Full time contract</td>
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<td>Part-time permanent</td>
</tr>
<tr>
<td>4</td>
<td>Part-time contract</td>
</tr>
<tr>
<td>2</td>
<td>Other</td>
</tr>
</tbody>
</table>

7. Please indicate your elected representation status

<p>| | |</p>
<table>
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<th></th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Mayor or Mayoress</td>
</tr>
<tr>
<td>1</td>
<td>PR Councillor</td>
</tr>
<tr>
<td>3</td>
<td>Ward Councillor</td>
</tr>
<tr>
<td>3</td>
<td>Independent Councillor</td>
</tr>
<tr>
<td>2</td>
<td>Member of the Mayoral Committee</td>
</tr>
<tr>
<td>3</td>
<td>Shopsteward</td>
</tr>
<tr>
<td>8</td>
<td>Other</td>
</tr>
</tbody>
</table>

PLEASE TURN THE PAGE FOR SECTION B
Section B:

Please read each statement and then put a cross (X) in the box that best indicates how strongly you agree or disagree with the statement.

For example: if you put a cross (X) in 1, it means you Strongly Agree

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>A partnership between the metropolitan governments and private sector is important to bring efficiency in service delivery.</td>
<td>24</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>The development of a public-private partnership model would enable the metropolitan governments to contribute significantly to the improvement of local economic development.</td>
<td>25</td>
<td>6</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>This form of partnership would enable the municipalities to access capital or resources necessary to accelerate economic growth and combating of poverty in their respective areas.</td>
<td>23</td>
<td>6</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>It is important that risks be transferred to a party or partner that could best bear it without jeopardising economic growth opportunities.</td>
<td>15</td>
<td>8</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>5</td>
<td>PPP would enable the metropolitan governments to gain skills from the private sector.</td>
<td>19</td>
<td>10</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>6</td>
<td>Skills transfer is necessary to improve capacity of municipalities to render public services in an efficient, effective, economical and equitable manner.</td>
<td>19</td>
<td>12</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Economic techniques to measure local economic growth rate by municipalities should be developed so as to know their contribution to GGP and GDP.</td>
<td>24</td>
<td>15</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>PPP would contribute to metropolitan government “putting people first”.</td>
<td>4</td>
<td>12</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>9</td>
<td>Effective municipal intergovernmental relations are considered as a positive factor in achieving the municipal goals provided in IDPs.</td>
<td>15</td>
<td>14</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Local economic development programmes must be linked and aligned to the municipal budgets and be included in the IDPs so that communities could know of them and then provide support for such developments.</td>
<td>14</td>
<td>17</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The participation of all metropolitan government stakeholders such as unions, relevant NGOs and CBOs, business sector and citizens should be harnessed from the initiation phase to the final phase of the development of public-private partnership programmes and projects.</td>
<td>12</td>
<td>15</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Infrastructural development (e.g. building and maintenance of roads, hospitals, etc) is the most viable option to make use of labour intensive mechanism to improve local economic development.</td>
<td>10</td>
<td>16</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Private sector involvement in municipal service delivery does not lead to the municipality providing poor services to the people.</td>
<td>1</td>
<td>9</td>
<td>11</td>
<td>7</td>
</tr>
<tr>
<td>14</td>
<td>With PPP, the management of the metropolitan government responds quickly to problems.</td>
<td>6</td>
<td>15</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>15</td>
<td>The Public-private partnership model must show the type of risks involved in PPPs transactions.</td>
<td>19</td>
<td>11</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Partners must know how the risks should be minimised.</td>
<td>21</td>
<td>9</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>17</td>
<td>The citizens feels valued when provided with a service, and would appreciate of the municipality sign more PPPs deals.</td>
<td>4</td>
<td>18</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>18</td>
<td>Private sector involvement in LED leads to job creation.</td>
<td>12</td>
<td>8</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td>19</td>
<td>The involvement of the private sector in the municipal affairs strengthens democracy and improves shared governance.</td>
<td>8</td>
<td>8</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>20</td>
<td>Outsourcing municipal services leads to effective, efficient and economic service delivery.</td>
<td>5</td>
<td>8</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>21</td>
<td>Value for money in local economic development could be achieved through PPPs.</td>
<td>4</td>
<td>17</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>22</td>
<td>Conducting SWOT analysis bring success to PPPs.</td>
<td>17</td>
<td>8</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>The National Treasury ever turned feasibility studies conducted by the municipality back.</td>
<td>1</td>
<td>5</td>
<td>25</td>
<td>1</td>
</tr>
<tr>
<td>24</td>
<td>National Treasury must provide financial and human resources assistance to municipalities to speed up the process of improving LED through PPP.</td>
<td>10</td>
<td>15</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>25</td>
<td>The PPP regime such as National Treasury, DPLG and Municipal Infrastructure Investment Unit must provide not only financial resources, but empower municipalities with skills to develop both their formal first and informal second economies for the benefit of all.</td>
<td>10</td>
<td>17</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>Strong leadership to drive the process of local economic development is necessary.</td>
<td>24</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>Municipalities must establish their business or industrial advisory councils or boards to assist them with resources necessary for LED in their areas.</td>
<td>11</td>
<td>16</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>Local economic development programmes and objectives must match human resources development programmes and objectives.</td>
<td>11</td>
<td>12</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>29</td>
<td>PPP leads to the increase in prices of goods and services that only the rich could afford.</td>
<td>4</td>
<td>9</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>30</td>
<td>Public-private partnerships promotes Black Economic Empowerment</td>
<td>3</td>
<td>7</td>
<td>11</td>
<td>7</td>
</tr>
</tbody>
</table>
Business development is an important component of local economic development as the attraction, retention of business activities is the best way to establish or maintain a healthy local economy.

The gateways sectors to local economic development are technology, education, manufacturing, construction, transport and communications, tourism and services sectors.

Analytical techniques for PPPs are a necessity to improve and measure local economic growth.

Has your metropolitan municipality developed and implemented a local economic development policy?

<table>
<thead>
<tr>
<th></th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>28</td>
<td></td>
<td>4</td>
</tr>
</tbody>
</table>

If your answer was yes in question 31, please indicate how public-private partnership ought to assist the municipality in bringing efficiency in realising high growth rate. [Please attach a copy of the LED policy].

The most suitable and effective option used by your metropolitan municipality to implement public-private partnerships

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Build Operate and Transfer (BOT)</td>
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<td>Build Own Operate (BOO)</td>
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<td>Leasing</td>
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<td>24</td>
<td>Joint Ventures (JV)</td>
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<td>24</td>
<td>Cooperative arrangements</td>
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<tr>
<td>2</td>
<td>Operations or Management Contract</td>
</tr>
<tr>
<td>1</td>
<td>Other</td>
</tr>
</tbody>
</table>
37 Are there any options that you use to implement public-private partnerships other than the types of PPPs or options provided in question 33 above? Please name them below:

________________________________________

________________________________________

________________________________________

38 Please provide any argument(s) against public-private partnership to be used as means to an end to improve and sustain local economic growth and development by your municipality. If the space provided is not enough, please use additional paper and attach at the back of this questionnaire marked: answer to question 35 of Section B.

________________________________________

________________________________________

39 Please indicate any suggestions that you might have to improve local economic growth through PPP.

________________________________________

________________________________________

________________________________________

THANKING YOU FOR YOUR COOPERATION!

Ref: MSBinza/questionnaire/April06
ANNEXURE C:

The mean and the descriptive statistics
## Descriptive Statistics

<table>
<thead>
<tr>
<th>Q1</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
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<td>2</td>
<td>1.22</td>
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<td>3</td>
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<td>3</td>
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<td>Q5</td>
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<td>4</td>
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<td>1.014</td>
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<td>3</td>
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<td>4</td>
<td>2.78</td>
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<td>3</td>
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<td>.628</td>
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<tr>
<td>Q33</td>
<td>27</td>
<td>1</td>
<td>3</td>
<td>2.07</td>
<td>.616</td>
</tr>
</tbody>
</table>

Valid N (listwise) 27
ANNEXURE D:

Language Verification
TO WHOM IT MAY CONCERN

I am a professional text editor, accredited with the South African Translators’ Institute (SATI).

On 29 August 2008, I completed my final linguistic editing of a theses written by

Mr Mzikayise Shakespeare Binza

Titled:

A public-Private Partnership Model for the Improvement of Local Economic Development in South African Metropolitan Government

Hellen Allen