PUBLIC-PRIVATE PARTNERSHIPS:

A qualitative approach to prospects for pharmacy in the South African health care environment

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Thesis submitted in fulfilment of the requirements for the degree Philosophiae Doctor in the Faculty of Health Science of the North-West University, Potchefstroom Campus.

Promoter: Prof JHP Serfontein
Co-Promoter: Dr KFH Botha
Co-Promoter: Prof MS Lubbe

POTCHEFSTROOM
2007
...but those who hope in the Lord
will renew their strength. They
will soar on wings like eagles;
They will run and not grow weary,
they will walk and not be faint.

(Isaiah 40: 31)

This thesis is in remembrance of my late father, AJH Lamprecht
and dedicated to my mother CJM Lamprecht.
PREFACE

My sincere gratitude and appreciation towards the following persons who made this possible:

- **My promoters:**
  - Prof JHP Serfontein – promoter
  - Dr KFH Botha – co-promoter
  - Prof MS Lubbe – co-promoter

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- The interviewees who participated in this investigation.

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  - Melanie Matthews
  - Philna Barnard
  - Hannelie Viviers
  - Hanlie Barkhuizen
  - Heleen du Plessis

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  - Prof Ilse Truter, Joe McClendon (USA); Alet Schutte, Riaan Buys, Nina Vermaak, Prof Jaco Breytenbach, Melanie Terreblance, Rinske Vreken, my relatives Cathy, Adriaan, Magnus and Mia. My gratitude also to my other friends associates and colleagues.

- Soli Deo Gloria!
ABSTRACT

Subject: Public-private partnerships: A prospect for pharmacy in the South African health care sector.

Key words: Public-private partnerships, partnerships, public sector, private sector, health care, pharmaceutical services, prospects, model, capacity.

BACKGROUND

Powerful public-private partnerships (PPPs) can only be established if the partners are able to deal with complexity. Such partnerships may serve to stimulate local community and economic development. Thus, it may maximise the effectiveness of local groups and resources in meeting the needs for rebuilding a community through a partnership representative of the public and private sectors. A problem that exists in South Africa, is the uneven distribution of population ratios dependent on public and private sector health care service delivery, in relation to the proportion of pharmaceutical service providers in the different sectors.

OBJECTIVE

The main objectives of this qualitative research investigation were to examine the prospects for PPP development in the pharmaceutical sector of South Africa as well as to explore the possibilities of a proposition for a proposed generic public-private partnership model to be managed and used in the pharmaceutical sector of South Africa.

METHOD

The study comprises of the exploration of the research questions by means of a qualitative research design. The study design implicated a balance between the in-depth literature study and a qualitative research process. The researcher employed a grounded theory approach to collect and analyse the data. Data collection represented the identifiable role players and opinion formulators in the South African health care sector. By following a combination of the various qualitative sampling methods and techniques, a total of 38 (n=38) interviews were conducted. The data collected from the
interviewees and from the literature study were integrated and analysed by making use of computer assisted data analysis.

SETTING

The researcher selected interviewees from the South African health care sector. The interviews included role players in the pharmaceutical sector in both the public and private sectors. The interviewees further represented eight different spheres of the pharmaceutical setting in South Africa.

KEY FINDINGS

The investigation identified a range of prospects for PPP development in South Africa and these were reported in terms of views, expectations and scope for success. The management elements for developing and sustaining joint ventures between the public and private sectors were identified and a proposition was formulated in theory to serve as a proposed generic PPP model (PGM) in the pharmaceutical sector for the South African health care milieu.

CONCLUSION

The exploratory qualitative investigation surfaced the various facets of the complexity of PPPs. The investigation concluded that several barriers, such as competition and market entry disparities between the macro and micro level pharmaceutical entities, which impede PPP development, affected the prospects for PPP development in South Africa. The South African legislation, South African Treasury guidelines, regulations and the views of the SA Competition Commission need transformation to accommodate both the micro and macro level pharmaceutical service providers in the formation of PPPs. Capacity building within the sphere of pharmaceutical service delivery to the bigger population of South Africa may become sustainable on removal of these barriers. A series of recommendations were presented and several critical issues in need of supplementary research, have been identified.
OPSOMMING

Onderwerp: Openbare- en privaatsektorvennootskappe: 'n Kwalitatiewe benadering tot die vooruitsigte vir apteekwese in die Suid-Afrikaanse gesondheidsorgomgewing.

Sleutelwoorde: Vennootskappe, openbare sektor, privaat sektor, gesondheidsorg, farmaseutiese dienste, vooruitsigte, model, kapasiteit.

AGTERGROND

Kragtige openbare- en privaatsektorvennootskappe (OPV's) kan slegs tot stand kom indien die vennote in staat is om kompleksiteit te beheer. Hierdie vennootskappe mag instrumenteel dien om plaaslike ontwikkeling en die ekonomie te stimuleer. Daarom mag hulpbronne van plaaslike groeperings se effektiwiteit gemaksimaliseer word, asook daartoe bydrae dat daar in die gemeenskap se behoeftes voorsien word deur 'n vennootskap wat deur die privaat- en openbare sektor verteenwoordig word. In Suid-Afrika bestaan die probleem dat die dele van die bevolking wat van farmaseutiese dienste deur die staat en deur die privaatsektor afhanklik is, nie in ewewig is nie.

DOELWITTE

Die hoofdoelwit van die kwalitatiewe navorsingsondersoek was om die vooruitsigte vir die ontwikkeling van vennootskappe tussen die staat en die privaatsektor te ondersoek. 'n Tweede doel was om 'n generiese vennootskapsmodel voor te stel wat in die farmaseutiese sektor van Suid-Afrika bestuur kan word en bruikbaar is.

METODE

In die studie word die navorsingsprobleem ondersoek deur eksplorasie en daar word gebruik gemaak van 'n kwalitatiewe navorsingsontwerp. Die navorsingsontwerp verteenwoordig 'n balans tussen 'n in-diepte literatuurstudie en 'n kwalitatiewe navorsingsproses. Die navorser maak gebruik van die begrondingsteoriebenadering om die data te versamel en te analiseer. Die dataversameling verteenwoordig identifiseerbare roolspelers en opinieformuleerders in die gesondheidsorgomgewing van Suid-Afrika. Deur verskillende kwalitatiewe dataversamelingsmetodes en -tegnieke te gebruik is daar 'n totaal van 38 (n=38) onderhoude gevoer. Die data wat vanaf die onderhoude sowel as vanaf die literatuurstudie bekom is, is geïntegreer en daarna deur middel van rekenaarondersteunde data-analise geanalyseer.
OMGEWING

Die navorser het onderhoude met uitgesoekte persone in die Suid-Afrikaanse gesondheidsorgomgewing gevoer. Die onderhoude het rolspelers in die farmaseutiese sektor in beide die privaat- en openbare sektore ingesluit. Die onderhoude is gevoer met persone wat verteenwoordigend was van agt verskillende sfere in die farmaseutiese omgewing in Suid-Afrika.

SLEUTELBEVINDINGE

Die ondersoek het 'n reeks vooruitsigte vir OPV-ontwikkeling in Suid-Afrika geïdentificeer en termee van beskouings, verwagtinge en visies oor sukses. Die bestuurselemente vir die ontwikkeling van volhoubare vennootskappe tussen die privaat- en openbare sektor is geïdentificeer en 'n voorstel is teoreties geformuleer ten opsigte van 'n voorgestelde generiese OPV model (VGM) in die farmaseutiese sektor vir die Suid-Afrikaanse gesondheidsmilieu.

AFLEIDING

Uit die eksploratiewe kwalitatiewe navorsingsondersoek het verskeie fasette van die kompleks samestelling van OPV's na vore gekom. Die ondersoek het bevind dat verskeie struikelblokke, soos dispariteite ten opsigte van kompetisie tussen die mikro- en makro-vlak farmaseutiese ondernemings in die mark bestaan tot toetrede van OPV's in die mark. Hierdie aspek strem OPV-ontwikkeling, en beïnvloed die vooruitsigte vir OPV-ontwikkeling in Suid-Afrika. Die Suid-Afrikaanse wetgewing, riglyne van die SA Tesourie, regulasies en die beskouing van die SA Raad op Mededinging sal moet transformeer om voorsieners van farmaseutiese dienste op mikro-sowel as makro-vlak op gelyke basis te akkommodeer. Die ontwikkeling van kapasiteit ten opsigte van farmaseutiese diensverskaffing in Suid-Afrika mag lewensvatbaar raak indien die struikelblokke verwyder word. 'n Reeks aanbevelings is gemaak en verskeie dringende aspekte is geïdentificeer wat verdere navorsing regverdig.
### ACRONYMS AND ABBREVIATIONS:

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<thead>
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<th>Acronym</th>
<th>Description</th>
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<tr>
<td>AIDS</td>
<td>Acquired immunodeficiency syndrome</td>
</tr>
<tr>
<td>ANC</td>
<td>African National Congress</td>
</tr>
<tr>
<td>ARV</td>
<td>Anti retroviral</td>
</tr>
<tr>
<td>AZA</td>
<td>Dutasterida (Antiretroviral agent)</td>
</tr>
<tr>
<td>BEE</td>
<td>Black Economic Empowerment</td>
</tr>
<tr>
<td>BHF</td>
<td>Board of Health Care Funders</td>
</tr>
<tr>
<td>BOT</td>
<td>Build-operate-transfer</td>
</tr>
<tr>
<td>BOOT</td>
<td>Build, own, operate and transfer</td>
</tr>
<tr>
<td>BPD</td>
<td>Business Partners for Development</td>
</tr>
<tr>
<td>CAQDAS</td>
<td>Computer-assisted qualitative data analysis software</td>
</tr>
<tr>
<td>CBO</td>
<td>Community Based Organisation</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief executive officer</td>
</tr>
<tr>
<td>CIE</td>
<td>Community Impact Evaluation</td>
</tr>
<tr>
<td>CHCs</td>
<td>Community Health Centres (Clinics)</td>
</tr>
<tr>
<td>COAG</td>
<td>Council of Australian Governments</td>
</tr>
<tr>
<td>CPS</td>
<td>Community Pharmacy Society (Sector of the PSSA)</td>
</tr>
<tr>
<td>BDFO</td>
<td>Built - design – finance – operate</td>
</tr>
<tr>
<td>DFID</td>
<td>UK Department for International Development</td>
</tr>
<tr>
<td>DPLG</td>
<td>The Department of Provincial and Local Government</td>
</tr>
<tr>
<td>DOH</td>
<td>South African National Department of Health</td>
</tr>
<tr>
<td>DOTS</td>
<td>Directly observed therapy system (Tuberculosis management)</td>
</tr>
<tr>
<td>DSP</td>
<td>Designated service provider</td>
</tr>
<tr>
<td>EC</td>
<td>European commission</td>
</tr>
<tr>
<td>EDL</td>
<td>Essential Drugs List</td>
</tr>
<tr>
<td>Acronym</td>
<td>Full Form</td>
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<td>---------</td>
<td>-----------</td>
</tr>
<tr>
<td>EHR</td>
<td>Electronic Health Record</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FOSAD</td>
<td>Forum for South African Directors General</td>
</tr>
<tr>
<td>G7-countries</td>
<td>USA, Canada, England, France, Germany, Italy and Japan</td>
</tr>
<tr>
<td>GATS</td>
<td>General Agreement on Trade in Services</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross domestic product</td>
</tr>
<tr>
<td>GEAR</td>
<td>Growth, Employment and Redistribution A Macroeconomic Strategy</td>
</tr>
<tr>
<td>GI</td>
<td>GI Bill (USA Bill on education benefits for war veterans)</td>
</tr>
<tr>
<td>GNP</td>
<td>Gross national product</td>
</tr>
<tr>
<td>GNPP</td>
<td>Government-non-profit partnership</td>
</tr>
<tr>
<td>GTZ</td>
<td>GTZ Corporate (Closed limited company owned by the German Federal Government)</td>
</tr>
<tr>
<td>GP</td>
<td>General practitioner (medical)</td>
</tr>
<tr>
<td>GPPP</td>
<td>Global public-private partnership</td>
</tr>
<tr>
<td>HEBM</td>
<td>Health care electronic benefit management company</td>
</tr>
<tr>
<td>ICASA</td>
<td>Independent Communications Authority of South Africa</td>
</tr>
<tr>
<td>IDC</td>
<td>Industrial Development Corporation (of South Africa)</td>
</tr>
<tr>
<td>IDTT</td>
<td>Interdepartmental task team</td>
</tr>
<tr>
<td>IPA</td>
<td>Independent Practitioners Association</td>
</tr>
<tr>
<td>IT</td>
<td>Information technology (computer based information technology)</td>
</tr>
<tr>
<td>HIV</td>
<td>Human immunodeficiency virus</td>
</tr>
<tr>
<td>HOPS</td>
<td>Heads of Pharmaceutical Services</td>
</tr>
<tr>
<td>MCC</td>
<td>Medicines Control Council</td>
</tr>
<tr>
<td>MEC</td>
<td>Parliament Member of the Provincial Executive Council</td>
</tr>
<tr>
<td>MFMA</td>
<td>Municipal Finance Management Act (Act 56 of 2003)</td>
</tr>
<tr>
<td>MTEF</td>
<td>Medium Term Expenditure Estimates</td>
</tr>
<tr>
<td>MTEC</td>
<td>Medium Term Expenditure Committee</td>
</tr>
<tr>
<td>NDP</td>
<td>National Drug Policy</td>
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</table>

**PPPs:** A qualitative approach to prospects for pharmacy in the South African health care environment
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<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>NCP</td>
<td>National Competition Policy</td>
</tr>
<tr>
<td>NGDO</td>
<td>Non-governmental development organisation</td>
</tr>
<tr>
<td>NGO</td>
<td>Non governmental organisation</td>
</tr>
<tr>
<td>NHS</td>
<td>National Health Services</td>
</tr>
<tr>
<td>NMTEE</td>
<td>National Medium Term Expenditure Estimates</td>
</tr>
<tr>
<td>NPM</td>
<td>New public management</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
</tr>
<tr>
<td>OPV</td>
<td>Openbare- en privaatsektorvennootskap</td>
</tr>
<tr>
<td>PBM</td>
<td>Pharmacy Benefit Management Organisation</td>
</tr>
<tr>
<td>PCDT</td>
<td>Primary care drug therapy</td>
</tr>
<tr>
<td>PCG</td>
<td>Primary care group</td>
</tr>
<tr>
<td>PCT</td>
<td>Primary care trust</td>
</tr>
<tr>
<td>PFI</td>
<td>Private Finance Initiative</td>
</tr>
<tr>
<td>PFMA</td>
<td>Public Finance Management Act 1999</td>
</tr>
<tr>
<td>PGM</td>
<td>Proposed generic model</td>
</tr>
<tr>
<td>PRC</td>
<td>People's Republic of China</td>
</tr>
<tr>
<td>PPP</td>
<td>Public-private partnership</td>
</tr>
<tr>
<td>PPI</td>
<td>Public Private Investment</td>
</tr>
<tr>
<td>PPIs</td>
<td>Public-private Interactions</td>
</tr>
<tr>
<td>PPPU</td>
<td>Public-private Partnership Unit</td>
</tr>
<tr>
<td>PSC</td>
<td>Public Sector Comparator</td>
</tr>
<tr>
<td>PSSA</td>
<td>Pharmaceutical Society of South Africa</td>
</tr>
<tr>
<td>RFP</td>
<td>Requests for Proposals</td>
</tr>
<tr>
<td>SA</td>
<td>South Africa</td>
</tr>
<tr>
<td>SANAC</td>
<td>South African National Aids Council</td>
</tr>
<tr>
<td>SAPC</td>
<td>South African Pharmacy Council</td>
</tr>
<tr>
<td>SAR</td>
<td>Hong Kong Special Administrative Region</td>
</tr>
</tbody>
</table>

**PPPs: A qualitative approach to prospects for pharmacy in the South African health care environment**
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<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPV</td>
<td>BEE Holdings Company</td>
</tr>
<tr>
<td>STDs</td>
<td>Sexual transmitted diseases</td>
</tr>
<tr>
<td>STI</td>
<td>Sexual transmitted infections</td>
</tr>
<tr>
<td>SMNEs</td>
<td>Small to medium new entrepreneurs</td>
</tr>
<tr>
<td>TA</td>
<td>Treasury authorization</td>
</tr>
<tr>
<td>TCS</td>
<td>Thematic-category structure</td>
</tr>
<tr>
<td>TEC</td>
<td>Training and Enterprise Council</td>
</tr>
<tr>
<td>TRAC</td>
<td>Trans African Concessions (Pty) Limited</td>
</tr>
<tr>
<td>TRIPS</td>
<td>Trade-related aspects of intellectual property rights</td>
</tr>
<tr>
<td>UDC</td>
<td>Urban development corporation</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom (Great Britain)</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations (America)</td>
</tr>
<tr>
<td>UNICEF</td>
<td>United Nations Children's Fund</td>
</tr>
<tr>
<td>UPFRS</td>
<td>Unified Pricing System</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>US</td>
<td>United States (American)</td>
</tr>
<tr>
<td>USA</td>
<td>United States of America</td>
</tr>
<tr>
<td>USAP</td>
<td>United South African Pharmacists</td>
</tr>
<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
</tr>
<tr>
<td>VAT</td>
<td>Value added tax</td>
</tr>
<tr>
<td>VCT</td>
<td>Voluntary counselling and testing (for HIV/AIDS)</td>
</tr>
<tr>
<td>VCO</td>
<td>Voluntary and community organisations</td>
</tr>
<tr>
<td>VGM</td>
<td>Voorgestelde generiese model</td>
</tr>
<tr>
<td>WHO</td>
<td>World Health Organisation</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organisation</td>
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## Chapter 4

**Grounded Theory: Philosophy, methodology and interviewing**

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PPPs: A qualitative approach to prospects for pharmacy in the South African health care environment
Klijn and Teisman (2000:90) posit that powerful PPPs can only be established if the partners are able to deal with complexity. If complexity is seen as a threat, partnership may soon be transformed into a traditional contracting out arrangement. This means that the project not only has to be subject to the creation of a fruitful partnership among the different perceptions, interests and goals of the various role players, but it also has to lead to the co-ordination of the different activities of the players in order that actual results may be achieved.

Public-private partnerships (PPPs) constitute an increasing aspect of delivery of public policies and services across the world. The 1990s have seen the establishment of PPPs as a key tool of public policy across the world. Not only have they come to be regarded as a cost-efficient and effective mechanism for the implementation of public policy across a range of policy agendas, but they have also been articulated as bringing significant benefits in their own right, particularly in terms of developing socially inclusive communities (Osborne, 2000:1).

Partnerships are, above all, a tool that can be used to stimulate local community and economic development. Thus, they are formed to maximise the effectiveness of local groups and resources in meeting the needs for rebuilding the community (Walzer & Jacobs, 1998:13).

1.1 BACKGROUND

Increasing social and political complexity and technological development have taken the cost of health care provision beyond the reach of most developing countries' governments, and there is a growing emphasis on the responsibility of individuals, to provide for their own health care (Anon, 1998:6). In fulfilling the goals of national drug policies, governments play a central role in ensuring that drugs distributed through the public and private sectors are of acceptable quality, safe and effective. Governments have a responsibility, moreover, to promote the rational use of drugs. Among the decisions, which governments have to face in the pharmaceutical sector, the most complex and
costly often concern the financing and supply of drugs for government health services (Anon, 1998:7).

Recent decades have seen a new focus on the notion of partnerships between the public and private sectors, having first been developed in the United States of America (USA) during the 1970s before spreading at various rates to other countries (Carroll & Steane, 2000:38).

The decisive agents in setting up a new, global economy were governments, particularly the governments of the wealthier countries, the G7, and their ancillary international institutions, the International Monetary Fund, the World Bank, and the World Trade Organisation. Further, according to Castells (2000:137), three interrelated financial and economic trends created the foundations for world globalisation, viz.:

- Deregulation of domestic economic activity (starting off with financial markets);
- Liberalisation of international trade and investments;
- Privatisation of publicly controlled companies (often sold to foreign investors).

These policies were initiated in the United States in the mid-1970s and in Britain in the early 1980s. They spread throughout the European Union during the 1980s, and became the dominant policy in most countries in the world, and the common standard in the international economic system, in the 1990s. [How and why this occurred is a matter for historians (Castells, 2000:137).]

Klijn and Teisman, (2000:87) argue that the trend toward the "network society" is an important impetus behind partnership arrangements since partnerships are assumed to represent a more suitable way of organizing public initiatives in network-oriented societies. Partnership became popular in the 1980s, together with privatisation and contracting out. Theoretically, partnership differs considerably from contracting out. While contracting out represents an attempt to hand over activities to the private sector in order to improve efficiency (cost reduction), partnership is in essence a joint venture, aimed at innovation and improvement of quality. Partnership fits very well within the concept of the network society, mainly because of its ability to contribute to efforts to increase the quality of life, a central issue in network societies (Klijn & Teisman, 2000:99).
Partnerships, however, can only be successful as long as trust between the partners can be established and maintained. According to Klijn and Teisman (2000:99), specific categories of management are needed for partnerships in order to create added value and quality.

The international “Survey of Public Management Reforms” indicates that PPPs have been developed in many countries around the world in the context of radical programmes of “new public management” (NPM) reform (Drewry, 2000:57).

From a governmental level, the following recommendation on integrating the public and private health sectors was published in the Government Gazette (1997:32):

*The activities of the public and private health sectors should be integrated in a manner that makes optimal use of all available health care resources. The public-private mix of health care should promote equity in service provision.*

In terms of the South African perspective, the 1996 Constitution of South Africa states, “everyone has the right to have access to health care services” (Section. 27. [1] [a]). Furthermore:

*... the state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realization of each of these rights* (Section 27. [2]).

The simplest forms of PPPs have been part of South Africa’s procurement landscape for some time. More complex arrangements, in particular long-duration contracts that entail private finance, represent new ground. Limited experience with more complex PPPs to date has produced mixed results. Correctly structured, however, such partnerships are a useful service delivery option from both an operational and a strategic perspective (South African National Treasury, 2001:6).

The Minister of Finance, Trevor Manuel (2004), sites that South Africa proudly ranks among the leading countries in the world in legislation, policy and systems that have been established for public private partnerships. Moreover, the Minister states that wherever the transfer of financial and operating risk to a private partner through a PPP gives an affordable, cost-effective solution for a service, it will be pursued (South African National Treasury, 2004:1).
1.2 PROBLEM STATEMENT

In South Africa, vibrant future expectations were animated in 1996, by means of the published National Drug Policy's view on economic objectives, which propagated the establishment of complementary partnerships between Government bodies and private sector service providers in the South African health sector (South African National Department of Health, 1996:4).

Engaging with the private sector may enable the public sector to concentrate on the poor, while at the same time working towards a less segmented system under social health insurance that could yield benefits in terms of better access, improved equity and social cohesion (Health Systems Reform in South Africa, 2002).

Ten years later the problem remains unresolved and questions are asked whether PPPs offer a "quick answer" to the problem or rather represent a "complex tangle" (Gray, 2006). On 20 June 2006 a news headline reads: PPPs are hindered by 'slow-paced government'. The report quoted the South African National Treasury's head of the PPP Unit saying: "One of the biggest problems facing PPPs is the slow pace at which projects are initiated by governmental departments" (Gray, 2006).

At the commencement of this investigation (in 2001), the largest portion of expenditure on health was in the private sector. Approximately 60% of expenditure is incurred in the private sector; and the majority of doctors (58%), pharmacists (89%), and dentists (93%) are employed in the private sector. Private hospital beds account for 28% of total hospital beds, and have grown by 113 from 1992 to 2000 (over eight years). In view of the financial constraints of the public sector and the size and strength of the private sector, partnerships can play an important role to help address these issues (SA National Department of Health, 2000:4).

Therefore, the problem intended for this qualitative research study necessitates an investigation into the prospects for future PPP developments in the pharmaceutical sector of South Africa.

1.2.1 South African population dependent on health care

Doms and Associates (2003) outlined, the existing scenario, to the Pharmaceutical Society of South Africa (PSSA) Executive Committee as follows (see Figure 1.1, p.5):

PPPs: A qualitative approach to prospects for pharmacy in the South African health care environment
Chapter 1: Introduction

- The total population of South Africa was estimated to be 45 million people depending on health care from either the private sector or the public sector.

- The estimated population insured with a medical aid scheme in the private sector was 7.3 million people.

- The population not insured with a private medical aid was an estimated 22.6 million employed citizens and 15.1 million unemployed.

The question was to verify in real terms what part of the population was served by which sector and whether the capability of the public sector would be able to sustain health care delivery to 37.7 million people? From Fig 1.1, it is apparent that only approximately 16% of the South African population are covered by health insurance and that 84% (i.e. 22.6 million plus 15.1 million people), are employed or unemployed, but not covered by health care insurance.

![Diagram of South African population dependent on health care](image)

**FIG 1.1** SOUTH AFRICAN POPULATION DEPENDENT ON HEALTH CARE

### 1.2.2 Registered pharmaceutical service providers

Data were extracted from the database developed and supported by the Department of Pharmacy Practice, of the North-West University, Potchefstroom Campus on the number of registered pharmaceutical entities (service providers in the pharmaceutical sector), registered with the South African Pharmacy Council (SAPC). The results
revealed that the number of registered pharmaceutical service providers in the public sector increased from 574 in 2004, to the number of 586 in 2005. It is also found that the number of registered pharmaceutical service providers in the private sector increased from 3,250 in 2004, to the number of 3,316 in 2005. These numbers refer to ‘direct’ pharmaceutical service providers as well as ‘support’ pharmaceutical service providers. The essence of this demographic data is conceptualised in Table 1.1 and in Figure 1.2 as follows:

**TABLE 1.1 REGISTERED PHARMACEUTICAL SERVICE PROVIDERS VERSUS HEALTH CARE INSURANCE OF THE SOUTH AFRICAN POPULATION:**

<table>
<thead>
<tr>
<th>% Public sector</th>
<th>% Private sector</th>
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<tr>
<td>15</td>
<td>85</td>
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</table>

**National status of health insurance (2003)**

<table>
<thead>
<tr>
<th>% Insured</th>
<th>% Uninsured</th>
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<tr>
<td>16</td>
<td>84</td>
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* Numbers from database – Dept. Pharmacy Practice, North-West University.


The following figure depicts the distribution of registered pharmaceutical service providers (pharmaceutical entities registered with the South African Pharmacy Council) among the public and private sectors of South Africa: (The numbers support the average percentage of registered pharmaceutical service providers for 2004 and 2005.)
Chapter 1: Introduction

Registered pharmaceutical service providers

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>Public sector</td>
<td>15%</td>
</tr>
<tr>
<td>Private sector</td>
<td>85%</td>
</tr>
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From the above it is apparent that only 11% of South African pharmacists were employed in the public sector (in 2000), also that 15% of all the pharmaceutical service providers are registered in the public sector (in 2004 to 2005) and that 84% of the South African population are not covered by medical aid insurance.

The problem therefore comprises of the notion to research and conceptualise the prospects of PPP development between the public and private sector, globally and in South Africa, with specific reference to the pharmaceutical sector, in order to construct a generic model for collaborative advantage in both sectors.

The ultimate aim of this study is therefore to explore, and qualitatively analyse, the prospects for joint venture development between the public and private sector and to offer a framework (proposition) for the development and management of a generic PPP model, which may be considered for implementation in the South African pharmaceutical health care environment.

1.3 PREVIOUS STUDIES AND LITERATURE

No peer reviewed, or published studies were found relating to the exploration of PPP prospects for the pharmaceutical sector in South Africa. However, in South Africa Plummer, an urban poverty specialist focuses on building local government capacity for more effective urban poverty reduction. Her work, published in 2002, sheds a significant
light on ways of taking advantage of the strengths of the private sector. Plummer’s source book provides simple, accessible guidance, based on an analysis of numerous case studies. It dispenses information on the constituent parts of a service PPP concerned with the poor. The researcher discusses who is and can be involved in PPPs, broadening the net here to include the potential roles of NGOs and independent service providers as well as large multi-national companies. In essence, however, this study did not cite the health care sector.

In reviewing international literature, two studies are considered worthy of mention:

- Walzer and Jacobs (1998:6) focus on various types of partnership arrangements, using comparisons among countries to illustrate effective methods of management and major obstacles that prevent partners from succeeding in their aims. The examples they draw mainly refer to Britain, Germany, the Netherlands, Sweden and the United States and will be briefly covered in chapter three of this study.

- In the United Kingdom, Osborne (2000:3) offers a number of key theoretical perspectives to clarify the nature, process and management of PPPs in the international context. Moreover, the writer explores the divergent public-policy contexts internationally for PPPs while the author argues in favour of the need to understand such PPPs within these regional and national contexts. Furthermore, the author presents a series of case studies of the management and outcomes of PPPs, each of which highlights a key issue. Osborne also explores the evaluation of PPPs in terms of both their outcomes and their processes, while endeavouring to identify some core characteristics of successful partnership processes. In conclusion, the author asks to what extent PPPs are used solely as a policy implementation tool, or whether they have an important role to play in the design of policy initiatives (Osborne, 2000:3).

1.4 RESEARCH QUESTIONS

The research question focus on the prospects for PPP development in South Africa and the development of a proposal for a generic management model for PPP development. The semi-structured questionnaire interrogates the research questions. The research questions include:

- Which factors and elements are embedded in the development of PPPs in the pharmaceutical health care sector of South Africa?
• What are the future prospects for pharmacy on entering into PPPs with the public sector?

• How would a proposed generic model (PGM) be structured and managed in order to fit the unique health care environment of South Africa?

• Would the development of PPPs in the pharmaceutical sector between the public- and private sectors be able to improve capacity in the national health care sector?

As none of these questions have been either answered or, indeed, investigated previously, they became the basis of the motivation for the investigation in this study.

### 1.5 MAIN OBJECTIVES

The main objectives of this qualitative research investigation are twofold viz.:

• The examination of the prospects for PPP development in the pharmaceutical sector of South Africa and secondly;

• The development of a PGM to be managed and used in the pharmaceutical sector of South Africa.

The objectives comprise the exploration of the research questions by means of a qualitative research design.

### 1.6 SPECIFIC OBJECTIVES

• To obtain a synopsis of the embedded factors and elements rooted in the development of PPPs in the pharmaceutical health care sector of South Africa.

• To conduct a literature study aimed at scrutinising the fundamentals of PPP development, which may serve as the rationale of a collaborative joint venture between the public sector and the private sector of the country, viz.:
  - Investigating the general and strategic trends involved;
  - Exploring the general concepts that are typical of a PPP;
  - Examining the theories on the development of a PPP presented in literature.

• Furthermore, to conduct a literature study on the history, current standing (status) and development of PPPs and public private interactions (PPIs) on a national and
international level, thus to review these perspectives on PPP development in ten other countries (internationally) by focussing on the following:

- Historical aspects of PPP development;
- Status at present;
- Developmental aspects;
- Progress made on PPP development;
- Visions put forward on PPP development in the literature;
- Driving forces identified as pursuing the development of PPP formation;
- Strengths and weaknesses of the PPP concept identified;
- Potential gains embedded in PPP concepts;
- Critical factors realised in terms of PPP development;
- Identifiable role players;
- Trends identified in the literature;
- Models described in the available literature.

Moreover to conduct literature research on the national perspectives involved in PPP development, particularly in relation to the South African context:

- Investigating national regulations guiding the development of PPP development in South Africa;
- Identifying aspects of strategic importance in PPP development.

Furthermore, to conduct a literature study on the philosophy and methodology of the research procedures that were envisaged for this investigation.

Particularly to explore the literature on the philosophy of the grounded theory approach envisaged for use in this qualitative investigation:

- Exploring aspects of the philosophy supporting grounded theory;
- Reviewing the literature on the methodology of grounded theory;
- Investigate the interview procedure as a measuring instrument.
Finally to identify the various other areas of research, embraced in this investigation and in doing so, enhancing the successful development of future PPP development in South Africa.

The main and specific objectives of this investigation may therefore be summarised as obtaining a synopsis of the prospects and developing a proposition for the framework of a PGM.

1.7 THE LITERATURE STUDY

In the literature study, various aspects of PPP development will be explored and the development and progress of PPP advancement locally and internationally will be analysed.

The following steps will be followed in the literature study:

- **Step 1: General Theory and concepts.** This step will be focused on aspects such as trends, general PPP concepts, characteristics, management, viability, typology of partnerships and theories on PPP development.

- **Step 2: International and local perspectives.** In this step, a literature review will be undertaken to describe and compare the development of PPPs in ten other countries, viz. the USA, Australia, UK, Canada, France, Germany, Sweden, East Asia, South Asia and the European Union. In finalising this step, the South African perspective will be discussed.

- **Step 3: Qualitative research.** Finally, the literature study will focus on particularly the philosophy and methodology of the intended grounded theory research method, some aspects of the interviewing process and other dimensions of the qualitative investigation.

1.8 FRAMEWORK OF STUDY AND RESEARCH DESIGN

The focus of this study has been placed on prospects for PPP formation in the pharmaceutical sector of South Africa and the proposal of a generic PPP model for South Africa. These are the central theme of investigation.

A lack of knowledge on PPP development in the pharmaceutical sector was experienced. Moreover, the particular field of investigation appeared to be vast and complex. The ‘complexity’ and the ‘networking’ nature of joint ventures, such as PPPs,
therefore warranted a qualitative method of investigation. The qualitative research method would suffice the exploration of complex data by means of an exploratory analysis and would facilitate the development of final propositions for a framework of a PGM in South Africa.

It was therefore decided to make use of a qualitative research method in order to explore and analyse the data. The design of this study was commenced with the selection of the topic as described above, by means of the use of the qualitative research paradigm. The study was designed to be consistent with the assumptions of a qualitative paradigm.

A qualitative exploratory research process is considered the essence of this study, in order to provide more vigour and validity to the research process. The research design is based on two levels:

**Level 1:** A literature study to conceptualise relevant aspects of PPPs internationally and nationally;

**Level 2:** The qualitative investigation reporting on findings of the interviews and any other data available to the researcher. A grounded theory research design is planned to progress through three phases viz.:

- The first phase consists of open coding of the interviews and all the documents available in the research data sets by deductively developing nodes (themes) imperative to the area of research.

- In the second phase the principle of axial coding will be applied to the, by then already identified and developed themes, relating and grouping the themes in logical order and identifying broader themes called categories in order to construct thematic-categories. The categories will represent the fundamental structures, because of this 'inductive' phase, to conceptualise the fundamentals of PPPs and to serve as embedded knowledge on which the outcomes of the last phase hinge.

- The final phase will consist of an 'inductive' selective coding phase from which the theory will be constructed in order to propose the concluding proposition of a PGM for PPPs in the South African health care environment.
1.9 RESEARCH METHOD

The study design implicates a balance between the in-depth literature study and a qualitative research process. The literature study will be focused on all known aspects of PPPs on a national as well as international basis. The philosophy of the research method will also be appraised from literature. Relevant literature, including articles and literature sourced by electronic means will be scrutinised.

The qualitative research process will be of an exploratory nature. The main methods used in qualitative inquiry are ethnography, phenomenology and grounded theory (Mayan, 2001:7). The researcher will make use of the grounded theory approach to collect and analyse the data and thereafter construct a theory in support of the central thesis of this investigation. A qualitative research process therefore conforms to the needs and the goals of the study. The semi-structured interview was chosen and will be explained as the qualitative method of choice. This method assures value-laden data, and was selected because it may identify new areas of research and allows the researcher to obtain a comprehensive view of the subject under investigation (Mayan, 2001:8).

The rationale for this study is to identify patterns, themes, categories and theories. Therefore, the nature of the problem provides some reason for the researcher to select the qualitative paradigm, in order to explore the topic, as the variables and theory base are unknown (Creswell, 1994:145). It is foreseen that several themes will emerge from the qualitative survey. Conversational records (interviews) and sources of interpretive practices will be examined to reveal reality-constructing practices as well as the subjective meanings that are circumstantially conveyed.

Exploratory techniques facilitate the scrutiny of the data, aspects of information in search of ideas about how matters operate. The qualitative method was therefore chosen in stead of the quantitative methods, which are used in confirmatory techniques that are directed to testing a hypothesis (or research question). In contrast the qualitative method is utilised to construct a framework of a hypothetical PPP model (a proposition) that might be proposed at the end of the study. Once obtained, it could provide good data with relevance to the research question.

Looking for ideas and trying to test them are two different things, so the two sets of techniques (quantitative and qualitative) are different (Erickson & Nosanchuk, 1982:3).
Therefore, the researcher aims to use an exploratory qualitative grounded theory research method in order finally to describe various aspects, among others the critical factors, trends, concepts and a proposed model for PPPs in the pharmaceutical sector of South Africa.

The basic research methodology discussed above may be summarised as follows:

- A literature study will be done;
- The role players for PPP development in South Africa will be identified;
- The role player population will be confined by means of an acknowledgeable scientific procedure;
- Semi-structured interviews will be conducted;
- The interviews will be taped on audiotape and thereafter converted into typed transcriptions;
- The interviews will be analysed by means of a qualitative research procedure;
- All the interviews and the available literature will then be qualitatively analysed;
- Reports will be generated in which the general theory, concepts as well as the local and international perspectives will be described;
- Finally, it will be endeavoured to report on the prospects for PPP development in South Africa and an attempt will be made to theorise and construct a PGM for PPP development in South Africa.

1.10 DIVISION OF CHAPTERS

The study has been designed to be reported on in seven chapters as follows:

- Chapter 1 - Introduction
- Chapter 2 - PPPs: General trends, theory and concepts
- Chapter 3 - International and local perspectives on PPPs
- Chapter 4 - Grounded theory: Philosophy, methodology and interviewing
- Chapter 5 - Research methodology
- Chapter 6 - Research report on information dissemination
1.11 CHAPTER RESTATEMENT

The research of this particular subject and setting appears to be unique in South Africa. This chapter provides background to the study, and an overview of previous studies. It discussed the framework for the study and poses the problem statement and the research question.

A problem in South Africa, regarding skew population ratios dependent on public and private sector health care service delivery, in relation to the proportion of pharmaceutical services providers in the different sectors, was identified. Objectives were set for the exploratory qualitative research investigation consecutively to study this problem. Finally, the planned research design and the research method were made clear. The steps followed for the literature study were explained and the division of chapters was defined. The nature of the study (qualitative and exploratory) was discussed as well as the reason why this type of research was selected.

Chapter 2 represents the outcomes of the first stage of the literature study and will have as its focus certain general theoretical aspects and concepts of PPPs.
CHAPTER 2

PUBLIC-PRIVATE PARTNERSHIPS: GENERAL TRENDS, THEORY AND CONCEPTS

2.1 INTRODUCTION

How do organisations with different values, interests, and views come together to resolve critical public health issues? How are relationships of trust fostered and sustained in the face of the inevitable conflicts, uncertainties, and risks of a partnership? Global health problems require global solutions, and public-private partnerships (PPPs) are increasingly called upon to provide these solutions.

Some global trends and concepts should also be viewed against the background of the global public management reforms that took place internationally over the last two decades.

2.2 GLOBAL TRENDS

Governments all over Europe are looking for new institutional arrangements to provide services for their citizens and to meet public interest (Klijn & Teisman, 2000:84). Some politicians in order to indicate the direction in which these new arrangements are being explored use the term "third way". The word "third" in this context refers to finding a new way between two that already exist. In this instance, the two traditional ways are market production and government production. Production or provision of services financed entirely by government, common in the 1970s and 1980s, led to rising costs and even economic crisis. For this reason, increased emphasis is now being placed on reducing budget deficits and government control over its budgets. At the same time, there is social pressure to maintain an adequate, and sometimes even above adequate, level of public services. For this reason, private involvement has increased, although a purely private production arrangement does not appear to satisfy social needs any more than government production has. The third way, if we ignore the rhetoric and try to define it positively, may be understood as an attempt to combine the added value of governmental interference with the qualities of market-oriented parties. Public-private
partnerships can be seen as the organisational manifestation of this idea (Klijn & Teisman, 2000:84).

Public-private partnerships have been developed in many countries around the world in the context of radical programmes of "new public management" (NPM) reforms (Drewry, 2000:57). Furthermore, some commentators have argued that the NPM phenomenon adds up to a "new global paradigm". It is seen in the writing of Drewry (2000:57), that the NPM ethos placed great emphasis on measurement and optimisation of performance outcomes. For instance, top-down reform of public-service institutions, has in some countries, been accompanied by moves such as the promulgation of "citizens charters" to "empower" the consumer of public services and encourage the exercise of informed choice.

An important by-product or outcome of the reformatory process has been a blurring of the boundaries between the traditional public and private sectors, and the growth of a large "grey area" between the two sectors, in which state and non-state institutions sometimes collaborate, and sometimes compete, in the operation and delivery of public services. Public-private partnerships, in various guises – the United Kingdom Private Finance Initiative is one example – are a clear manifestation of this tendency (Drewry, 2000:57). Kettl (2000: v) finds that this movement (referring to NPM) has revolved around six core ideas:

- The search for greater productivity;
- More public reliance on private markets;
- A stronger orientation toward service;
- More decentralisation from national to sub-national governments;
- Increased capacity to devise and track public policy;
- Tactics to enhance accountability for results.

Many bilateral organisations are beginning to take interest in PPPs and actively to seek collaboration with industry. The UK Department for International Development (DFID) argues that partnership is good for business and that it “is keen to develop a different way of working in partnership with the private sector which can play a key role in poverty alleviation” (Buse & Walt, 2000:557). The DFID suggests that three types of partnership models are beginning to emerge:
Those, which improve the operating environment for business. In this type of partnership, business identifies the key legislative and regulatory reforms, which would result in a more favourable investment climate, and DFID facilitates access to government officials and provides technical assistance to assist recipient countries with the envisioned reforms;

Those that strengthen the socio-economic environment through investment in social infrastructure in a bid to create healthier employees or provide new market opportunities (For example, in Bangladesh, DFID supports an initiative by the local private sector to improve the health care of women workers in textile factories);

Those, which involve the development of new products and business opportunities with developmental applications:

DFID policy statements emphasise partnership initiatives that involve DFID affiliation with private companies and although these public–private partnerships may involve international agencies, there is little discussion of how these relationships will be pursued (Buse & Walt, 2000:557).

Towards this concept of global transformation, Australia focused on removing barriers to effective administration (to "let the managers manage"), and on assessing outcomes more than for instance the New Zealanders did (Kettl, 2000:13).

Walzer and Jacobs, (1998) wrote extensively on aspects of interest on the subject of PPPs in local economic development. It was considered of relevance to the South African situation and considerable referencing was made to their contributions. In the preface to their book on PPPs for local economic development, Walzer and Jacobs, (1998) announce that the concept of public-private partnerships in the United States and Europe has existed for centuries. However, it has become more prominent in recent decades as public officials have joined with private businesses to create jobs, increase incomes, and improve the quality of life in other ways.

Partnerships come in all types and sizes; so many in fact that it is hard to group them in a consistent fashion. In the United States and Europe, local officials, by working with private business, form literally dozens of small partnerships every year (Walzer & Jacobs, 1998:1).
In the past decade, governments of all levels noted that effective competition provides flow-on benefits in the form of:

- Efficiencies in the market;
- Consumer focus (Sperling & Parslow, 1999:21).

The theory of "pure competition" will be discussed later (refer par. 2.3.5 p. 33), as an important aspect of the marketing concept and, as such, may represent a major driving force in the viability and/or feasibility of PPP formation in the inter sectoral environments. Sperling and Parslow (1999:21) write that where the assumptions of the pure competition theory hold true, the market remains contestable; that is open or potentially open to all suppliers, who must continually improve their service and/or product to maintain their market share.

PPPs operate at the boundary of the public and private sectors, being neither nationalised nor privatised assets and services. Thus, as a trend, politically, they represent a "third way" in which governments may deliver some public services. Moreover, in a practical sense, PPPs represent a form of collaboration under contract by which public and private sectors, acting together, are able to achieve what each acting alone cannot. Numerous member countries of the Organisation for Economic Cooperation and Development (OECD) now have active PPP programmes, as do a growing number of developing countries (Gerrard, 2001:4).

The role of city governments in local economic development in the United States and Europe has been well established and varied, usually related to local economic conditions. During the years of relative economic prosperity, city officials were concerned mainly with providing public services at acceptable tax rates with relatively little concern about marketing the cities as a location for business. Moreover, during the expansionary periods of the 1960s and 1970s, city officials were concerned about service delivery, infrastructure, and other traditional activities financed by increased financial support from central governments. This time period correlates with the apartheid era in South Africa. Towards the end of the century, the accent moved to competitiveness and economic restructuring and the location of new business/government initiatives (Walzer & Jacobs, 1998:1).

Carroll and Steane (2000:42) describe four trends, which may be used to summarise some trends experienced in the field of the state and PPPs:
- Expectations vary from state to state regarding PPPs, (particularly where these involve changes of the political parties in government), from agency to agency within the state and from level to level of the state. There has always been a substantial extent of PPP in twentieth-century OECD governments, indicating that, at least in the areas of the partnerships, expectations are positive;

- There has been a rapid growth in the number of partnerships since the 1970s, especially during the 1980s and 1990s. This has been most obvious in countries with experienced conservative governments characterised by their antipathy to the expansion of the welfare state since 1945 and an accompanying commitment to privatisation, contracting out and regulatory reform;

- An increase in the types of partnerships was created, sometimes to avoid legislative constraints, sometimes on a pragmatic basis in an attempt to ensure that the most appropriate organisational form was adopted. In the UK, for example, there has been a tendency for local authorities to make increasing use of the legal form of companies for their PPPs;

- A distinct increase in partnerships at the local and regional, rather than national levels though often initiated and funded by national governments. Their major purpose has been to stimulate or reinvigorate local economic development and a rich literature addressing partnerships at this level has arisen.

In other words, the expectations of the state generally have been positive, with a variety of policy developments aimed, at least in part, at providing wider opportunities for the development of partnerships (Carroll & Steane, 2000:43).

Moreover, individual firms are becoming increasingly dependent on each other for their functioning and survival in markets. More and more firms operate within "networks" in which they are dependent on a range of other firms for the manufacturing and selling of products. Simultaneously, theoretical development in the field of public administration stresses the dependency of governmental agencies on a whole set of private and third-sector actors through the formation and implementation of networks. The importance of networking is emphasised by Klijn and Teisman (2000:89) referring to different writers mentioning the network perspective of public policy, focuses on the existence and relevance of networks of public and private actors for policy making, and addresses the implications of these networks for governance.
Chapter 2: Public-Private Partnerships: General theory and concepts

Therefore Klijn and Teisman (2000:89) concluded that the traditional distinction between markets and hierarchy has become less strict. Markets increasingly resemble networks in which companies function because of a good relationship with other organisations. Governmental agencies, on the other hand, for their own efficiency and effectiveness are depending increasingly on the networks of organisations in which they function, or acquire a less clear-cut hierarchical structure. The boundary between the private and public sectors as an expression of the distinction between market and hierarchy also seems to be fading. Local conditions for the establishment of new business, of major importance for economic activity, are determined largely by the actions (and lack of action) of governmental agencies, while individual companies make the actual decision about location. The mutual adjustment of public and private strategies becomes a fundamental prerequisite for the success of numerous economic and infrastructure initiatives (Klijn & Teisman, 2000:89).

2.2.1 Strategic trends in South Africa

As the risk and potential rewards of PPPs tend to increase from one end of the PPP continuum to the other, i.e. from simple service and management contracts through to concessions and build-operate-transfers, and the more complex arrangements become increasingly widespread, the creation of a suitable enabling environment becomes more relevant in South Africa (South African National Treasury, 2001:6). The South African National Treasury described a strategic framework to present a package of integrated reforms to strengthen the enabling environment in support of PPPs by the following:

- Establishing a clearer policy framework to ensure that PPPs constitute a coherent option for departments;
- Refining legislation through a targeted programme to remove unnecessary obstacles to cost-effective PPP arrangements;
- Enhancing the capacity of departments to use PPPs in sound and effective projects;
- Providing a simple yet effective institutional framework to ensure that PPPs achieve value for money and facilitate capacity enhancement activities.

The most important elements of the strategic framework will be summarised here in order to outline the strategy supporting PPPs.
2.2.1 South African strategic policies

On opening Parliament in June 1999, the President set a platform for accelerated service delivery and identified a greater role for PPPs in particular. According to the South African National Treasury PPP Guidelines (2001:10), it is important to note, however, that the elements of this strategic reform package could not all be introduced at the same time and that it would be necessary to pursue a phased approach.

The formation of a PPP support unit was a critical short-term goal. Legislative reform and a programme of sustained capacity building were, of necessity, more long-term objectives. A South African policy dimension entails that PPPs were an integral component of the state’s overall strategy for the provision of public services and public infrastructure across all sectors. This did not imply that PPPs were the preferred option for improving the efficiency of services delivery, but rather that they enjoy equal status among a range of possible service delivery options available to departments in all spheres of government (South African National Treasury PPP Guidelines, 2001:10).

Finally, the South African National Treasury PPP Guidelines (2001), giving practical effect to the strategic framework entails the following components:

- A process for achieving consistency in sector-specific legislation;
- The promulgation of Treasury Regulations in terms of the Public Finance Management Act, 1999, that apply to national and provincial government departments for the development, procurement and management of PPP projects;
- A strategy and programme for enhancing the capacity of departments to engage in PPP arrangements;
- The provision of suitable institutional arrangements needs to support and monitor PPP arrangements.

Jointly, this approach should confirm and reinforce the government’s commitment to make PPPs a viable option for delivering public services (South African National Treasury Guidelines, 2001:10).

2.2.1.2 Strategic legislation

According to the South African National Treasury PPP Guidelines (2001:10), the adverse implications of the current legislative framework for PPP arrangements need to
be mitigated. Possible measures include selective reform of relevant laws, regulations to clarify the interpretation of the legislation, or administrative guidelines. Legislative amendment has already been necessitated. For example, the prison PPPs, where the Correctional Services Act had to be changed, in order to permit private parties to manage and operate prison services in the country. Interventions to deal with the areas of the legal framework may also be required. The South African National Treasury PPP Guidelines (2001:10) propagates the following:

- Clarifying the legal capacity and jurisdiction of the spheres of government and relevant officials to create binding commitments on the state. This should also include appropriate penalties for those institutions and individuals that, in the absence of express legal authority to do so, purport to have a right to bind the state in a transaction;

- Prescribing cross-sectoral minimum contractual provisions for PPPs to cover, *inter alia*, the following:
  - Duration of the contract;
  - Range of services and/or output levels;
  - Basis of payment in relation to service and output levels;
  - Relationship between the department and the service provider;
  - Use and retention of technology by the department;
  - Accommodation of a department's changing requirements over the duration of a contract;
  - Protection of government intellectual property;
  - Allowances are needed for contingencies and termination.

- Clarifying responsibility when making non-compliant infrastructure comply where that infrastructure is transferred to the private sector.

The list above is indicative of the types of legislative amendments that may be required. According to the South African National Treasury PPP Guidelines (2001:11), it will be necessary to pursue an ongoing process of legislative review and reform in order to
provide more clarity to government departments and potential private sector service providers (2001:11).

2.2.1.3 Institutional strategies

The South African National Treasury PPP Guidelines (2001:12) describes some institutional strategies to support and streamline PPPs that must be guided by a set of institutional principles. Key principles are:

- The institutional arrangements should streamline project processes and not add administrative or procedural burdens;
- Any new arrangements must comply with the general fiscal approach, with a particular emphasis on greater fiscal accountability;
- The arrangements need to cut across line departments, yet respect the latter's spheres of accountability;
- Conflicts of interest must be avoided, both in terms of different roles and functions, such as enforcing affordability and value for money on the one hand and providing technical assistance on the other, and with regard to the interests of the government as a whole, individual departments and private parties.

Arising from these principles, it is proposed that the primary responsibility for identifying, procuring and implementing PPPs must rest with government departments. The Treasury Regulations limit the Treasury's role to ensuring sound expenditure control and the prudent use of the State's assets, and not to "second guess" or "micromanage" the decisions of departments.

It is further proposed that a dedicated Public-Private Partnership Unit be established to promote PPPs. This will be a critical but temporary intervention to spearhead innovative infrastructure and services delivery through PPPs, aiming to implement successful projects and develop best practice templates in key infrastructures and service delivery sectors.

The key objective of the Unit will be to address constraints in the enabling environment and facilitate successful implementation of viable PPPs that represent value for money to all stakeholders.
Chapter 2: Public-Private Partnerships: General theory and concepts

The core functions required to meet this objective entail technical assistance and support, monitoring and enforcement, and policy and legislative review. They include the following:

- Communicating the government’s PPP strategy to departments, potential private investors and other stakeholders;
- Assisting departments in preparing cost-effective and affordable PPP projects, with support throughout the project implementation cycle, from project inception through to financial closure;
- Supporting capacity enhancement activities by initiating, managing and, where appropriate, offering technical assistance and training activities;
- Serving as a resource centre for South African best practice in PPPs;
- Ensuring that all partnerships are implemented in conformity with the requirements of the Public Finance Management Act, as set out in the Treasury Regulations;
- Reviewing existing policies and legislation to identify potential constraints to successful implementation of PPP arrangements, and recommending additional reforms and refinements as required.

The Unit would not eliminate the need for departments to develop their own capacity and use their own expert advisers. Rather, it would assist in building such capacities and developing a wider pool of expertise, within and outside the government, to bolster the implementation of PPPs in the long run (South African National Treasury PPP Guidelines, 2001:13).

2.2.1.4 Capacity building strategy

Capacity building is critically important to a sound PPP programme. Appropriate strategies are advocated to develop functional capacity by:

- Preparing advisory guidelines to assist departments in following suitable practices to implement their PPP programmes;
- Seeking complementary donor funding and assistance to support training and related capacity enhancement activities;
Chapter 2: Public-Private Partnerships: General theory and concepts

- The active encouragement on rotation of skilled staff in PPPs between departments and spheres of government need consideration (South African National Treasury PPP Guidelines, 2001:12).

2.2.1.5 South African strategy

The Strategic Framework as advocated by the South African National Treasury PPP Guidelines (2001:13) aims to create an environment for PPPs, which requires a consistent policy message from the government, supporting legislative reform, capacity enhancement and institutional mechanisms to enforce the Treasury Regulations and promote such partnerships. (See sections 11.1.1, 11.1.2 and, 11.1.3).

2.3 THEORIES ON PARTNERSHIP DEVELOPMENT

The theoretical interesting feature of PPPs is that by definition they are composed of two (or more) partners, each of which originates from a different institutional environment (i.e. the private and the public spheres). Collin and Hansson (2000:205) provide a summary of certain distinctions between the public and private spheres and a detailed picture of how these two institutional settings differ. This is demonstrated in the following table:

(See the next page)
TABLE 2.1 DIFFERENCES BETWEEN PUBLIC AND PRIVATE SPHERES

<table>
<thead>
<tr>
<th>Entities:</th>
<th>Public:</th>
<th>Private:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principle of distribution</td>
<td>Democracy</td>
<td>Price system</td>
</tr>
<tr>
<td>Principle</td>
<td>Citizen</td>
<td>Owner</td>
</tr>
<tr>
<td>Objective</td>
<td>Ambiguous</td>
<td>Distinct</td>
</tr>
<tr>
<td>Control</td>
<td>Ambiguous</td>
<td>Distinct</td>
</tr>
<tr>
<td>Hierarchical levels</td>
<td>Many</td>
<td>Few</td>
</tr>
<tr>
<td>Incentives</td>
<td>Weak</td>
<td>Strong</td>
</tr>
<tr>
<td>Job security</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Principle of localisation</td>
<td>Geography</td>
<td>Market</td>
</tr>
<tr>
<td>Principle of competency</td>
<td>Municipal considerations</td>
<td>Market</td>
</tr>
<tr>
<td>Financing</td>
<td>Taxes</td>
<td>Sales</td>
</tr>
<tr>
<td>Market structure</td>
<td>Monopoly</td>
<td>Competition</td>
</tr>
</tbody>
</table>

Adapted from Collin and Hansson (2000:205).

A PPP consists of partners from these two institutional environments and as an organisation it is situated between the two extremes that these environments represent (Collin & Hansson, 2000:206). Such a situation imparts a twilight character upon the PPP. It is neither a genuine public organisation nor is it a private enterprise, yet it contains aspects from each. The ambiguity and diversity inherent in PPPs create both opportunities and risks. On the other hand, whilst the risks associated with the inherent diversity of PPPs could create conflicts between its different partners its ambiguous character could complicate the relationships between its stakeholders. Thus, an arrangement which is inherently prone to suffer from a conflictual inside and an ambiguous outside is a recipe for failure and may explain why there is such a low frequency of PPPs in countries such as Sweden (Collin & Hansson, 2000:206).

In particular the theories of enforced cooperation and the game theory are outlined by McQuaid (2000:25) and illustrate the pressures aiding or impairing cooperation between actors, particularly where these actors have differing motivations and objectives, with reference to urban regeneration and economic-development policy. (Refer par. 2.3.2., p. 30).
Some PPPs are governed by a board of directors whose composition does influence its performance (Collin & Hansson, 2000:213). If it were true, that the actions of a chief executive officer (CEO) of a PPP were determined by his or her institutional origin, then the same claim could be equally stated about the members of the board. Thus, one would expect that directors with a municipal background would act politically; i.e. would focus on the utility of their actions for the municipality, however diverse such utility might be. Such directors are by definition less inclined to give priority to profit-seeking objectives and to raise the financial efficiency of the operations. The institutional character of directors from the private sector dictates that they would act in a diagonally opposite manner with the emphasis on achieving measurable performance targets (Collin & Hansson, 2000:213).

These researchers found that the propensity to form collaboration between a private and a public partner is influenced by factors such as:

- The need to share resources, be it financial resources or specific competencies or attitudes;
- To share risk and profit;
- The need to have a means of transforming a public operation;
- The need to legitimate market orientation of municipal agencies.

The propensity to collaborate does not necessarily lead to the creation of a PPP, which is, however, influenced to a large extent by how problematic the contractual difficulties arising from coordination and incentive considerations are (Collin & Hansson, 2000:215).

Although the performance of PPPs is as ambiguous as its form, PPPs still appear to be capable of bringing dynamic efficiency to operations, which explains why they are so widely used as instrument of change. The orientation of PPPs towards seeking profit is influenced by their institutional setting; for instance, the industry in which they are located or heir organisational form (Collin & Hansson, 2000:215).

One may argue that the national culture of a country if imbued with the sense of cooperation and consensus, could well promote the propensity for creating PPPs (Collin & Hansson, 2000:215). Further in their research Collin and Hansson found, that the frequency of PPPs varied negatively with the extent of municipal (local government)
resources, and that this pattern could be found at national level as well, thus supporting
the claim that the occurrence of PPPs varies with how resourceful a state is (Collin &

2.3.1 Enforced cooperation

The main reasons for enforced cooperation are the threat of a central authority,
common objectives or (other) self-interest, which may have a positive (i.e. coercion) or
negative factor. In local economic development, cooperation can be forced on the public
or government funded agency (or community-based group dependent on public finance)
through legislation or control of financial resources by central or local government, and
happens increasingly the European Union. According to McQuaid (2000:26), such
financial control may be by making resources available (e.g. grants), or through other
controls (such as the UK capital-expenditure restrictions on local government or budget
controls on other funded bodies).

Many of the bodies involved will have similar objectives and motives, which in theory at
least will include improving the overall welfare of the area, so there will be a strong
incentive to cooperate. This is likely to be the case where people in the various bodies
share common values, such as officials in different tiers of local government. However,
in practice a number of differences in organisational objectives, priorities, timing and
other factors (including personal) or competition for power or resources, etc. may inhibit
such cooperation. This alone may be inadequate to foster full cooperation (McQuaid,
2000:26).

Some key actors are not subject to such central authority or common motives. Private
enterprises will have commercial pressures making their motives more "selfish", while
some pressure groups may be primarily concerned with the interests of their own
members rather than the wider community. Although self-interest is a powerful incentive
for partnerships offering advantages to the individual partners, these may be insufficient
to encourage participation, even though this may lead to increase overall welfare. This
would especially be the case if an actor (partner) could gain many of the benefits
individually without participating. In other words, the question is, why these actors
should cooperate where there is no effective central control on them or common
overriding motive to benefit the welfare of their community (McQuaid, 2000:27).
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2.3.2 The game theory

The game theory is one area of economic theory that can structure the issues of interrelationships and interaction. The game theory is a huge and complex body of theory, but the basic application to the "Prisoners' Dilemma" may offer a brief view on its use. McQuaid (2000:27) uses this "Dilemma" to argue that for individuals pursuing their own self-interest, incentives for cooperation will be greater than for selfish behaviour (even without central authority) under a wide variety of circumstances, including where the "partners" are hostile.

The structure of the Prisoners Dilemma is based on the story of two accomplices arrested after a crime who are interrogated separately. These two players have a choice whether to cooperate with one another or to defect. If one confesses (defects) and the other does not, then the one who confesses will go free (i.e. a high positive pay-off, although note that these pay-offs are endogenous to the model) whereas the other prisoner will get a heavy sentence (zero pay-off). If both confess, both will receive medium sentences (low pay-off), and if neither confesses, both will receive low sentences (medium pay-off). The latter is the best solution for both prisoners together (they maximise their combined welfare). However it is in the interest of each individual, to confess: He/she receives the worst outcome (a heavy sentence) if he/she does not confess but his/her accomplice does; while he/she gets the maximum pay-off (goes free) if his/her accomplice does not confess. Hence, assuming that neither prisoner has moral qualms or fears revenge from the other prisoner, each would choose to confess, resulting in a sub optimal outcome for their combined welfare (McQuaid, 2000:27).

McQuaid (2000:34) argues that there are strong forces pushing players towards mutual cooperation even when they are self-interested and there is no central authority, in a modification of the Prisoners’ Dilemma, called “Chicken” by Lipman. Here each party tries to prevail over the other through creating fear, rather than in the Prisoners’ Dilemma where establishing credibility means instilling trust.

However, if the process is repeated, and if they are likely to be caught again, then cooperation becomes more easy as there will be a strong incentive for both not to confess as in the future case they will know how the other reacted and base their behaviour (to confess or not) on what happened last time. The strategy for success for each therefore depends entirely upon the strategy of their accomplice. If there is a
strong central control mechanism – e.g. the accomplices are part of a gang, which will punish anyone who confesses – then cooperative behaviour between the accomplices will occur. Provided the game is repeated a number of times, so that players can recognise and remember the results of previous encounters, so that future pay-offs are not greatly discounted, then cooperation will be mutually beneficial. Even if there is a short-term cost to cooperation, it will still occur if future retaliation for current defections is great enough. This forms the basis of a theory of cooperation based upon reciprocity McQuaid (2000:27).

Furthermore, McQuaid (2000:28) tested the Prisoners Dilemma using a computer competition simulation (where players were not in total conflict) and found that the most successful strategy was also the simplest; start with cooperation in the first move and then do what the other player did in the previous round (tit-for-tat). Hence the winning strategy was for a player always to cooperate with a cooperative adversary, but if the adversary did not cooperate, then in the next move the player would cease to cooperate. However, once the adversary returned to cooperation, the player should also return to it. It is argued that the evolution of cooperation depended upon individuals having a sufficiently large chance of meeting again, so they have a stake in their future interaction (this can be applied to individuals within organisations as well as to the organisations themselves). The cooperation can be based upon reciprocity, but once established this can survive many different strategies used by the individuals and can protect itself from less cooperative strategies. Game theory has developed considerably over recent decades with some disagreement about interpretations and conflicting evidence thereof, but it is used to outline the basic notions and applicability of one approach to understand why partnerships may come about (McQuaid, 2000:28).

### 2.3.3 Implications of theory for partnerships

McQuaid (2000:28) suggests a number of factors, which may promote or impede partnerships as follows:

- If the importance of the future relatively to the present is increased (i.e. enlarging the “shadow of the future”) it may aid/promote cooperation. Stable cooperation is aided by frequent interaction between individuals. Hence constantly changing personnel or their responsibilities may discourage cooperation;
• Cooperation can be encouraged by changing the pay-offs, and by making deflections from cooperation more expensive. If the costs of failure of a partnership are high (e.g. in terms of future losses, bad publicity, effect on other projects, etc.) then a partnership is less likely to disintegrate;

• Joint ventures are more likely to succeed if they are seen as a precursor to more intimate cooperation rather than as finite activities. If a relationship is likely to come to an end, there will be a temptation to hold back, or behave more in one's own interests rather than trying to maximise joint gains;

• Long-term relationships can overcome the Dilemma in the "Prisoners Dilemma", and achieve the optimum outcome. In joint ventures the process is broken down into a sequence of small steps, with early meetings used to explore each other's attitudes, then offering wholehearted cooperation and awaiting a response. If the other side fails to reciprocate, not much has been lost and one can hold back in the future, but if they do reciprocate then one continue to give full cooperation, thus gradually improving trust and establishing a cooperative relationship. According to McQuaid (2000:29), lessons from literature on strategic alliances for companies also illustrate that cooperation need not be incompatible with competition. Cooperation and competition can prevail simultaneously (e.g. in sports leagues where teams compete fiercely) but cooperate to fight off other forms of entertainment;

• Local characteristics, such as capacity, are important in assisting PPPs. Even where there is a will to cooperate, there remains the question of capacity to make a meaningful contribution; hence there is considerable emphasis on capacity building to enable more local communities to participate in economic-development activities. Local social networks may overlap with formal partnerships, and add incentives to their success, although there is a danger of "favouritism" among those in the network.

• McQuaid (2000:29) argue that a "mutualist strategy" by organisations of marshalling external and internal stakeholders is effective for a public agency in responding to turbulent environments in which needs are rapidly changing and collaboration is required to respond. Such a strategy is proactive and responds to a diverse and ever-changing set of needs through actions to meet these needs (which describes the needs-driven approach of much urban local economic development in the last
decade). Such a strategy calls for "organisational relationships, which jump across traditional lines of authority, creating complex structures" (Nutt & Backoff 1992:96). This contrasts with a hierarchical management structure.

2.3.4 The dynamics of law and economic reform

Much of the NPM movement, driven by a belief that markets are inherently superior to public bureaucracies when it comes to delivering efficient and user-friendly public services, has been based on free-market economic arguments that have important legal ingredients (Drewry, 2000:61). In relation to the importance of the free markets, in a recent comment the South African President Thabo Mbeki (2004:6), stated that the president was against the "godliness" of the free-market system, and that although South Africa does support the current movement toward a free market economy, the country doubts its desirability.

Most of the "reforming" countries (including ones in Eastern Europe) of which Drewry (2000) has knowledge and experience make the reform of constitution and of public-sector law the starting point of the whole process (Drewry, 2000:64).

The legal draftsman, working in partnership with politicians, is a key actor, and sometimes seems to drive the reform process. It is obviously essential to get the legal base of the proposed reform absolutely right, and arguing over a draft text often brings to light important substantive issues which not otherwise have emerged until it was too late. There are some dangers, not the least the risk of overestimating the capacity of law and an appetite for acceptable change in the political and bureaucratic culture (Drewry, 2000:64).

2.3.5 Competition

Osborne and Murray (2000:70) refer to the influence of transformation, which involved the "downsizing" of government departments that led to the development of plural models for provision of services provided by the state. The above writers refer to the fact that much of the literature, which has exhorted the introduction of plural models of public service provision that, has emphasised the importance of competition as a central component of such pluralism, bringing benefits of increased efficiency and responsiveness to the end-user of public services (Osborne & Murray, 2000:70).
Recently, however this orthodoxy has been questioned, both in the macroeconomic literature where the concept of the "new competition" has emphasised the importance of collaboration in economic success and in the organisation theory literature which has emphasised the cost disincentives of competition compared with collaboration, (Osborne & Murray, 2000:70).

Common (2000:135) argues that, the emergence of partnerships has also been precipitated by structural changes (trends) to the welfare state brought about by an increasingly globalised economic environment. Common (2000:135) writes, that under the yoke of economic globalisation, "all governments are obliged to bear down upon spending". However, the impact of economic globalisation has had more fundamental consequences. The welfare state can no longer regard itself as having a purely domestic role, and according to Common (2000:135) this resulted: "in an increasingly internationalised world" where "it is being forced to act more like a market player". Common (2000:135) states that the net result of competition in global markets is the appearance of the "competition state" which is replacing the welfare state, the 'institutions and practices of the state are increasingly marketised or "com-modified", and the state becomes the spearhead of structural transformation to market norms both at home and abroad'. It appears that PPPs are manifestations of the Competition State, along with the "reinventing government".

Teisman and Kliijn (2000:175) discuss an interesting aspect of competition. The authors mentioned regard public-private cooperation a result of intertwined activity, e.g. the transport sector in the EU. They state that in our society there is a basic belief that competition, which is characteristic of the private sector, is an important incentive to producing goods (or services) in an efficient way. If it is possible to introduce this concept of competition into decision-making, the quality of the outcome may be improved. However, the introduction of competition is not the same thing as inviting organisations into the policy arena. In an oligarchy (meaning government by the few for the benefit of the few) it is difficult to establish competitive tendering procedures. Private organisations will then act the same way as public sector organisations (Teisman & Klijn, 2000:176).

In the European countries there are only a handful of competitors in the market of high-scale infrastructure projects. Taking into consideration that the establishment of consortia is necessary, we must assume there will not be a free market. Even the
current attempts to open up national markets to foreign companies will probably lead to an oligarchy on a European level within a decade (Teisman & Klijn, 2000:176).

If this prediction is correct, the science of public management as well as the practitioners in this field will have to deal with a new and challenging question: How can they create new forms of competition in a society where both the public and the private sectors are characterised by a high level of interdependency? Interdependency means that networks will be established and cooperation required. At the same time this can lead to closed shops. Organised competition will likewise be required. Groups of actors will be embedded in a network that will be based on a combination of cooperation and competition. Teisman and Klijn (2000:176) use the term “co-opetition” to highlight this need for a combination of cooperation and competition.

Jacobs (1998:79) describes partnership as political competition in that risk sharing and bargaining over resources are really political concerns. Bargaining between conflicting interests inevitably produces competitive and potentially conflictual relationships. Political competition is a central aspect of relationships within networks; however, sometimes-political competition produces beneficial outcomes. Indeed, functional competition frequently leads to better policies and more effective administrative structures. This competition differs from dysfunctional conflict, which can lead to the breakdown of ordered relationships (Jacobs, 1998:79).

Labuschagne (1998:138) explains that performance criteria relate to competition and cost savings as follows: The key factor in ensuring savings or quality improvements and avoiding the mistakes and costs of government provision is the specification of the performance criteria. Labuschagne (1998:138) mentions that the importance of clearly defined performance (criteria) is that private organisations do not respond to competition by reducing the quality of care and cutting “unprofitable” services, but instead use competition to deliver a better service for the same outlay.

2.3.6 Theoretical models and processes

Lewis (2000:260) contrasts the characteristics of an "active" and the "dependent" partnerships and views the challenge for management in interagency development projects as one seeking to generate "active" partnerships.
Chapter 2: Public-Private Partnerships: General theory and concepts

To move into the realm of tentative theory building, the process of generating "active partnerships" requires the presence of several key attributes if value is to be added or synergy. This process needs to be understood in both functional and processual terms (Lewis, 2000:261). The five key attributes are as follows:

- Communication.
  The space and time need to be created which can provide opportunities for channels of communication among different organisational actors;
- Risk taking and risk sharing.
  Not all aims will be achieved, and may change over time. An important part of risk taking is the open discussion and negotiation of conflict and difference;
- Acknowledging the importance of personalities.
  The formation of personal ties between individuals from different partner groups can help build an open exchange of problems and ideas to facilitate learning;
- A clear sense of purpose of the partnership.
  An understanding of the outcomes, which can be achieved jointly, over and above those, which might be achieved singly, is essential at the start of the partnership. Equally important is the recognition that these purposes will change over time, requiring redefinition as new opportunities and constraints emerge.
- Definition and adaptation.
  Each specific interagency partnership (and its associated actor linkages) will require new definition and adaptation and it is likely, in view of the importance of process, that it can simply be replicated from another context.

Such a process view of partnership has implications for managers in the public, private and the non-governmental sectors. The implications is summarised in three steps as follows (Lewis, 2000:261):

- A first step is to identify the goals of partnership;
- A second is to design a range of mechanisms for achieving the necessary linkages;
A third step is to review purposes and progress regularly. Once these principles are agreed upon, specific practice can be adapted to local conditions and "active partnerships" may then be developed, based on the principles outlined above (Lewis, 2000:261). The key challenge for policy makers is therefore to understand more about the process of partnership so that efforts may be made to shift interagency partnerships away from the dependent type towards those with more "active" character (Lewis, 2000:262).

Furthermore, Lewis (2000:252) examines the changing relationships between development non governmental organisations (NGOs), donors and government in the provision of rural development services in Bangladesh and describes some preliminary steps in building a model of partnership based on the idea of partnership as a process rooted in "active" relationships between agency partners. (See Table 2.2 p.38 for the meaning of "active partnerships" and "dependent partnerships"). While there may be apparent consensus among the partners on the surface, this often reflects unclear roles and responsibilities rather than the creative conflicts, which emerge within active partnerships. In an aid-dependent context, such as Bangladesh, the likelihood is strong that agencies will come together in "dependent" partnerships in order to gain access to resources rather than for the purpose of mutual exploration and learning. The main danger within this framework of dependency is partnership un-sustainability (Lewis, 2000:262). The task of seeking to generate "active" partnership is the key challenge for the management of interagency development projects (Lewis, 2000:261).

Lewis (2000:260) tables a range of different characteristics of these so-called "active" (dynamic) and "passive" (dependent) partnerships as follows:

(See the next page)
TABLE 2.2 CONTRASTING CHARACTERISTICS OF ‘ACTIVE’ AND ‘DEPENDENT’ PARTNERSHIPS

<table>
<thead>
<tr>
<th>&quot;Active&quot; partnerships</th>
<th>&quot;Dependent&quot; partnerships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process of collaboration</td>
<td>Blueprint, fixed term</td>
</tr>
<tr>
<td>Negotiated, changing roles</td>
<td>Rigid roles based on static assumptions about 'comparative advantage'</td>
</tr>
<tr>
<td>Clear purposes, roles and linkages but an openness to change appropriate</td>
<td>Some functional division of responsibility in theory, but unclear purposes, roles and linkages in practice</td>
</tr>
<tr>
<td>Shared risks</td>
<td>Individual interests</td>
</tr>
<tr>
<td>Debate and dissent</td>
<td>Consensus or resignation to role</td>
</tr>
<tr>
<td>Learning and information exchange</td>
<td>Poor communication flows</td>
</tr>
<tr>
<td>'Activity-based' origins – emerging from practice</td>
<td>Resource-based origins – primarily to gain access to funds</td>
</tr>
</tbody>
</table>

Adapted from Lewis (2000:260)

Jacobs (2000:220) identifies certain types of partnership structure, in order to make sense of the diversity of partnerships of a region, which may be useful in this typology aids analysis and shows different partnerships configurations in flux. His research is also evaluative because it provides the basis for understanding change in collaborative initiatives and the processes that influence the meeting of strategic objectives. Furthermore, Jacobs follows this route with the purpose of revealing the different kinds of structure that combine with different processes within partnerships. Therefore, the value of this partnership typology is that it accounts for the observable variety of organisational arrangements that bring together public and private sector organisations, and that it allows for the varied internal dynamics of individual partnerships (Jacobs, 2000:221).

The model presents the policy context of partnership as a changing external environment. External economic, social and political contingencies, together with factors internal to partnerships such as politics and group competition, influence the organisational characteristics of partnerships. Partnerships often develop from informal networks purposely created by public and private interests, and collaboration produces complex organisational characteristics and functions as activities expand (Jacobs, 2000:221).
Two major dimensions underlie the dynamic organisational nature of partnerships portrayed in Jacobs' typology:

- The degrees of political competition ranging from the "restrained" politics of harmony and consensus to dysfunctional conflict that undermines effective collaboration;
- The degree of organisation that a partnership develops (Jacobs, 2000:221).

Jacobs' model shows that partnerships represent arenas which give expression to group demand through various forms of inter-group activity and that many different organisational arrangements are possible. These two dimensions are further subdivided into the dimensions of high organisation versus developing and undeveloped organisation, as well as between formal and informal network arrangements, which are illustrated in the Table 2.3.

(See the next page)
### TABLE 2.3 COMPARISON OF LEVELS OF ORGANISATION AND NATURE OF NETWORKING

<table>
<thead>
<tr>
<th>Restrained competition</th>
<th>Competitive</th>
<th>Conflicual-disfunctional</th>
<th>Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>High organisation</td>
<td>This combination of competition and organisation produces a developed organisation and restrained competition, which implies a potential for centralisation and top-down management.</td>
<td>This combination signifies a highly organised partnership with competitive politics. Partners share complex tasks with a strong operating core.</td>
<td>Partners are likely to split the partnership Lack of effective internal control and rivalry between partners.</td>
</tr>
<tr>
<td>Developing organisation</td>
<td>This partnership has developing organisational structures and restrained competition.</td>
<td>This partnership can be highly political, but there is a strong possibility of a workable compromise if there is an agreement to share risks.</td>
<td>A developing organisational framework for the partnership, but possibly many stakeholders where conflict and competition threaten effective collaboration.</td>
</tr>
<tr>
<td>Undeveloped organisation</td>
<td>Partnership with minimal organisation, but restrained competition. One partner may dominate, or partners might share administrative tasks as the partnership develops.</td>
<td>There are opportunities for effective cooperation if partners strike up a workable compromise and develop effective structures.</td>
<td>Intense competition between partners threatens to break up the partnership and prevent organisational development and coherence.</td>
</tr>
<tr>
<td>Formal network (e.g. preceding a formal partnership)</td>
<td>A network of rudimentary, possibly flat organisation, but where there is a general agreement to define the aims of a future partnership.</td>
<td>Diverse actors jostle for position in the context of a debate over proposed partnership aims and objectives.</td>
<td>Political disagreements lead to the early break-up of the network or informal partnership.</td>
</tr>
<tr>
<td>Informal network (e.g. preceding a formal partnership)</td>
<td>An informal network where actors retain their own identities but agree on general aims for the future.</td>
<td>Transient, unstable, and unstructured relationships between actors.</td>
<td>Political conflicts lead to the termination of contracts between actors.</td>
</tr>
</tbody>
</table>

Jacobs' partnership typology adapted from Jacobs (2000:222).

By gauging the extent to which partners collectively develop basic organisational characteristics, it is possible to assess the degree of organisational sophistication in a
partnership. According to Jacobs (2000:223), the basic parts of this type of organisation are its:

- Strategic apex;
- Operational core;
- Line management;
- Technical capability;
- Organisational culture;
- Staff function.

As partners join and activities expand, the partnership changes internally as bureaucratic structures accommodate new inter-organisational relationships and extend administrative responsibilities (Jacobs, 2000:223).

In practice, therefore, the typology enables managers to track partnerships as they develop and change along the organisational and competitive dimensions. Managers usually acknowledge that partnerships are neither static nor constrained within any single organisational configuration. The typology enables managers to characterise the direction of change within a partnership from, for example, informal networking to high organisation. It also provides the basis for the envisaging of where a partnership intends to be in the future. For example, there may be a choice between informal organisation combined with decentralisation, and greater centralisation combined with greater managerial control (Jacobs, 2000:223).

### 2.4 GENERAL CONCEPTS

The literature was reviewed for concepts, which may assist the researcher in conceptualising the essence of PPP development. A better understanding of the basic elements supporting the concept of PPP development was explored and gathered from the available literature at the time of this study. Concepts such as the arrangement of partnerships into types, benefits, disadvantages, characteristics and other aspects such as the concept of viability was extracted from the literature and reported on hereafter.
Chapter 2: Public-Private Partnerships: General theory and concepts

2.4.1 Partnership typology and arrangements

The literature research revealed that more than one type of joint venture between the public and private sector exist in practice. These were explored in literature and a narrative of the foundings follows.

The numbers and types of partnerships in a global perspective are overwhelming, making the definition of partnership difficult. For example, in some cases city officials might describe a tax concession for which businesses promise to create jobs in the future as a partnership. In other instances, the hiring of a private contractor to manage an entity, or to render a service, might be labelled as a partnership. Some cities have made cash investments in, or loans to, business with an agreement, in some way, to share in the business outcomes (Walzer & Jacobs, 1998:5).

As a prelude to his collected work, Osborne (2000:1) includes a summary of some examples of general partnership arrangements and the rationale behind some PPP initiatives across the world:

- In the UK, PPPs are a cornerstone of the developing stakeholder society of the “New Labour” government and an essential tool to implement significant social policies, such as the regeneration of urban areas (the Single Regeneration Budget) and the struggle to combat youth unemployment (the welfare to work programme);

- In Hungary, PPPs are being seen as a means both to restructure the provision of public services to meet social needs and to develop a civil society in the aftermath of the communist regimes;

- Within European Union Policy development, PPPs are an essential integrative mechanism both to combat social exclusion and to enhance local-community development;

- In the US, PPPs are central to national and state-government initiatives to regenerate local urban communities, as well as often arising out of community-led attempts to deal with the crisis of government in American communities.

According to Walzer and Jacobs (1998:5) the broadest type of partnership is an ongoing, formal relationship between a city government and a business to which each makes a defined contribution and from which each is expected to receive a specified output. From a public economic development perspective, Walzer and Jacobs (1998:5)
state that the overriding purpose is to expand the number of jobs, level of income, neighbourhood improvement, or other measures of local community development.

A straightforward example of a PPP for economic development might be a situation in which a city provides land and buildings to a business venture, and the business partner provides the labour, raw materials, capital, and management expertise. Both parties share in the risks, gains, and losses of the business venture. In other words, both sides take an equity position in the business. There are relatively few examples of these types of partnerships, but they do exist. More common are partnerships in which the city government waives taxes or fees or relaxes regulations to entice business investment, or in which the city government assembles the land and makes public improvements in the hope of enticing private business investment. These provisions strengthen and prolong the partnership by raising the ante required for the business to make decisions adversely affecting a city (Walzer & Jacobs, 1998:5).

McQuaid (2000:12) describes a range of parameters, which are useful for analysing partnership types or developing models of them, in the context of urban regeneration and economic development. The range of dimensions can be combined to form a set of characteristics of a partnership. This illustrates the combination of these different dimensions, and shows that large differences are found between partnerships and within partnership over time. Each of these dimensions for analysing partnerships individually has also a number of axes or sub-dimensions. However, there is a distinction to be drawn between increased complexity (and realism) and clarity of any typology of partnerships. Each of these components will finally have direct implications for the efficiency and effectiveness of a partnership and for the balance of power within it, and so can help form a basis to analyse these issues.

The five dimensions mentioned and their components are summarised as follows:

(See the next page)
### TABLE 2.4 COMPONENTS OF PARTNERSHIPS

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Components</th>
<th>Range / Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purpose</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exogenous (external resources) Employment creation</td>
<td>Focus</td>
<td>Endogenous (internal resources) Employment redistribution</td>
</tr>
<tr>
<td>Single project Strategic</td>
<td>Aims</td>
<td>Long-term programme</td>
</tr>
<tr>
<td></td>
<td>Range of activities</td>
<td>Programme cooperation or one-off project collaboration</td>
</tr>
<tr>
<td></td>
<td>Level</td>
<td></td>
</tr>
<tr>
<td><strong>Who is involved?</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public agencies</td>
<td>Range of actors</td>
<td>Private, voluntary, “third sector”</td>
</tr>
<tr>
<td>Formal (legal contracts &amp; general agreements)</td>
<td>Structure</td>
<td>Informal (overlapping networks)</td>
</tr>
<tr>
<td>Top-down</td>
<td>Process of mobilisation</td>
<td>Bottom-up</td>
</tr>
<tr>
<td>Unequal power</td>
<td>Power relationships</td>
<td>“Fair” power relationships</td>
</tr>
<tr>
<td><strong>When</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-development / Development Close partnership</td>
<td>Phase / stage</td>
<td>Operation</td>
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<td></td>
<td>Decision points</td>
<td>Continue partnership</td>
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<td><strong>Where</strong></td>
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<tr>
<td>Geographical area (e.g. small urban area)</td>
<td>Area /group</td>
<td>Client group (e.g. young unemployed in the region)</td>
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<tr>
<td><strong>How</strong></td>
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<tr>
<td>Stand-alone partnership organisation</td>
<td>Implementation mechanisms</td>
<td>Agreement influencing existing services</td>
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</tbody>
</table>

Adapted from McQuaid, (2000:13).
Drewry (2000:60) discerns a difference between PPPs represented by more bilateral contracts (not necessarily legally binding) between public and private bodies and the intra-organisational “partnerships”, but mentions that there are resonances in common. The private companies that enter into bilateral partnership arrangements with the public sector are certainly bent on making a profit; very large sums of money are often at stake, and there will usually be a legal-contractual bottom line, ultimately enforceable in courts. Yet there is also an interesting reference to “trust and confidence” and “good faith” – reminding one of the important complementarity of contract-based and trust-based relationships in the day-to-day life within organisations, in the relationships between government and citizen, and through the public services (Drewry, 2000:60).

Duffy (1998:139), investigating partnerships in principle and practice, states that strictly speaking, a partnership denotes that the members are equal. In the urban example, it more often has one body that leads, at least for a period. The bodies come together to address a shared problem or need. In this way, they jointly identify the specific problem and attempt to direct resources to meet it. Urban partnerships tend to be formed for a specific purpose and to wither either when that purpose has been met or when one of the partners – usually the one with most clout – decides that the time has come to wind it up (Duffy, 1998:145).

The focus of a partnership may range from being ‘exogenous’ to being ‘endogenous’. In broad terms, a purely exogenously focused partnership may seek solely to attract extra resources from outside the partnership, while a purely endogenous partnership would seek to maximise the efficient use of existing resources and the synergy between resources. Most partnerships will have a combination of these purposes, but the relevant importance of each will vary (McQuaid, 2000:14).

The essential aspects of a PPP arrangement, as distinct from the direct delivery of a public service by a department, are:

- A focus on the services to be provided, not the assets to be employed;
- A shift of the risks and responsibilities to a private provider for the activities associated with the provision of services.

Within the South African perspective the simplest form of a PPP is a service contract. In such contracts, a department typically awards a private party the right and obligation to perform a specific service, within well-defined specifications for a period of perhaps one
to three years. The government retains ownership and control of all facilities and capital assets and properties. A key feature of more complex PPP arrangements, such as concessions and build-operate-transfer (BOT) schemes, is the mobilisation of private finance on a limited recourse basis (South African National Treasury, 2001).

### 2.4.1.1 Rational of the partnership

Partnerships may moreover be strategically orientated, covering the broad aims of organisations and dealing with major long-term issues or project and programme driven, involving only specific programmes or projects. For example, a partnership may seek to create and agree to a broad development strategy for an area (or a country) or it may be set up to develop and/or implement particular projects (McQuaid, 2000:14).

The underlying basis of a partnership may be a high level of trust, as in the view of partnership as a marriage, which develops over time but is underpinned by trust and a mutual belief in the positive gain of both partners. Hence one partner may accept reduced short-term benefits if this leads to considerable gains for the other partners, although in the longer term there may be some expectation of a quid pro quo. There may be an expectation that the partnership will continue even if its focus and rationale change over a period time; that is, the partnership process may almost be seen as an end in itself. Other partnerships may be termed real-politic and based on self-interest of the partners, so that partners may leave or the partnership disintegrate once their gains cease or reduce (McQuaid, 2000:15).

While partnerships may vary in structure and purpose, there is an underlying logic to their formation and structure. Jacobs makes the case that partnership formation involves risk sharing. Public agencies bring resources and a pivotal position in policy formation to the table. Through a cooperative agreement, public officials can transform most of the risk in local development practices to the private sector. Partnerships make private businesses a part of the solution, which, in turn, gives them a stake in the success of the venture (Walzer & Jacobs, 1998:10).

Walzer and Jacobs (1998:10) explain moreover that changes in organisational environments of local governments bring almost continual modifications to local cooperative efforts. Partnerships are often formed to meet a specific need or project. Common to such partnerships, however, is the need to incorporate a broad base of support by involving other groups within the community. This involvement builds a
broader base of support for public projects in general. Involvement in partnerships often brings fuzzy distinctions among the players. As participating agencies assume some of the risks and play roles not completely typical of their organisations, it can be difficult to describe clearly how they will respond to changes or opportunities. The amount of organisation inherent in partnerships varies and makes classification difficult.

The purposes for PPPs are described by Collin and Hansson (2000:201), who postulate that PPPs may represent one of the several forms (of collaboration) that the municipal production of services and products can assume. In the USA, PPPs have been a means of gathering capital and competencies for downtown redevelopment projects, in England a way of achieving local economic redevelopment, and in Germany it has served similar purposes (Collin & Hansson, 2000:201).

2.4.1.2 Key actors involved

According to McQuaid (2000:15), another dimension of partnership formation considers the key actors. One issue is the range of actors. These include the key agencies, voluntary-sector bodies, the local community (groups or individuals), and the private sector, but may include “significant” individuals also. The private sector is far from being monolithic and covers many types of organisations with varying motives and resources such as: firms located in, or linked to, urban areas, firms whose business is urban regeneration, paternalistic firms, and organisations concerned with corporate social responsibility.

Types of firms (actors) also vary by control (locally owned or controlled firms to branch outlets); size or types link with the area (small shops, agents or those dependent on wider markets). Moreover some firms (actors) have urban development and regeneration as a core business and seek partnerships, with the public sector or others, as a means of expanding their market. Other actors may be involved in partnership for less direct commercial reasons as they have links with the area. Within the private sector more informal social networks may, however, be more common than formal partnerships. It is therefore important to identify precisely the types of actors and the manner in which they contribute to a partnership (McQuaid, 2000:15).

Market activities may be considered playing a key role in the PPP environment. Traditionally, the market and hierarch have been seen as distinct and opposing mechanisms. Markets are forms of coordination in which individual, autonomous parties

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achieve equilibrium through pricing mechanisms. Hierarchy gives the appearance of coordination in which command, control and legislation are important. In the private sector, coordination takes place spontaneously, while hierarchy is usually associated with government agencies that coordinate through bureaucratic procedures. This distinction is also linked to specific products: The market supplies private products and government agencies supply collective ones. In this way, two separate worlds coexist (Klijn & Teisman, 2000:88).

Another continuum for considering key actors and their relationships in partnerships is the formal structure of the partnership, which may range from formal legally binding contracts, to unenforceable public agreements or general agreements to cooperate. Formal partnerships generally include specific objectives and mechanisms. A more rigid set of formal partnerships may be based upon a legally binding contract, particularly where there is a direct commercial transaction. In many cases partnerships are moving towards a legal basis with contracts binding partners to specific inputs and actions. However, McQuaid (2000:16) stated that there are dangers with this approach – as exemplified in the USA where the “contract culture” has often led to a “bureaucratic paper chase” – and may reduce voluntary cooperation as each organisation seeks to protect itself from possible legal repercussions of failure to meet the contract terms even if the situation has changed and a more appropriate activity carried out. This emphasis on contracts also permits funding to be reduced with the implications, to the contractors and the blame, which may fall on them. There is also a question of whether contracts can help lead to increased trust by creating certainty and commitment and reducing the risks for the partners, or to a breakdown in trust as a result of each party’s retreating to the conditions of the formal contract. Less formal agreements, which may be termed organisational networks rather than partnerships, may be more appropriate for relationship building between actors and information sharing. These take various forms and often simply involve regular meetings of agencies whose members can subsequently either informally report back to their own organisations (McQuaid, 2000:16).

McQuaid (2000:16) describes an aspect of partnership formation termed the “top-down or “bottom-up development”. He refers to this as an important aspect concerning key actors in the process of mobilisation. This is the process of creating partnerships through a top-down (e.g. the initial impetus from a higher level of authority such as
central government) or a bottom-up catalytic process. The bottom-up approach means the seeking of more autonomous control by local communities through locally based and developed strategies, which use local resources, address local needs and reduce external dependency. While many initial projects start with a top-down approach, the development of individual projects may have bottom-up characteristics. There have been many instances of the UK central government funding key community workers to aid local-capacity building thus enabling local communities to generate their own initiatives and draw relevant bodies into partnerships. According to McQuaid (2000:17) it is mentioned that Bailey (1994) also developed a typology of partnerships, covering development, of trust, joint agreement / coalition / promotional, agency and strategic partnerships, based on the level of mobilisation (local / national, etc.), geographical area of coverage, range of partners and remittance.

2.4.1.3 Timing of partnership formation

A third dimension is timing. Over a period of time, key individuals may move or change their views and people's and organisational priorities change, so that their role in a partnership may change. The stage of an initiative or policy at which there is cooperation can influence the balance of power within the partnership and contributions of partners. McQuaid (2000:17) separates the policy dimensions in which the goals of the community are articulated and the operational dimension in which those goals are pursued. This can be termed policy formation with agreements focused on the overall aims, specific goals and implementation or on ways in which these are to be achieved, resource inputs, implementation mechanisms and organisational structure and the monitoring and evaluation thereof.

Some of the main stages of developing a partnership include the pre-development stage when the nature of the problem is investigated and the need, of partnership is identified. During this stage, trust between prospective partners needs to be created or developed and working relationships built. The following phase may be the development of the strategy and the formation of some partnership agreement. Next, the appropriate strategy and agreement may be selected, along with the main projects and implementation mechanisms. The partnership and strategy then need to be implemented (arguably the most difficult part of the process). This is followed by ex-post evaluation, which feeds back into improving the strategy and partnership and provides assistance when the decision point is reached to continue, modify or close the
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partnership. These are only broad stages and each may overlap with others, e.g. experience during implementation may reinforce or damage the trust between partners.

At different stages of a partnership there will be different balances of power between actors. For example, in the early stages when an initiative is being developed, all those "around the table" will have potentially large influence, as their involvement will often be considered important for getting the initiative started. However, the environment within which the key funders operate is very influential (e.g. in ruling certain approaches out of discussion). Once the initiative has been agreed upon, the views of the main funders are likely to become relatively more important; i.e., there may be a shift from the influential power of some actors (such as voluntary groups) toward a relative increase in the authoritative power of the main funders. Once a specific organisation has been set up to deliver the service, such an organisation's management becomes very powerful, even when there is a management board of the partners. Once the review stage of the initiative is entered, the main potential funders regain much of their power as they have greater influence in the decision whether or not to continue the initiative (McQuaid, 2000:18).

2.4.1.4 Scope and clientele

Partnerships may focus on different scales of geographical area (e.g. concentration on a small area of urban deprivation or on the wider travel-to-work area). Others may focus on a particular client group within the area or across a wider area. They may focus on national level policies (or attempts to influence policy), such as social exclusion, discrimination or urban regeneration in a national context, or they may focus on such issues at a local or regional level. Clearly partners or other key actors will differ in each situation. There may also be tensions between local and national perspectives within each type of partner (McQuaid, 2000:18).

2.4.1.5 Mechanism of implementation

McQuaid (2000:18) states that a fifth dimension or group of dimensions of partnerships concerns implementation mechanisms, which involves who does what, including who provides resources and who controls them. The partnership may agree to coordinate and alter priorities of the partners' existing services or, in another extreme, they may operate through a stand-alone unit. These and hybrid mechanisms are common, although the latter will usually require a formal agreement.
Given the huge diversity and ever-changing nature of partnerships in urban economic development, one line of inquiry in order to attain greater understanding is to narrow down to individual or subgroups of partnership along these dimensions while a complementary approach is to seek some general principles that may apply to partnerships. A typology of partnerships should incorporate all of these dimensions / factors. For example, when a partnership is described as “exogenous” in order to add depth to this description it may also be seen as a strategic, formal, national partnership involving the public, “third” and private sectors and operating through a stand-alone executive (McQuaid, 2000:19).

2.4.1.6 Public Private Investments (PPIs)

The notion of public-private investments (PPIs) represents a fundamental change in the focus of the public sector, away from being a direct provider of services to the public and towards becoming a procurer of services and a regulator. This transformation allows both the private and public sectors to concentrate on doing what they are likely to do best. The provision of goods and services is the core business of the private sector. Most government departments expend a substantial amount of time and money administering non-core functions that fall into their area of service provision (Labuschagne, 1998:135). This task imposes a severe institutional strain on government departments and channels scarce resources away from direct service provision and the creation of the health environment the country needs. Private sector incentives, when coupled with competitive pressures, should ensure the most cost-effective outcome. In this way, the risks are carried by the parties most able to bear them (Labuschagne, 1998:135).

According to Labuschagne’s research (1998:135), when services are to be sold (tendered) to the private sector, two issues must be addressed:

- Firstly the public sector must ensure that it achieves value for money in return for its expenditure. The transfer of risk is one way of achieving this. The main requirement for PPI-type projects is to ensure the genuine transfer of risk to the private sector. As a general rule, value for money can be expected to increase initially as the risk is transferred to the private sector, until the optimum point is reached at which all risks have been allocated to the partner best able to manage them. Any further risk transfer will lead to a decline in value for money. The amount and type of risk that
needs to be transferred to achieve optimum value for money will vary from case to case and must be determined in negotiation with the bidders;

- The second important factor in the specification of PPI contracts is that purchasing should specify a service requirement, not an asset requirement. For example, the public sector informs the private sector of its requirements without specifying how these should be provided. This allows the private sector to design the service as economically as possible. Where payment levels for the service have been agreed in advance, cost overruns on the latter cannot be passed on. In other words, the private sector will receive no income until the asset produces a flow of services meeting the pertinence standards specified in the contract. For the reason that the private sector will be responsible for the operation and maintenance of the asset and not for service provision, it will design an efficient and economical operation (Labuschagne, 1998:136).

These projects involving the sale of services to the private sector have the effect of converting what would have been capital expenditure of public funds into current expenditure in the form of service delivery payments. Public bodies will consequently have to reposition their budgets to allow for the switch from capital expenditure provision to current provision (Labuschagne, 1998:136).

According to Labuschagne (1998:136) the Treasury of the UK uses three basic measures to determine when a department should consider a private finance initiative (PFI) (the term used for PPIs in the UK). The use of PFI should be considered:

- After abolition and privatisation, in conjunction with contracting out;
- In the formulation of business strategies and annual efficiency plans;
- When the acquisition of a new capital asset or the replacement of an existing one is being actively considered or is foreseen.

These three decisions follow a logical process, which could be applied, to most of the major items in a department's budget (Labuschagne, 1998:136).
2.4.2 Partnership benefits and disadvantages

The literature reveals some benefits and disadvantages imbedded in partnership formation. A partnership has a number of distinctive features, but some benefits and disadvantages of partnerships will be discussed.

2.4.2.1 Partnership advantages (benefits)

An important question is why an organisation should use a partnership in preference to carrying out the activity by itself? Arguments in favour of forming and implementation of partnerships were found to be:

- By cooperation in a partnership-structure the total output is increased for a given level of resources;
- Furthermore partnerships are seen as allowing each partner to gain the benefits from cooperation, while each retains its autonomy;
- In general partnerships may also be seen as an effective way of overcoming market imperfections caused by external factors.

The main arguments favouring partnerships may be grouped as resource availability; effectiveness and efficiency; conflict avoidance and legitimacy (McQuaid, 2000:19).

From a South African perspective as seen by the South African National Treasury guidelines some advantages of partnership formation are described as follows:

- 'Operationally', the benefits of PPPs include efficiency gains; output focus; economies generated from integrating the design, building, financing and operation of assets; innovative use of assets; managerial expertise; and better project identification. These benefits can result in some combination of better and more services for the same price, and in savings, which can be used for other services or for more investment elsewhere (South African National Treasury, 2001:6).

- 'Strategically', partnership contracts enhance accountability by clarifying responsibilities and focusing on the key deliverables of a service. A department's managerial efficiency can benefit significantly as existing departmental financial, human and management resources can be refocused on strategic functions (South African National Treasury, 2001:6). Thus, the benefit is embedded in strategic clarity.
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- by focusing departmental resources in strategic management and ensuring that key services are delivered effectively (South African National Treasury, 2001:7).

Therefore, according to the South African National Treasury the benefits of PPPs can accrue to all stakeholders as follows:

• For departments – PPPs may be an accessible, relevant, viable and beneficial service delivery option;

• For the users of services – PPPs may result in accessible, affordable and safe services that meet acceptable quality standards;

• For society – PPPs may promote goals such as social equity, economic empowerment, efficient utilisation of scarce resources and protection of the environment;

• For private parties – PPPs may be sufficiently rewarding in relation to the investment required and the risks undertaken (South African National Treasury, 2001:6).

These benefits are not, however, predetermined, but are dependent on at least three conditions:

• An operational need for private sector skills to deliver the service;

• An identifiable market of private sector bidders prepared to compete for the project;

• The appropriate allocation of risk (South African National Treasury, 2001:7).

From a global perspective as seen by the WHO, Buse and Walt (2000:553) summarise the United Nations (UN) perspectives on the benefits of partnership with respect to GPPPs. The UN interests in global public-private partners is contained in the following benefits:

• Harness private sector for economic development — perception that public sector cannot single-handedly bring about successful sustainable development;

• Bestow legitimacy on United Nations — being seen to involve industry in the affairs of the UN may win it support among various constituencies (e.g., American Congress);

• Bestow authority on United Nations — public-private partnerships fit closely with current third-way politics, (i.e. corporatist political theory involving industry as a stakeholder in the affairs of the UN may harness industrial support for its work);
Enable the UN to fulfil its functions and mandates — in the light of zero real growth budgets, financial, material, technical and other assistance from the private sector may allow the UN and its agencies to meet its commitments;

Enable the UN agencies to leverage financing and advice from the private sector — in furtherance of UN mandates.

The benefits of building effective or “authentic” partnerships (i.e. partnerships marked by mutuality, trust, and shared governance, dialogue and learning) are multifold (Hailey, 2000:316). Some benefits to these partnerships may include the following:

- A better way of making more efficient use of scarce resources;
- Increasing institutional sustainability;
- Improving participation;
- Sharing skills;
- Sharing knowledge and learning (Hailey, 2000:316).

Hailey (2000:316) postulates further evidence that successful partnerships can reduce administrative overheads and associated transaction costs resulting in more cost-effective projects and programmes.

Furthermore Hailey (2000:316) argues that effective partnerships contribute to:

- Building “social capital” because they help develop a range of trustworthy, reciprocal relationships, which bind individuals, groups, communities and society together;
- Encourage local ownership, facilitate the growth and development of local institutions and promote shared learning.

Operational evidence from NGDOs suggests that effective partnerships result in greater spread of activity and skills resulting in increased impact, shared risk, greater local involvement and ability to handle complex problems (Hailey, 2000:317).

When partnerships work well, they are seen as a valuable component of the development process. In particular they:

- Help build local capacity;
- Facilitate the transfer of skills and knowledge;
- Encourage mutual dialogue;
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- Can generate and motivate more cohesive and committed teams;
- Promote shared learning (Hailey, 2000:317).

Effective partnerships also:

- Encourage better quality decision making because they introduce a wider perspective;
- Spread the ownership of the decision-making process;
- Ensure that there is broader accountability for actions taken (Hailey, 2000:317).

In particular, links with government and other public institutions can foster greater levels of transparency and accountability within their administration, and so reduce wastage, nepotism, corruption and abuse of power, which has become virtually institutionalised (Hailey, 2000:317).

Regarding public-private investment (PPI) as an option in the health industry, Labuschagne (1998:137) describes some advantages thereof:

- **Improving efficiency** – By law, the service to be contracted out may not be a core competency of the government. However, this implies that non-core functions, such as the provision of, for example, laundry and catering services, may be contracted out. Because the SA National Department of Health (DOH) tends to concentrate its energies on providing clinical services, private sector operators will surely be more efficient in providing other services.

- **Effective management** – Contracting out services will allow hospital or departmental management to focus on specific hospitals and services and thus relieve some of the burden of management.

- **Cost-effectiveness** – The private sector may be able to provide a similar or higher quality service at a lower cost than government. This is because of a combination of economies of scale and greater production efficiency, due to competition, expertise and technology. Before a decision is based on comparative cost, it is important to evaluate costs comprehensively. This will include the full costs of the province rendering the service itself, as opposed to the private sector doing so. The latter includes the prices of the contract and all transaction costs;
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- **Increased resources** – The private sector operator may have skills, capacity or resources not available to the government, and hence will be more efficient. An example of this is equipment maintenance. The private sector may therefore help in capacity building and resourcing to overcome government constraints (e.g. where hospitals have difficulty in maintaining efficient management).

### 2.4.2.2 Partnership disadvantages

Not all the objectives described by Labuschagne (1998:137) as advantages of PPIs as mentioned in paragraph 2.4.2.1 above are easily achieved. Some disadvantages may occur, viz.:

- More preliminary planning is necessary in the preparation for packaging the project involving the private sector, than were needed in the traditional methods of procurement. However, there are institutions in the country that are equipped to provide the skills and support necessary to undertake PPIs;

- There are also political obstacles – markets are extremely sensitive to political statements. Once the government decides to proceed, it must be committed. One of the main sources of political obstacles is the negative attitude of some trade unions and/or individual workers to the principle of involving the private sector. In many cases, private sector involvement is seen as a threat to jobs, or as a mechanism by which the employer seeks to reduce wages over time.

As to the above Labuschagne (1998:137) states that labour itself, is not a cohesive, unified group. The different levels of trade unions (local, provincial and national) have different goals. It is necessary to confer with local and provincial labour on a project basis, while national level discussions are the responsibility of the government. Often these preliminary discussions inform management of the workers’ perspectives and identify issues of concern. Some of these issues can then be included in the project documentation (Labuschagne, 1998:138).

According to McQuaid (2000:22), there are many problems in working through partnerships, which may vary according to the form of partnership. Potential disadvantages are described as follows by McQuaid (2000:22):

- Unclear goals. (For example though the broad aims were clearly defined, the detailed goals were not clearly defined, leading to different understandings, which
may cause lack of coordination and possible conflict between partners. The lack of clarity of goals and the means of achieving them may increase the likelihood or perception of other partners having undeclared or "hidden" agendas);

- The cost of resources. (Staff time expended for discussions, making agreements, consultation, and or closing inefficient or unsuccessful partnerships, may be accounted for as resource costs and may be unequal);

- Unequal power. (The presence of unequal power should not imply that all partners should necessarily have equal power, as some may have a greater legitimate claim, e.g. on account of their greater involvement in the area, or have greater political legitimacy in the case of elected bodies. Although there are different types of power, greater power generally rests with those controlling resources);

- Cliques usurping power. (The usurping of power by a partner may result in outcomes that increase their own benefits rather than overall welfare. A familiar problem of decision-making difficulties in groups arises when they make irrational or sub optimal decisions, which the individuals themselves would not have made. Similarly there may be a problem of the partnership's lacking momentum as each actor relies on the others to push activity forward, resulting in none doing so. This is often countered by having a "product champion", as referred to in management jargon, or a separate or dedicated/assigned unit to develop the project);

- Impacts on other "mainstream" services. (Partnership may be seen as an alternative to realigning mainstream services to deal with the issues, and yet the scale of, and integration between, mainstream services may be far more significant, especially in the long run. Conversely, the partnership may draw resources from other mainstream services or confuse the services in the minds of users, so reducing their effectiveness, in that there may be a significant opportunity cost. This problem is also linked to the scope of services and responsibilities of the partners. An increase in the number of agencies, often formed out of partnerships, can be argued to have increased the fragmentation of services, with partnerships then being seen as the means to solve the fragmentation; so one solution is to set up a coordinating "one stop" shop in the form of another partnership);

- Differences in philosophy between partners. (The partners' different philosophies and motivations, or need for varying incentives, perhaps constitute a major reason
for the generally poor contribution, in financial terms, of the private sector to many urban-renewal initiatives. There may be a problem of combining public and private management practices and philosophies within one partnership organisation, or a partnership without a clear contract, for example in the area of ethos or stricter ethics of the public sector, or in the way aims and objectives are set);

- Organisational problems. (Organisational difficulties inhibiting successful coordination of programmes and approaches, and overcoming the specialist concerns of disparate organisations constitute a key implementation problem in the cooperation between public agencies).

Furthermore, according to McQuaid (2000:24), various barriers were found hindering agencies working together, thus causing organisational problems as mentioned above:

- Organisational (these include differing missions, professional orientations, structures and process of agencies);
- Legal/technical (statutes or regulations set down by a higher authority, and the technological capacity and practice of the organisation);
- Political (both external political environmental but also internal bureaucracy politics).

Some disadvantages, or problems, were identified as inherent in partnerships (with reference to those formed between Northern and Southern NGDOs, according to Hailey (2000:317) as follows:

- Power imbalance between partners;
- Tensions because of inbuilt biases and paternalistic behaviour;
- Inherent lack of transparency;
- Organisational weakness and lack of self-criticism;
- Dependence on one funding source;
- Deep-rooted suspicions as to the motives of other agencies;
- Differences in language;
- Differences in culture and morals;
- Differences in staff experience.
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Referring to partnership arrangements in American cities in local economic development, Clarke (1998:19) states others as claiming that partnerships are myths, that they legitimise and maintain existing social and political structures that generate inequalities and limit public deliberation and discourse. Where local economic development policy arenas are organised around a series of limited PPPs, this mode of association discourages the participation of a wide range of citizen interests in deliberations over enhancing economic performance. This unnecessarily increases the privileged position of business and erodes opportunities for citizens to develop mutual respect, civic skills, and an appreciation of broader community interests. In short, PPPs impede the political construction of a commercial republic (Clarke, 1998:37). The writer further refers to this problem, stating that partnerships serve only to obscure policy shifts insulating business-oriented state investment from public accountability and democratic influence.

2.4.3 Partnership management

Effective and lasting partnerships must benefit all participants, but too often they are created with little or no monitoring by the public participants. While the formation of a cooperative effort can create the "myth" of public support and participation in local economic development, the cost of these arrangements to public agencies can be high (Walzer & Jacobs, 1998:10).

Furthermore, cities with active partnerships are likely to have aggressively pursued economic development in other ways such as a full-time economic developer, a written action plan and an independent response to the survey. In the UK more than half the cities with partnerships had a full-time economic development officer, while 63.9 percent reported a separate budget for economic development (Walzer & Jacobs, 1998:11). The Walzer & Jacobs study revealed that monitoring the efficacy of the partnerships was high on the agenda for cities. Most cities require periodic reports from businesses on the progress of the venture. The vast majority of city councils whose authorities responded to their survey in 1994 reported that the partnerships had met or exceeded their expectations; that is, they had received at least an acceptable return on city investment (Walzer & Jacobs, 1998:11).

Accountability and responsibility include matters concerning the interrelationships between central and decentralised institutions; between officials and politicians; between executive and legislative bodies (including variations on the theme of...
ministerial responsibility); and, in Liberal-Democratic systems, between politicians and the electorate (Drewry, 2000:64). The matrix of accountabilities in any system is always a complex one, with internal and external aspects, and with political, legal and constitutional dimensions. These complexities have in many instances been exacerbated by the NPM reforms (Drewry, 2000:64).

Drewry (2000:67) remarks that the reformist pressures that have led to the growth of the “grey area” between the public sector and the private sector, and to a similar greyness in the distinction between public and private law, have likewise led to the development of new “hybrid” mechanisms for securing public accountability and redress of grievances. These include specialised administrative tribunals, operating alongside the ordinary courts, and various kinds of ombudsmen, often working at the interface between executive and legislature, and concerned mainly with “mal-administration” (variously defined) rather than “illegality” (Drewry, 2000:67).

Osborne and Murray (2000:81) identify key management issues in PPPs from a study done on the Canadian conceptual model of collaboration as a multi-phase process.

Five key management issues (needs) are (Osborne & Murray, 2000:81):

- To build on existing relationships whenever possible – if this is not possible, to allow more time to develop the necessary relationships before launching into the actual negotiations and the initial stages of collaboration;
- To build from limited collaborations, which involve limited challenges to organisational autonomy, and toward more significant (and risky) ones;
- To be explicit about organisational and personal goals within a collaboration and to look for congruence between them whilst not trying to force them, or expect them to be the same;
- To accept that competitive tensions will continue to be a legitimate part of collaborative ventures and need to be recognised and managed, not ignored;
- To be aware of the impact of external factors upon the success of collaborative ventures – they do not exist in a vacuum, but are embedded in a context.
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Klijn and Teisman (2000:90) briefly discuss some management complexities as follows:

Partner complexity is a result of the interaction and negotiation processes between different actors whose resources are indispensable to a joint undertaking. This complexity is enhanced by the fact that these actors have their own perceptions and strategies, which can conflict with each other. Powerful public-private partnerships can only be established if the partners are able to deal with complexity. If complexity is seen as a threat, partnership will probably soon be transformed into a traditional contracting out arrangement. This means that not only does the project have to create a fruitful partnership among the different perceptions, interests and goals of the various actors, but it also has to achieve a way of coordinating the different activities of the actors so that actual results are achieved.

Differently expressed: the network society with its inter-dependencies and dispersion of resources, information and (political) legitimacy creates a management problem of how to bring both knowledge and resources together in public-private partnerships (Klijn & Teisman, 2000:90).

Managing trust, requires partners working in synergy and willing to look for new solutions for joint ambitions (Klijn & Teisman, 2000:91). This requires exchange of information and ideas. In other words: achieving synergy demands a true partnership (trust) in which the partners are willing to discuss their perceptions and goals in a search for new solutions. Klijn and Teisman (2000:92) says the search for creative solutions, therefore, is vulnerable to misrepresentation, asymmetric information and opportunism. This should therefore be managed. This threat often leads to a situation in which a partner clings to his or her own interests and refuses to search for new solutions out of fear of being exploited by the other actors (Klijn & Teisman, 2000:92).

Mechanisms to maintain trust and the rules that support these have to be developed and managed. In network societies this is possible. Klijn and Teisman (2000:92) posits that the endurance of networks creates a "longer shadow of the future"; i.e., "a stream of future benefits" which increases the chances that partners will remain working together.

The challenges of managing PPPs is also to create "extra value" by using the knowledge and resources of the partners while at the same time fostering a minimum level of trust in the relationship and achieving concrete outcomes which are the actual
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realisation of the extra value (Klijn & Teisman, 2000:94). In this regard Klijn and Teisman (2000:93) describe three types of management for public-private partnerships as follows:

- Project management to realise concrete projects;
- Process management to develop interesting projects;
- Network constitution to create and maintain a base line of trust.

In practice all three types of management strategies are being employed at the same time (Klijn & Teisman, 2000:94).

A compact summary of the three types of management for PPPs is outlined as follows:

2.4.3.1 Partnership project management

This type of management is preoccupied with producing projects. There is a tendency to approach PPPs with project management strategies (Klijn & Teisman, 2000:94). These are based on the classical requirements for executing projects and some aspects may be identified as follows:

- Specifying goals;
- Organising resources;
- Setting up finance;
- Developing contractual relations;
- Attending to the scope of the project;
- Attend to organisational cooperation;
- Attending to the financial risks;
- Attending to the way contracting-out has to be organised, etc. (Klijn & Teisman, 2000:94).

2.4.3.2 Process management

Process management implies achieving creative solutions for the partnership. Partnerships are based on the idea that projects evolve from long-term interaction. Some elements of process management may be summarised as follows (Klijn & Teisman, 2000:97):
To preserve flexibility and openness in the cooperative effort, without losing the ability to make progress in terms of actual investment;

The inclusion of all stakeholders, throughout the partnership;

Management of the objectives of the partners and broadening of scope, (Openness is needed towards goals and actors; closeness is needed to establish an effective and efficient search for interesting solutions). Thus as far as management strategies are concerned, this problem requires an exploration into the varying perceptions of the partners and their connection to each other);

Bringing parties together and guiding interaction between partners on a continuous basis;

Formation of the contents of a "kick-off moment", (document, meeting, contract, covenant, gentlemen's agreement, etc. (Klijn & Teisman, 2000:97).

Partnerships can only be successful as long as trust between the partners can be established and maintained. In partnerships, project management, as in the case of contracting out, cannot merely generate trust. In order to create added value and quality, two specific categories of management are needed:

Process management;

Network constitution (Klijn & Teisman, 2000:99).

The introduction of these two types of management probably means that governments will have to redesign their internal organisational structure and procedures in order to respond adequately to external interdependency. Partnerships have to be maintained in a turbulent context. Not only the private company, but also the other governments, semi-public organisations and citizens are part of, the partnership arrangement. In order to generate cogent partnerships within this inherent complexity, all partners, including governmental partners, have to increase their efficiency (Klijn & Teisman, 2000:99).

Even though it may sound contradictory, Government has to establish a kind of project organisation in order to deal with the challenges of process management. Process managers will be appointed by the partners and held responsible for generating quality projects and achieving detailed sets of solutions, including the commitment of partners (Klijn & Teisman, 2000:99).
2.4.3.3 Network constitution

This implies the creation and sustaining of trust in the partnership. Trust, however, not only depends on the specific process itself, but also on the stability of the network in which partnerships are developed and the type of rules that are at work. If a network is dominated by the rule that autonomy is important, it will be difficult to develop partnerships. Klijn and Teisman (2000:97) argues that the actors will not be inclined to exchange information and ideas and will tend to focus on their own ambitions and goals. If this rule exists, a network reconstitution is needed. Reconstitution aims at changing the rules and structures of a network and by so doing changes the context for partnership. Klijn and Teisman (2000:98) provide three strategies of reconstitution, which may be distinguished as follows:

- Changing positions of actors;
- Reframing perceptions of actors;
- Changing the rules.

In order to prepare networks ready for partnership, three sets of questions have to be answered (Klijn & Teisman, 2000:98):

- What is the structure of the network in which partnerships have to be developed? A network consists of actors, means and connections. Every network will be limited in certain ways. Some actors, along with their capabilities and expertise, will not be available. In order to create a more fertile ground for partnership development some actors, specifically governments, may introduce or invite new actors into networks (e.g. a broadening of end-users);
- What preconditions are operating in the network in which partnerships have to be developed? In some networks, the agenda and opinion concerning the essence and quality may have become dated and narrow, consequently excluding sets of interesting partnerships. In order to encourage creativity, it may be useful to bring new concepts about quality into the network;
- What are the rules in the network and what are conflicting rules if the partners are participating in different networks? Partners have the ability to decide on rules to regulate possible conflict; for instance, by appointing a negotiator or setting standards for dealing with conflicts. If, however, if these contrast with already,
developed rules, conflicts may occur. Moreover it is important to establish rules for evaluation and dividing up added value achieved in partnerships. If however, opportunistic behaviour, for instance, is a tendency in one of the networks, creative learning processes will be frustrated (Klijn & Teisman, 2000:98).

Finally the positions of actors are important. It will be difficult to establish a partnership between two parties if they occupy asymmetric positions in networks. Three network constitutions strategies for PPPs, which should be managed, are described by Klijn and Teisman (2000:98). They are listed in table format as follows:

**TABLE 2.5 NETWORK STRATEGIES FOR PUBLIC-PRIVATE PARTNERSHIPS**

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Aim</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add new actors / change distribution of means over different actors</td>
<td>Break the closed character of networks in order to generate a wider field for formation for partnerships</td>
</tr>
<tr>
<td>Reframe the themes and beliefs in a network by introducing alternatives</td>
<td>Establish new ideas and transform inflexible thinking in order to facilitate the search for quality</td>
</tr>
<tr>
<td>Change rules of behaviour in respect of:</td>
<td>Establish rules that facilitate partnering and simultaneously generate a common approach concerning behavioural ethics in partnerships</td>
</tr>
<tr>
<td>- Conflict regulation</td>
<td></td>
</tr>
<tr>
<td>- Evaluation / benefits</td>
<td></td>
</tr>
<tr>
<td>- Positions</td>
<td></td>
</tr>
</tbody>
</table>


### 2.4.4 Measuring the Success of Partnerships

Measuring the success of partnerships implies the observation of certain overall key aspects of successful partnerships. Some of these are mentioned by McQuaid (2000:29) to be the following:

- Clarity of each partner’s own objectives and that of the partnership;
- Agreement on the operation of the partnership (structure, resources, who is responsible for day-to-day management and longer term strategy);
- Clear lines of communication and decision making between each partner and the partnership (and each other);
- Clear exit routes (when does has the partnership achieve its objectives and what will be the next step in the partnership saga);
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- A supportive institutional infrastructure;
- A suitable system of incentives within and between organisations to encourage changed behaviour;
- Most importantly, trust between partners.

Success therefore depends on the manner in which partnerships are led, legitimised, resourced, managed and evaluated. These will vary according to local circumstances, the issues to be dealt with, the institutional framework and the partners themselves (McQuaid, 2000:30).

Hailey (2000:318) provides an overview of the characteristics of successful partnerships between NGOs and emphasises the importance of a process marked by openness and reciprocity. He selected the following key characteristics of successful partnerships:

- Shared vision;
- Adequate time to build relations;
- Mutual transparency and accountability;
- Willingness for both partners to accept criticism.

Hailey (2000:319) again emphasises mutuality and trust as the key ingredients of "authentic partnerships". Operationally this is reflected in joint performance measures, partner-based financing, shared governance, open decision-making and time expended in the building up of trust by means of a process of "organisational empowerment".

Hailey (2000:319) identifies from personal experience, through analysis of the existing research into effective partnerships, that five key principles characterise successful partnerships:

- "Clarity of purpose". (A shared vision of the purpose and objectives of the partnership, and what it is to accomplish);
- "Mutual trust and respect". (It is then easier to negotiate issues, resolve problems and work towards a common purpose);
- "Investment of time and resources". (It is important to establish realistic time frames, programme implementation and evaluation. It is of equal importance to develop networks of collaborators, build local constituencies and work with key stakeholders);
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- "Negotiation of roles and responsibilities". (Systems and procedures need to be established early in the life of the partnership. The evidence suggests that too many partnerships fail on account of false expectations concerning the roles of different partners, unwillingness to take responsibility for specific activities or failure to accept feedback);

- "Long-term sustainability". (Plans need to be considered in terms of the lifespan of the partnership, ways in which it is to be funded and the organisational and staff implications of maintaining a partnership at an optimum level. All partners need to budget for the overheads associated with maintaining the partnership, and design a diversified funding plan to ensure that partnership costs do not devour project funds. Furthermore, they need to be explicit about indicators of the success of the partnership and their expectations for the phase down or exit from the partnership).

Evidence from both private and non-profit sectors highlights the importance of personal relations and the fact that trust and clarity of purpose are essential components of successful partnerships. This suggests the introduction of process-based initiatives which will promote common values, and facilitate shared decision making, interpersonal communication, mutual learning, and, above all, reaffirm the role of trust in building authentic and reciprocal partnerships (Hailey, 2000:322). A viable partnership depends on more than a symbolic display of "launch, lunch and logo". Success is based on negotiation and common objectives, mutual respect, shared commitment, and trust (Hailey, 2000:322).

Walzer and Jacobs (1998:11) posit that the true test of the effectiveness of partnerships is their impact on the community. This measurement task, unfortunately, is complicated by the diverse nature of partnerships and the multitude of partnership benefits possible. Participants from the private sector, for instance, must account to their shareholders and owners in terms of profits and losses or changes in the balance sheet. Public participants, on the other hand, may be more interested in politically attractive measures such as numbers of jobs created or increases in tax base. While these perspectives do not necessarily conflict, they may suggest differences in ways in which the success of a partnership is perceived (Walzer & Jacobs, 1998:11).

Furthermore, Walzer and Jacobs (1998:11) suggest that effective evaluation of partnerships requires several components and note the following three components:
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- A mutual understanding of partnership purposes as well as of expectations, i.e. the criteria against which effectiveness is measured;
- Participants are obliged to be consistent in their employment of terminology to ensure that effective communication about the results of the partnership may occur;
- The participants of the projects must have compatible goals and objectives so that the results of the partnership may be viewed positively.

Murray (2000:290) regards the evaluation of PPPs in the public-non-profit partnership from a Canadian perspective, stating that a large proportion of the formal relationships between government and non-profit organisations involve the use of government money to support non-profit-organisation programmes. Whatever the official or legal arrangements, this creates an accountability relationship in which evaluation occurs either formally or informally. At present this relationship is predominantly characterised by:

- Minimal formal evaluation systems beyond financial controls;
- A focus on process rather than on outcomes measures;
- A tendency by evaluators to "look good and avoid blame" and for evaluators not to want to do much to change this situation (Murray, 2000:291).

It is unlikely that attempts to produce new and better tools for evaluation, which external evaluators can impose on non-profits to produce a "report card" on their performance, will be successful. Evaluators can always subvert such systems to their own ends. On the other hand, the process of engaging in a periodic dialogue about performance can often be as beneficial as the measurement system that emerges from it, which can only succeed provided the processes are carried out jointly by both evaluators and evaluates in an atmosphere of mutual trust and respect (Murray, 2000:292).

2.4.4.1 Community Impact Evaluation - Methodology

The methodology of Community Impact Evaluation (CIE) may be considered a useful method of evaluation to be used in assessing the impact that a new PPP establishment may have on a particular community (Lichfield, 1998:117). In spite of the examples used in the literature by Lichfield which includes references to other social commodities (e.g. increased traffic flow influencing a community etc.) the methodology in context may be applicable to assess the impact of PPP developments in a community, which is focussed...
on in this study. Furthermore what makes this methodology attractive is the contrast in style of evaluation. The CIE represents an integrative approach (involves all stakeholders) in contrast with a confrontational style where groups of stakeholders act in isolation by confronting a particular system. The researcher regarded the paradigm of communicative rationality as described by Lichfield (1998:118) a valuable consideration in assessing aspects such as added value (value for money) and the impact of PPP development on the South African community. A in depth discussion on the CIE therefore follows.

Among the many evaluation methods, which proliferate, arguably the most helpful one is CIE. From the outset this method seeks to identify all the groups that are likely to be affected – within a regeneration area and outside – by systematically tracing through the chains of effects and impacts initiated by any intervention in the current urban scene. This method of process analysis enhances sensible planning and meaningful public consultation and fosters the partnership bond (Lichfield, 1998: 97).

While there is no uniform way of measuring success and effectiveness, certain common issues affect such measurements. Lichfield (1998:98) suggests some ways drawn from examples from urban development and urban regeneration in the UK and Israel. From these examples, a generic approach can be gleaned and applied to other fields (1998:98). Three positions may be used as a starting point:

- The approaches may be different, because they aim to serve different purposes, follow different models of evaluation, and use different criteria and values;
- The partners must agree on what is meant by the terms of measuring success and effectiveness. These terms are often not addressed in the process of partnership formation and project planning;
- Although it may not be possible to reach complete identity of purpose and practice, efforts on the part of partners at collaborative evaluation with its related exploration of meanings, both before and after undertaking the projects, will increase mutual understanding by whatever criteria they may be measured.

Evaluation then is the process of:

- Setting the framework for comparison;
- Selecting the criteria;
Collecting and analysing the information;

Arriving at conclusions concerning the achievement and success of the operation.

Sharing the essential meanings is vital for mutual understanding and for agreement on evaluation methods and criteria. The general titles of monitoring and evaluation are used in different ways by various authors and operators (Lichfield, 1998:107).

Lichfield (1998:107) proposes the following interpretations: (The word “project” used, is meaning any partnership undertaking, including programme, policy, initiative, etc.)

- Project monitoring – i.e. recording data about performance (what technical progress has been made) or about propriety (has management been acting according to the rules) – is differentiated from the evaluation of results;

- Effectiveness – is the extent to which the action taken has achieved its objectives, regardless of the cost of resources;

- Evaluation – seeks to weigh the value of what has been achieved and is not necessarily identical with the technical progress or output. Evaluation can use a variety of criteria (e.g., financial profit, social costs and benefits, political support, etc.) subject to the interest of the person or body requiring the evaluation. It is often conducted by weighing “benefits against costs” or the “value for money”.

The public and the private sector have an individual array of objectives in terms of which they evaluate and bring their own method and criteria for evaluation. Therefore there may be differences in their approach to evaluation of criteria embedded in aspects such as accountability, objectives and impacts, financial criteria and effects on employment. There is, therefore, a need further to develop methods of work that will accommodate both public and private interests in evaluation. It introduces a “mindset” that influences the entire plan making process by a partnership. It focuses the mind on the processes of change that will be triggered by the project and on all the groups affected by the change. It enhances collaboration and public participation and promotes balanced decision making and accountability.

The purpose of CIE is to assess the impacts that a given policy or project will have on all groups concerned in a partnership, including the wider community. Essentially, CIE traces through the chain of changes triggered by the policy or project and the effects caused by these changes. There may be economic, environmental, social and other
beneficial or adverse effects. In parallel, CIE identifies all those groups of people who are likely to experience the effects. It then assesses the impacts on these groups and the extent to which each group would regard the impacts as beneficial or adverse. If used ex ante, CIE would compare the impacts to fall on each group under alternative policies/projects and produce a comprehensive display of the difference between options for all the groups involved. If used ex post, it will expose the full range of actual impact experienced by each group, whether pre-planned or resulting from unanticipated effects (1998:111).

The CIE procedure is closely linked with the project planning procedure and can thus be used to influence it. There are two main driving forces in that link:

- The CIE concern with all groups affected;
- Its concern with urban change processes.

**Method of CIE:**

The method of CIE is outlined by Lichfield (1998:113) and will be reviewed while the author will endeavour to relate the methodology in a parallel to the field of the pharmaceutical sector.

The methodology is narrated to provide insight into the following five aspects:

**Aspect number one:**

The identification of Stakeholders and Initiating Common Ground:

Defining the problems and objectives is an essential planning function, often reflecting the planners' own projected perceptions. When operating in a CIE environment, they know that ultimately they will have to evaluate the project according to the actual groups affected. The groups' objectives will be related to such groups' perception of problems. This makes it worthwhile to identify the groups in advance and consult with them whenever possible, considering the stakeholders' involvement. Governance and management systems are inherently compartmentalised. Education, research and professionalisation, budgeting and departmental responsibility all perpetuate the divisive approach. Thus, when partners get together, they have to overcome several barriers to communication.
(1998:112). Lichfield (1998:113) identifies four steps in the process of initiating common ground as follows:

Debate the meanings of all the images and words used;

Sharing information or an exchange of information would be to everyone's advantage. A system to protect privacy should be established, so as to protect privacy. (Partners may have separate data systems with different definitions of jobs, and social problems);

Share and analyse the process which gives rise to the problems and those that will bring about the desired changes. Full understanding is necessary in CIE for tracing the chain of changes and impacts and for effective planning in the processes;

Consider the makings of a strategy – sharing and appreciation of available resources and constraints, agree on feasible aspirations and anticipate the impacts on all those likely to be affected within spheres of interests of all partners to the project (which in the case of public sector agencies include all external factors). With the full picture of who wins and who loses, partners can decide on trade-offs that will leave each partner with something more than they would have achieved alone on their own.

Lichfield (1998:113) found that the decision-making partners, tempered by appreciation of the wider picture and how others will fare in comparison, become more amenable to the diversity of concerns and a balanced decision. This work process is likely to require the investment of time. It is a special skill, which can be mastered. Planning along these lines will lay better foundation for evaluation of partnership endeavours.

Aspect number two:

Ex Ante Evaluation by CIE:

For the purpose of planning and decision-making, the ex ante evaluation compares various options for intervention with the option of refraining from action. The analysis traces through the physical, economic, social, and environmental changes likely to be caused by the proposed action, whether due to construction, economic and social policies, or other forms of intervention. Such changes will set in motion several ripples, seen as a chain of beneficial and adverse effects, which are measurable and may be presented in a manner that will satisfy the requirements of planning policies, and regulations.
The effects are then further analysed to determine their impacts on different groups in the community. The distinction between effects and impacts is significant. Effects are objective measurements of phenomena (e.g. the level of noise; the number of jobs), first at source (e.g., the noise effect of traffic on the road) and then as distributed (different noise levels at different distances from the road). In the final account, however the impact that these effects will have on the way of life of the people experiencing them must be known. For instance the effects of a gunshot can be measured as noise level and bullet trajectory, but what matters finally is who were hit and whether the impact on them was temporary or terminal (Lichfield, 1998:114).

The CIE then unfolds in six stadiums (or steps) summarised as follows:

The identification of all groups is likely to experience the effects.

This includes stakeholders in formal partnerships, as well as in informal partnerships, including various groups among the local community, citywide, or nation-wide. A group is identified by the shared experience of its members. Thus, an individual may take part in several groups to reflect his or her experience;

The prediction and displayment of the differences in impacts of the effects on each group under each option.

It must be borne in mind that the same effect (e.g. measuring increase in traffic flow) may have different impacts on specific groups (e.g., road users, pedestrians, and surrounding residents). Similarly, house owners and tenants will experience the effect of a rise in property values differently;

Assess the view of each group regarding the desirability or otherwise of a given impact.

The views of the group must be assessed against a statement of the groups’ objective in relation to the effect – for example, do they prefer a rise or a drop in property values or do they look for higher revenues or capital returns? Accordingly the impact is classified as a benefit or a cost of varying magnitude. Some of the impacts are shown in financial terms, but the tables should also be designed to include non-financial and non-quantifiable information, compared by relative levels of impact;
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Analyse in table format a comparison of impacts on each group, comparing each group’s preference between options in accord with their objectives.

The analysis produces tables whose contents will enable stakeholders to make a comparison of impacts on each of the groups, of all the options studied. The comparison indicates the preference of each group from among the options, in accordance with their specific objectives or values. The total picture will be displayed like a balance sheet, and indicating those who will reap benefits and those who will bear the costs;

Balance the groups that prefer one option against those preferring another.

This requires weighing the various group impacts. Some factual information can be of assistance in the weighing (e.g., number of members, length of exposure to the impact), but two key aspects will inevitably reflect personal values: relative weight of different impacts, for instance, quieter environment versus a saving of time; and the relative weight of different memberships, as, for example, local residents versus city-wide residents. The values used may be personal to the evaluator or the people affected or of some general public value expressed, such as market value or measure by contingent valuation.

Make a choice either explicitly or implicitly by the decision maker if formal weighing is absent.

In the absence of formal weighing, the decision makers’ choice expresses – either explicitly or implicitly – the weights they attach to the impacts on each group. Even if the larger number of groups or the majority of people in the community prefer a particular option, the decision maker may attach greater weight to the minority because he or she values more highly the concerns of particular groups over those of other groups, or because of considerations of equity or the electoral weight of the group. However, the open display of impacts and preferences provided by CIE makes for a more transparent decision, and decision makers could be challenged if their weighing raises objections (1998:115).

Aspect number 3:

Ex Post Evaluation by CIE:
The same method is applied *ex post* to assess the impacts of the project or programme following completion and interim stages. It can then follow the actual process of change as opposed to a predicted one. To this end, monitoring, in addition to performance output data, serves to keep tabs on processes of change, who experiences the effects of change, and what impacts these effects actually had on the group’s way of life.

**Aspect number four:**

The relationship to other methods of evaluation:

CIE as a form of evaluation does not negate the need for appraisal of projects against performance criteria measuring good management and efficiency, but it supplements them in the comparative value of the performance in relation to money spent.

CIE is able to maintain stakeholders’ own evaluation criteria that may be based on financial analysis, personal preferences, or other criteria. Partnership members will seek to select the option and arrangement that enhance both the individual and group objectives. This situation will enable those around the table to discuss, negotiate, and bargain over the planning and implementation of a proposal by the partnership. This process is facilitated if each of the partners can adopt a similar approach of options, be it in the *ex ante* or *ex post* stage.

Such a common approach is best afforded by the use of one or another of the cost-benefit family of methods, for each shares the analytical approach of considering the benefits of the outcome against the costs of the input. But each partner could differ in the particular benefits or costs that it chooses from the possibilities. They will then have recourse to that member of the cost/benefit family best suited to the array of benefits (Lichfield, 1998:115).

Lichfield (1998:116) illustrates the difference in the kinds of costs and benefits/liabilities that could arise for the variety of decision makers or stakeholders in a typical partnership. Lichfield’s tables also show the nature of costs and benefits that would be considered relevant. The members of the cost-benefit family of methods, are also listed and are the following:

- Financial Appraisal;
One important requirement of this approach to evaluation for negotiation and bargaining is that there be consistency between the various members of the family of methods – for example, in the definition of costs and benefits and their measurement and valuation. Lichfield (1998:117) says this can be reached if methods other than the CIE are regarded as nesting within the CIE; this being the most comprehensive.

Aspect number five:

Stakeholders' Involvement

CIE accommodates the broadest possible definition of stakeholders and partnerships. When proposals are first considered, the broader outlook and methodical analysis of CIE are certain to identify and bring out all relevant groups, including those outside the formal partnership and targeted population (Lichfield, 1998:117).

Once identified, some of these groups may be invited to join the formal partnership of stakeholders. The interests of others will nonetheless be recorded in the CIE and can be expressed either by direct consultation with the group affected or indirectly by an informed analyst. The latter is an effort-saving shortcut that relies on common sense assumptions about people's preferences. Direct consultation may be comprehensive or it may focus on issues that offer no obvious assumptions.

Public consultation can follow from the preliminary identification of the relevant groups. A methodically structured consultation will have additional benefits; it should be easier to develop a dialogue and mutual understanding between the groups involved, based on shared knowledge obtained through an integrated view.
of the processes at work (gained during planning) and the chain of effects (analysed for the CIE).

Once partners (formal and informal are engaged in this way, it becomes possible to draw on their creative ideas; to inform and consult on the strategy; and, equally importantly, to involve all concerned in action and, where necessary, in change of habit (Lichfield, 1998:117).

From the above it may be concluded that the CIE method offers several advantages for partnership evaluation, not the least of which is the introduction of a collaborative approach to partnership planning and operation. “Community” in CIE is all-inclusive and concerns itself equally with the interests of the private sector, public administrations, and the community at large. It follows a process orientation approach to planning and evaluation, likely to lead to better planning. It captures the whole array of impacts, not only the pre-planned benefits. It enables both formal and informal partners to use their own criteria of evaluation, yet displays the overall balance of winners and losers for the public at large (Lichfield, 1998:118).

CIE provides partnership decision makers with a balanced picture, to be weighed against the unbalanced picture created by single-issue pressure groups. It presents all the factual information; yet leaves decision makers to place their own values on each impact and group. It is a meaningful framework for public consultation, since it allows consultees to identify the impacts upon themselves, while also increasing their awareness of the wider public interest. Finally, it promotes accountability, since the full implications of each decision are there for all to see (Lichfield, 1998:118).

CIE is coming into its own in the current climate, where governance is not expected to be detached and authoritarian but fully inclusory and accountable to the public. Moreover, against increased discomfort with a confrontational style of conflict resolution (single issue lobbies, the local community against the government or the developer), there is growing scope for an integrative approach, such as CIE, based on a paradigm of communicative rationality (Lichfield, 1998:118).
2.4.4.2 Service delivery indicators

The measurement of outputs of public sector departments and the provision of goods and services through the medium of a PPP in collaboration with the private sector is necessary, as these measurements must reflect in government budgets, which must in turn be formulated around these measurements.

Measuring the outputs of public sector departments:

PPPs are inherently premised on output specifications; and in terms of the Public Finance Management Act (PFMA), government budgets must now be formulated around anticipated outputs in determining outputs. The core question is: ‘what is it that we deliver?’ Outputs are final goods and services produced or delivered by departments to customers or clients who are external to the department (South African National Treasury, 2001: J 8). Examples of PPP outputs are: new expanded maximum-security prison facilities; safe traffic flows along a chosen route; extended water supplies etc.

The following are not outputs:

- Inputs, or the resources used in the process of producing or delivering goods and services – such as labour, cleaning and computer services, and even financial resources.
- Intermediate activities that provide goods and services for internal departmental use, such as financial and administrative services.
- Outcomes, or the effect or result of an output or a group of outputs, for instance reducing crime or poverty. Government’s policy priorities and objectives are framed in terms of the key social, economic and political results or outcomes. In the case of departmental outputs, descriptions must be provided with details such as ‘what’ departments deliver, outcomes describe ‘why’ departments deliver these outputs.

Provision of goods and services:

It is useful to distinguish outputs that relate to servicing the needs of the department itself or other departments from those which relate to the provision of goods and services to external customers (South African National Treasury, 2001: J 8).
Most departments' outputs may be categorised as provision of goods and services. This may include:

- Goods and services provided by the department itself;
- Administration of concessions, grant payments and other programmes;
- Goods and services delivered under outsourced arrangements but for which the department is accountable.

Service delivery indicators:

In terms of section 27(4) of the PFMA, departments are required to report on measurable service delivery objectives and develop an indicator of service delivery for each output that is defined (South African National Treasury, 2001:J8).

Service delivery indicators are important as they measure:

- What goods and services budgeted 'monies' buy;
- What progress Government makes in terms of its policy priorities and objectives;
- Whether Government is getting value for its money.

Service delivery indicators therefore provide important accountability checks for Government. They also shift the focus of departments and departmental managers from inputs and resources used to the quality and impact of the services that they deliver. There is a close link to the considerations that underpin the South African Treasury Regulations on PPPs as the required information revolves around “efficiency and effectiveness” and “value for money” – getting the greatest impact from Rands spent. These are core aspects of the Treasury Regulations' requirements for PPPs (South African National Treasury, 2001:J9).

Developing service delivery indicators:

Output or quantity measures describe outputs in terms of how much, or how many. But increased output does not always signal value for money. Other measures, such as quality, efficiency, timeliness and sustainability, are equally important. Indicators should be:
Chapter 2: Public-Private Partnerships: General theory and concepts

- Simple, clearly expressed and specific – the indicators should be able to communicate a message that is readily understood by policy makers, decision makers and the public;

- Reliable – indicators should have high predictor and proxy power. The indicator selected should be strongly related to the output, which it is intended to measure. The indicators should also act as a proxy for other indicators, which are moving in the same direction. This will reduce the amount of data and analysis required to measure public departments’ progress;

- Easily measurable – there is easy access to and availability of regularly updated data for the indicator. Output or quantity measures are most easily tracked by means of using quantitative data. In certain cases, however, it may be necessary to support numeric data with qualitative data;

- Manageable – selecting a few good indicators is better than selecting too many, as departments should ensure that they have the appropriate capacity to collect data and analyse information relevant to the indicators selected;

- Clear on accountability – it must be clear which programme or section of the department is responsible for delivery of the output and for reporting against set targets (South African National Treasury, 2001:J 9).

The output or quantity measures should be consistent with those contained in year 1 of the departmental strategic plan. A focus on key target groups, including the poor, women, children, people with disabilities and people living in rural areas is also important when specifying outputs and selecting output or quantity indicators (South African National Treasury, 2001:J 9).

2.4.5 Partnership opportunities

In an international perspective by Osborne (2000:1) the author states that PPPs, do indeed offer exciting opportunities to achieve a number of public outcomes including the following:

- A means by which to combat social exclusion by integrating the public and private components of local communities – including local government, local politicians, local community and voluntary groups and the local community itself;
Chapter 2: Public-Private Partnerships: General theory and concepts

- The chance to reform local public services, making them more accessible to the local community and more responsive to its needs;
- The opportunity to develop cost-effective methods of providing local services to meet social needs which must be susceptible to the utilisation of resources from both the public and private spheres and to build upon local networks for their implementation;
- More responsive and flexible public policy making, by utilising the community and business links offered by PPPs in order to improve the quality of the policy making process;
- A route both to the reform of the political basis of government and to the creation and sustenance of civil society.

2.4.6 Partnership challenges

It may be argued that the achievement of collaborative advantage is the ultimate goal for all partnership initiatives and that this can be an extremely powerful way of addressing social issues (Huxham & Vangen, 2000:293). The challenge to a partnership is therefore gained when members from one organisation act collaboratively with members of another organisation and an objective is achieved which could not have been achieved without the collaboration.

Huxham and Vangen (2000:294) describe a phenomenon, which commonly faces partnerships and is called, the collaborative inertia. Partners are often heard to complain that they are constantly attending meetings but that there is little in the way of material output. Such partners may argue that the positive outputs have happened despite the partnership rather than because of it. This phenomenon is referred to as collaborative inertia. Certain factors which are identified that may drive partnerships towards inertia, and these need to be managed in order for partners to be able to cope with the challenge of preventing collaborative inertia. The following are factors, or forces that tend to cause inertia in a partnership:

- Managing aims (different operational policies, different resources, potential advantages, 'hidden' agendas, irreconcilable differences makes managing aims a difficult task);
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- Managing language and culture (any loss in subtlety of mutual understanding is likely to hinder the progress in many ways);
- Managing trust and power (power relationships, power struggles, perceptions, need to be managed);
- Managing ambiguity (lack of clarity of who the members are, variety in status and lack of mutual understanding of partners);
- Managing complexity and dynamics (complex partnership structures and hierarchies, dynamic processes such as acquisitions, mergers, and new start-ups, de-mergers and closures, together with dynamic restructuring are common characteristics of business life.)

The challenging forces mentioned above, influenced Huxham and Vangen (2000:307) to advise potential partnership initiators as follows:

... don't do it unless you have to; or, more formally, ... unless you can see the potential for significant collaborative advantage.

One challenge thus lies in knowing when not to use the collaborative approach and in being able to assess when doing so would make a positive difference. This may mean being selective in responding to policy incentives. Being able to judge where these have a sufficiently close fit to existing activities must be an important skill, which implies making a judgment not only about the importance of the substance of the policy, but also about the way the partnership itself will relate to existing ways of working. It may also mean persuading others who might potentially be involved that it would be unwise to go ahead. The other side of the coin is the challenge to policy makers in the shape of finding a way to devise incentives, which allow potential recipients the flexibility to adapt the initiative to their local circumstances (Huxham & Vangen, 2000:307).

If the decision to go ahead is made, then a whole raft of further challenges presents itself to those involved in finding ways to cope with the forces briefly described above. Keeping activity moving even though nothing will be done perfectly and knowing how and when to compromise are obvious key challenges. Finding a workable level at which to agree on aims, getting started in the trust-building cycle, gaining mutual understanding and dealing with the effects of changing membership are other examples...
of challenges. The list of challenges can be summarised by the writers' second nugget of advice, viz.:

... If you are seriously concerned to achieve success in partnership, be prepared to nurture ... and nurture ... and nurture" (Huxham & Vangen, 2000:307).

Making partnerships work, requires a sophisticated approach, and the challenge is to identify, for any particular situation, the key areas in which energy is required and to have some sense of the issues involved in tackling such areas (Huxham & Vangen, 2000:308).

From the theoretical and empirical literature certain challenges are identified. Five forms of literatures were regarded as very important and were selected by Osborne (2000:2). This researcher (Osborne) described these as follows:

- The theoretical literature on the nature of organisational collaboration, which raises amongst other issues, the significance of structural issues on collaboration, the resource-dependency thesis on collaboration (Benson 1975) and the institutional paradigm (DiMaggio & Powell 1998);
- The public management literature, which has developed within the Anglo-American experience. This has emphasised the significance of management arguments and focuses upon issues of the contractual relationships, their management and costs and the impact of trust upon them (Kickert 1997);
- There is a public governance literature and its perspective on PPPs, which has emphasised the primacy of the governance of relationships within networks and the importance of the interrelationship between the political and social context of such networks (Kickert 1997);
- There is a substantial community-development literature, which explores PPPs within the context of the needs of the local community as well as the impact of the former upon the self-learning capacity of local communities (Osborne, 2002:2);
- Finally, moreover, an empirical literature exists. This has sought to describe the process and impact of PPPs upon the provision of local services and upon the development of the local community (Osborne, 2002:2).

Although each of the above is significant in its own right, a weakness was identified in that each has often been developed in isolation of the others, which has limited the
lessons to be learned and the extent to which new syntheses can be developed. Moreover, there has been a narrow national focus discerned in much of the literature (Osborne, 2000:2).

Partners have expectations in regard to the benefits of the partnership, with expectations being defined as beliefs and opinions about a partnership (Carroll & Steane, 2000:37). In this sense at least four major, often overlapping, roles of a partnership were regarded as required to fulfil these expectations (which may be perceived as a challenge to the partnership):

- **Motivator** - (Motivators encourage actors to enter into discussions about forming a partnership, and each partner may believe that a partnership will bring about benefits otherwise not achievable, or difficult to achieve);
- **Shaper** - (What should constitute a partnership, including the basic terms of the agreement which are a vital force in shaping the form and content of the agreement);
- **Norm** - (The norms of behaviour are usually determined after the agreement on perceptions about what constitutes appropriate and acceptable behaviour, and can influence a partnership as it proceeds);
- **Change agent** - (When the terms of the agreement are perceived as no longer adequate, new expectations / challenges come into play in modifying or even terminating the original agreement as change agents).

Other aspects may be regarded as challenges to PPPs. Klijn and Teisman (2000:90) mention certain institutional barriers. The writers mentioned state that, cooperation to be achieved, adequate arrangements are required to direct the coordination between public and private actors. The development of these arrangements, however, seems to be blocked by various institutional barriers, which are related to the classic separation of the public and private sectors. Some examples, for instance EU legislation concerning tendering procedures (and anti-trust regulations), which does not encourage alliance formation, were noted (Klijn & Teisman, 2000:90). These barriers (challenges) are based on the long-standing idea of a vast difference between Governmental and industry or, to put it another way, between hierarchy and market, between general interest and self-interest.
Furthermore, each of these worlds is believed to require its own institutional framework with special rules (private law is based on fairness and reasonability; public law provisions are only those explicitly stated.) The only binding arrangements concern forms of outsourcing. The underlying principle involves a transfer from one sector to another, clearly subject to a contract. This arrangement works well in situations in which the project and/or goals can be well specified.

Contracting out is less suitable in situations characterised by interdependence and where it is felt that there is a need to generate new, creative solutions (Klijn & Teisman, 2000:91). The network society needs alternative arrangements to contracting out, and public-private partnership could provide one such answer. To reach satisfactory results in PPPs, the interdependencies have to be recognised and managed (Klijn & Teisman, 2000:91).

The creation of quality and the problem of trust may further be regarded as challenges to PPPs. The literature of Borys and Jemison (1989) are referred to by Klijn and Teisman (2000:91) and results in the conclusion that the essence of public-private partnership is thus the creation of extra value because of the cooperation of public and private partners. This can be realised because costs can be shared, economies of scale are achieved, etc. The extra value has to be greater than the extra transaction costs that result from the more intense form of coordination of partnerships compared with, for instance, contracting out (which also includes transaction costs).

The challenge to the creation of quality is even better if the partnership results in outcomes and/or products (services) that could not be achieved without the partnership. The extra value as a result of new ideas and better products/outcomes/ – can, for instance be found in the way partners formulate and implement the master plan so that the individual projects gain extra value. This requires inter alia that individual plans within the total project be connected to each other (Klijn & Teisman, 2000:91).

The challenge for trust between partners requires exchange of information and ideas. However even if guarantees are given that the interests of partners will not be hurt, the partnership remains vulnerable to opportunistic behaviour. In essence, partners find themselves in the classical negotiators’ dilemma. Klijn and Teisman (2000:92) postulates that any successful search for new solutions that will create extra value will require that actors be open-minded and that a certain minimum level of trust between partners exists, while success in the distributive “game” requires opportunistic
behaviour, which includes all the usual tactics of misinformation and strategic communication. Klijn and Teisman (2000:92) arrives at the conclusion that partnerships need processes of interactive learning, which in their turn require trust between the partners. This is precisely what networks can provide under certain circumstances (Klijn & Teisman, 2000:92).

2.4.7 Partnership viability

A case in Sweden noted by Collin and Hansson (2000:204) refers to the municipality of Osby, where the viability of partnership organisations is facilitated in dealing with resource transfers, facilitating action between partners from different institutional environments and coping with external threats or opportunities.

PPPs are organisations situated in the twilight zone between the private and public spheres and are peopled by partners who are motivated by different reasons to act. They may be viable organisations with innovative prospects; yet their conflictual and ambiguous character limits their longevity (Collin & Hansson, 2000:206). Based on an empirically induced hypothesis, Collin and Hansson (2000:210) argue that PPPs are unstable organisations because of their ambiguous character. They also identify management of the ambiguous character of the PPP, contractual difficulties over sharing of resources and the competitive strategy enforced by a local government as three factors which influence whether the fate of a PPP remains unaltered, or whether it will be privatised in the end (Collin & Hansson, 2000:210).

In South Africa, Labuschagne (1998:139) describes the way most deals are structured by means of concessions in the South African health industry and refers to the viability thereof. The DOH could lease the maintenance of these facilities to a private company, which would then be responsible for its rehabilitation and maintenance. If this option is selected, the returns to scale for a single facility would probably be to low, however, if the group of facilities were bundled in a package, the returns to scale would increase; at the same time reducing the risks. Thus the viability would increase (Labuschagne, 1998:140). This would mean, moreover, that the DOH would have to deal with as single management company in charge of these concerns and not with individual subcontractors and service providers. The DOH would know exactly how much maintenance was being done, and when it was done. The agreed contract price allows the DOH to plan its budget, based on a fixed cost (Labuschagne, 1998:140).
2.4.8 Partnership characteristics

Three major characteristics of PPPs are offered in a model by Jacobs (1998:69) as follows:

- Partnership as facilitator of risk sharing.
  
  Partnerships enable participants to share and reduce commercial and other risks in economic development within a changing and unpredictable environment;

- Partnership as political competition.
  
  Because partnerships facilitate collaboration between partners with different interests, the groups within the partnerships are politically competitive and sometimes prone to conflict;

- Partnership and "fuzzy" organisation.
  
  Partnerships often develop the characteristics of formal organisations. However, there are many forms of partnership organisation that arise from the complexity and fuzziness of networking between partners. This variation is particularly evident especially evident in economic development.

2.4.8.1 Risk sharing

Risk sharing is identified as one of the major characteristics of PPPs and has already been mentioned. Risks were mentioned, which are identified in the guidelines as developed under the UK Conservative government as follows (Jacobs, 1998:78).

- Procedural risk. Public policy may change or public consents or licences may not be obtained for a project. The public sector usually bears this risk;

- Design risk. Here, the private sector tends to be responsible, for the design of a process or of an asset such as a building;

- Construction risk involves the risk of time or cost overruns or defective construction. In commercial deals these tend to be the responsibility of the private sector;

- Maintenance risks are important where the private sector is responsible for the maintenance of an asset over a period of time. This may be relevant in commercial deals where the operator oversees a major sports facility or shopping mall, for example;
Chapter 2: Public-Private Partnerships: General theory and concepts

- Operating risk is shared between the public-private sector partners in cases where an asset may not operate effectively and fails to meet its targets;

- Financial risk exists where government expects the private sector to carry risks arising from changing economic conditions. These may produce substantial benefits for the private sector if the local or regional economy performs well enough to favour private investors;

- Revenue risk involves the performance of the assets controlled by partnerships and the generation of income. The sharing of risk by the public-private sectors is:

  ... one of the most contentious areas in the Private Finance Initiative (UK) and will tend to be the central point for negotiation in one shape or another (Jacobs, 1998:78).

Labuschagne (1998:138) explains the correlation between risk and the price of the contract in the event of public-private investments. The level of risk involved in the project will directly influence the price charged for the contract. The risks must therefore be identified, calculated and apportioned to the various parties involved. For the private sector, the price must be sufficiently high to ensure that adequate returns on investment are earned; for the government, the price should be low enough to ensure that it is able to save by using a private sector operator instead of providing the service itself.

Labuschagne (1998:139) explained the above stating:

  ... It is important to note, that the price the private sector will find acceptable will also depend on the risk it faces in the contract. If the risk is high, for example because the contract term is short, or because income cannot be accurately predicted, then the private sector operator is likely to demand a higher price. If, however, the perceived risk to the private sector operator is relatively low, then the private sector is likely to accept a lower price.
2.5 CHAPTER RESTATEMENT

This chapter discussed general trends, theory and concepts of public-private partnerships, and explored the central thesis of this study. The section furthermore attended to the strategic aspects in developing PPPs in the South African context, considering aspects such as the guidelines issued by the South African National Treasury Department.

Theories and certain philosophical aspects of theories on partnership development were entertained as well as the implications thereof for partnerships. Moreover, the section described aspects on the dynamics of the prevailing legislation, which effect PPP development as well as the potential of economic reform.

Various general concepts on PPPs were exploited from the literature in particular aspects such as:

- Typology;
- Benefits and disadvantages;
- Managerial aspects;
- Measuring success;
- Opportunities and challenges;
- Viability, risks and the characteristics of PPPs.

In the following chapter, the literature study review focuses broader by viewing the international and global situation on PPP developments in context.
CHAPTER 3

INTERNATIONAL AND LOCAL PERSPECTIVES ON PPPs

3.1 BACKGROUND

A research objective of this study was to conduct a literature study on the history, status and development of public-private partnerships (PPPs) and public-private interactions (PPIs) on a national and international level. The aims of this objective are to conduct an overview on certain entities of PPPs in the international arena, and secondly to explore relevant aspects pertaining to the South African scenario.

Public-private partnerships have been developed in many countries around the world in the context of radical programmes of "new public management" (NPM) reform. Some commentators have argued that the NPM phenomenon adds up to a "new global paradigm", while others have been much more sceptical. Certainly these reform programmes have taken very different forms in the countries that have embraced them, but common elements in many such programmes have included a movement towards "marketizing" the state by way of privatisation, decentralisation of functions and responsibilities, contracting out services and creating "internal markets" (separating responsibility for the provision of public services from the responsibility for purchasing those services on behalf of the consumer) and, the promotion of partnerships of one kind or another between the state sector and the private and voluntary sectors (Drewry, 2000:57).

Such developments have had major impacts on the working arrangements and cultures of public institutions in the countries concerned. It has had particularly significant implications for the accountability – including the legal accountability of public functionaries and for the relationships between politicians, bureaucrats and managers. Public administration has been influenced, perhaps in some systems even substantially displaced, by an NPM ethos, which places a much greater emphasis on measurement and optimisation of performance outcomes. Top-down reform of public-private institutions and processes has, in some countries, been accompanied by moves – such as the promulgation of "citizens' charters" to "empower" the consumers of public services and encourage the exercise of informed choice. An important by-product of all
this has been a blurring of the boundaries between the traditional public and private sectors, and the growth of a large "grey area" between the two, in which state and non-state institutions sometimes collaborate, and sometimes compete, in the operation and delivery of public services (Drewry, 2000:57).

In the early stages of the investigation, the Lotus SmartSuite® 97 (database) computer programme was used in sorting and organising the literature-material. The NVivo® Version 2.2 computer programme was also used to do coding and analysing the literature, (see Chapter 5, par. 5.5.3 p. 198). Nine prominent themes were identified during these processes. The themes were used to explore the literature and also formed part of the diagram used for the semi-structured interviews during the investigation. These entities, which were used to collect literature information on the perspectives of PPPs are illustrated in the following table reflecting them and their rational:

<table>
<thead>
<tr>
<th>Entity</th>
<th>Rational for use of the particular entity</th>
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<tbody>
<tr>
<td>History</td>
<td>Objective of this research study</td>
</tr>
<tr>
<td>Status</td>
<td>Objective of this research study</td>
</tr>
<tr>
<td>Development</td>
<td>Objective of this research study</td>
</tr>
<tr>
<td>Progress</td>
<td>* Prominent theme identified with NVivo® computer programme</td>
</tr>
<tr>
<td>Visions</td>
<td>* Prominent theme identified with NVivo® computer programme</td>
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<td>Driving forces</td>
<td>* Prominent theme identified with NVivo® computer programme</td>
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<td>Strengths &amp; weaknesses</td>
<td>* Prominent theme identified with NVivo® computer programme</td>
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<td>Potential gain</td>
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<td>Critical factors</td>
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<td>Role players</td>
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<td>Trends</td>
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<tr>
<td>Models</td>
<td>* Prominent theme identified with NVivo® computer programme</td>
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</table>

* One of nine themes identified in the early stages of the investigation.
3.2 INTERNATIONAL PERSPECTIVES

The identified entities, were used to summarise and conceptualise the status of PPP development on an international basis. Ten countries were investigated in the literature study. (The perspective on South Africa will thereafter be discussed).

3.2.1 Public-private partnerships in the United States of America

In the USA, nearly ninety cents of every federal dollar is spent through proxies and entitlements-individuals, state and local governments, and private and non-profit contractors who manage programmes on behalf of the federal government (Kettl, 2000:35). How well these programmes work depends on how well the government's proxies manage the programmes on the government's behalf (Kettl, 2000:35). In the fiscal year 1996, for example, almost two thirds of the government's outlays went for checks to individuals – about half in direct payments to individuals (for example, as Social Security and Medicare) and another fifteen percent in interest on the national debt. About fourteen percent went to state and local governments as grants, some for entitlements (such as Medicaid) and the rest for other programmes. About eleven percent was spent through contracts (Kettl, 2000:78).

Walzer and Jacobs (1998:3) mention an important aspect of the way in which PPPs exerted the strengthening of local institutions in the USA. It was realised here that competing for a limited number of businesses relocating each year would not generate the number of jobs needed, and therefore local officials in the USA focused more on creating jobs through existing businesses or using local resources to encourage business starts.

According to Walzer and Jacobs (1998:4) the retention of existing businesses, investing in workforce skills, making capital available, and other revitalisation strategies became part of a new philosophy termed the "New Wave", (also termed "Third Way" by other writers). This new approach to city revitalisation thrust local officials and administrators into a new role as pro-active economic developers. Local enticements included infrastructure enhancements, work force preparation, tax concessions, financing subsidies, and relaxation of zoning or other land-use regulations. The emphasis shifted more to preparing the work force and making businesses more competitive than trying to lure large manufacturers to the city (Walzer & Jacobs, 1998:4). In the USA, for
example, to encourage more aggressive efforts by local officials to attract business investment, states provided them with broader economic development tools and programmes. Enterprise zones, which had originated in Britain, were brought to the USA to remed[y] blighted areas. These zones involved tax concessions and removal of red tape for business investing in a designated area. "Tax Increment Financing" became a popular option to assist cities in raising funds for infrastructure investments in areas with high unemployment, population loss, or other economic difficulties. The intent was to create incentives for investment in specific areas of a city, encouraging businesses there to hire a certain percentage of residents in the neighbourhood (Walzer & Jacobs, 1998:4).

Clarke (1998:20) describes partnerships arrangements in the USA as, on the one hand, pragmatic solutions to the need for more coordination and cooperation in many American cities. Further according to Clarke (1998:20), partnerships are seen as governance strategies; they enhance cities' problem-solving capacities and strengthen integration of different institutional or relational webs within cities.

### 3.2.1.1 History

In the United States, according to Walzer and Jacobs (1998:1) proactive economic development efforts prior to the 1980s were most often conducted by state or regional governments. These governments often competed for business activity and, in many instances, tried to provide a competitive business climate by adjusting taxes or worker's benefits and making low cost loans available to starting business. For many years, cities engaged in these efforts in very limited ways. In the 1980s cities worldwide experienced a major recession and cities in the United States in some regions, for example, had double-digit unemployment rates. Poor economic conditions brought fiscal austerity as well as increasing demands for social services and welfare programmes that, in some cases, were financed by city governments. Thus, public officials had to find ways to strengthen the local economic base that had been adversely affected by the recession. For local officials, this was a relatively new environment; one of which they had relatively little experience (Walzer & Jacobs, 1998:2). According to Walzer and Jacobs (1998:2), many officials rose to the challenge and initiated new approaches to public policy. To make matters worse, the unemployment and distressed economic conditions reflected structural economic changes. The private economy was undergoing major economic changes, which would last for several decades. Goods-producing industries
Chapter 3: International and local perspectives

that traditionally had paid well were replaced with service-providing industries paying less. Technology increased business productivity but at a loss of many high-paying jobs (Walzer & Jacobs, 1998:2). Walzer and Jacobs (1998:2) claim that inadequate resources for public services were factors of an economic restructuring that forced public officials to become more entrepreneurial in their efforts to rebuild the local economic base. Rather than just relying on a state or regional government to provide a "level playing field" or an attractive business climate, local officials now aggressively competed for business activity, often providing substantial fiscal incentives at substantial cost in lost taxes (Walzer & Jacobs, 1998:3). This economic process continued in parallel with the European experience where later, regional competition for corporate investment and structural funding complicated an already fragmented administrative system and stimulated the expansion of networks and partnerships aiming for competitiveness (Walzer & Jacobs, 1998:3).

3.2.1.2 Status

Public-private partnerships are a basic characteristic of American politics and social-welfare system – not by design but by happenstance. Public-private partnerships are also the "modus vivendi" of America's contemporary non-profit sector (Moulton & Anheier, 2000:108). In the United States, the non-profit sector has consistently relied on federal, state, and local governments for a significant proportion of its funds and clients since the 1960s. A unique type of welfare state is operating through the political economy of the United States (Moulton & Anheier, 2000:109). Moulton and Anheier (2000:109) refers to this state as follows:

In a sense, government became the principal philanthropist of the non-profit sector, significantly boosting non-profit revenues in a wide variety of fields and freeing the sector of its total dependence on the far less reliable base of private charitable support.

Local governments in the United States have not had access to the extensive financial support from central governments common in many European countries and, therefore, have depended more heavily on local resources to finance public services (Walzer & Jacobs, 1998:9). The importance of the local tax base provided a strong incentive for local governments to enact policies enhancing local land values. Since senior officials in the United States had wide discretion in tax rates and other tax/spending policies, they
competed with neighbouring areas to attract business investment to stimulate the local economic base. Walzer and Jacobs (1998:16) further mention that U.S. cities have more flexibility in tax rates (compared to cities in Britain) but depend less on aid from the central government.

In the mid-1970s, the level of local economic development activity increased, and business-government efforts became encapsulated in project-specific PPP formats. With the recent (1998) withdrawal of national aid to localities, the partnership model continues to be used; however, empirical research indicates the composition and focus of partnership activity is expanding (Clarke, 1998:38).

3.2.1.3 Progress and development

As non-profit organisations increasingly embark on commercial activities and as government founders place more weight on performance and capacity measures in contracting relationships, the argument that non-profit organisations are the most effective mechanisms for managing and delivering public goods is called into question. The prevailing concern is that non-profit response to increasing competition will be to adopt more businesslike management strategies that compromise the social stability non-profit organisations contribute in a variety of industries. The health care field, for example, has seen dramatic growth in commercialisation, mergers and conversions to for-profit status among non-profit hospitals and other non-profit health care organisations. The aftermath of these transformations provides an opportunity to evaluate the continuing role of the non-profit sector in health care provision (Moulton & Anheier, 2000:112).

In pertaining literature, a number of arguments are found in favour of justification of preferential treatment of non-profit organisations from the government. Moulton and Anheier (2000:113) maintains that the behavioural differences between non-profit and for-profit organisations should give the non-profit form a comparative advantage in the competition for public funds. Moulton and Anheier (2000:113) cautions that the community benefits non-profits do offer are threatened by for-profit encroachment. When competition drives prices down, non-profits are likely to be left with less surplus revenue to spend on mission-related activities. In addition, competition with for-profits for governmental contracts may divide the client pool. For-profits will likely seek those clients who are easiest to serve, leaving harder, more expensive cases to non-profit
providers. This perspective suggests that continued or even increased government support in America for the non-profit sector is crucial to preserve the collective benefits that non-profit organisations provide.

3.2.1.4 Visions

Moulton and Anheier (2000:116) have the vision that future policy scenarios will increasingly include various combinations of PPPs among government, business and non-profit providers. They also foresee, moreover, that the three-way partnerships of the future will involve organisations no longer strictly bound by their legal form or sector membership. Organisational form may become more project-specific rather than a constant as was the case in the past.

3.2.1.5 Driving forces

According to the pertaining literature, some driving forces surfaced and included forces like culture, legislation, policies, and economic and political problems.

The American culture contains certain classic polarities, "inner tensions" and contradictions. According to Moulton and Anheier (2000:106) one such tension involves the deeply seated notions of American individualism and self-reliance on the one hand, and commitments to community, formal equality, justice and civic virtues on the other hand.

Within this cultural context, American political economy takes place. It is, first of all, a political economy capable of enacting policies that have become landmarks of modern legislative history which reach over much of the twentieth century – from the New Deal programmes of the 1930s, the GI Bill in the late 1940's, the civil rights legislation and the Great Society programmes over the next two decades to affirmative action policies and the welfare reform of the Clinton Administration in the 1990s (2000:106).

According to Moulton and Anheier (2000:106) particular groups with specific agendas could yield considerable influence in American policies, if political constellations were to accommodate them and that their demand meets the political needs of other stakeholders. The war widows of World Wars I and II pressed for social security and found a government both sympathetic and politically conflicted and hence open to bold initiatives. The civil rights movement pressed for affirmative action and equal opportunities, and met a government willing to take on their demands, or at least in part.
It was found that demand-driven policies played a role and therefore served driving forces to shape the American mode. For a better understanding of this the policies should be seen against the background of pressing social, economic, and political problems:

- The unemployed;
- The soldiers returning to home;
- The war widows left without sufficient income;
- The elderly;
- African Americans;
- The ongoing policy debate about the deserving and the undeserving poor.

Some factors acting, as driving forces in the US environment comprise aspects such as direct government support of non-profit organisations that comes in the form of direct payments, tax exemption, preferential regulatory treatment and deductibility of donations. Non-profit organisations also benefit directly from payments through subsidies to individual clients. PPPs result from this array of support mechanisms and allow the non-profit sector to play their roles (Moulton & Anheier, 2000:106).

Walzer and Jacobs (1998:10) mention some facts that may be considered driving forces based on a 1996 mail survey concluded among U.S. cities with larger than 10,000 populations, which reported public-private partnerships in 1994. It was found that cities with active partnerships pursued economic development with full-time economic development officers (Walzer and Jacobs, 1998:11).

3.2.1.6 Strengths and weaknesses

The overall result is a small government at local, state and federal levels by international standards (Moulton & Anheier, 2000:107). Moulton and Anheier furthermore identified the following strengths and weaknesses for the American government, which resulted into PPP development:

**Strength:**

- It is strong for its secure moorings in an over 200-year-old democratic tradition and process, and the deeply embedded democratic ideals in the population.
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Weaknesses:

- By contrast, the government is weak because it can actually do very little on its own without involving third parties as partners.
- Limited financial resources and lack of popular support help prevent all levels of government, and particularly the federal level, to assume any exclusive role of service in many fields that are the domain of the State in most other countries, among others health.

The result is a emerging system called "third party government" (Moulton and Anheier, 2000:107).

3.2.1.7 Potential gain

The available literature did not reveal significant aspects or information on the potential future gain of PPP development in the US and therefore was omitted at the time of this study.

3.2.1.8 Critical factors

The pertaining literature did not reveal relevant aspects or significant information on critical factors involving the development of PPP developments in the US and therefore was omitted at the time of this study.

3.2.1.9 Role players

Price et al. (1999:8), conclude that the World Trade Organisation (WTO) is stage-managing a new privatisation bonanza in Seattle. Multinational and transnational corporations, including the pharmaceutical and service sectors are lining up "to capture the chunks of gross domestic product" that governments currently spend on public services such as education and health. The European Union governments and US are aggressively backing this project in the interests of their business corporations. It has been said that the assault on public-service infrastructure depends ultimately on a promise from one government to another to expand private markets. Moreover it has been said that such promises can be kept only if domestic opposition to privatisation is held in check (Price et al., 1999:8).
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3.2.1.10 Trends


Government funds still play an important role in the financial stability of non-profit organisations across industries, but this role has changed to accommodate for-profit entrance into traditionally non-profit service areas and the resulting collaboration between the sectors. Increasingly, public money is becoming a lynchpin for non-profit partnerships with for-profit entities. Non-profit organisations increasingly find themselves compelled to team up with for-profit firms in order to compete for larger, consolidated funding streams. This trend is partially the result of push factors from the governments concerned. Social spending retrenchment, emphasis on accountability in contracting relationships, devolution of social-welfare responsibility to states and local governments and the dismantling of many New Deal/Great Society welfare programmes have disrupted longstanding partnerships between government agencies and non-profit social service providers (Moulton & Anheier, 2000:114).

A simultaneous and important trend in the public-private sector relationships is the government’s reversal of its historical hostile stance toward for-profit firms. McQuaid (2000:15) states that while the move of for-profit firms into the traditional non-profit turf was initially dismissed as "poverty profiteering"; for-profit firms are now managing dozens of new multi-million dollar welfare programmes nationwide. It is important to note that "outsourcing" to for-profit firms has been an answer to lawmakers' desire to unload management responsibilities for large-scale social welfare programmes. Driving the increasing reliance on for-profit firms is the assumption that for-profit organisations are more experienced than non-profit ones at managing complex systems. Not only do for-profit firms have better management-information systems, but they also have more collateral to guard against contract failure than most non-profit organisations. Hence, for-profit firms are the logical outsourcing choice for lawmakers who are intent on reducing governmental bureaucracy (Moulton & Anheier, 2000:116).

Instead of shutting non-profit service providers out of the market, however for-profit encroachment has actually inspired a new kind of mutual dependency among for-profit firms and non-profit organisations. In this new scheme, the government contracts out
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with for-profit firms for management of social programmes and for-profit firms then contract with non-profit organisations for service provision. For-profit firms may have the technical expertise and organisational capacity to manage large-scale delivery systems, but they often lack local access and specialised service-provision expertise. Therefore, for-profit firms come to rely on non-profit organisations to help them fulfil their contracts at the provision end of the delivery system. For-profit firms become the middleman entity between government purchases and non-profit providers. Moulton and Anheier (2000:116) write that at the turn of the century, it appears that society is witnessing the beginnings of an emerging trend that could lead to major changes in public-private partnerships. Blurring sectoral boundaries has become more frequent, and the role of for-profit firms has become more pronounced.

While it is difficult to gauge what the end of these developments may become, it is safe to assume that more complex forms of partnerships will evolve. Future policy scenarios will increasingly include various combinations among government, business and non-profit providers. The three-way partnership of the future will involve organisations no longer strictly bound by their legal form or sector membership. Organisational form may become more project-specific rather than a constant as was the case in the past (Moulton & Anheier, 2000:116).

Moultons and Anheier's observations (2000:116), of the historical trends and current trends in the US culminate in their posing a thought-provoking question. It is stated that in theoretical terms at least, the US are moving from partnerships to quasi-markets, or at least to "staged scenarios" where each brings in its own competitive advantage that supposedly compensates for the disadvantages of others. The outcome of this development is unclear thus far (and the question follows):

*Will such staged markets sort out the 'good' and 'bad' for-profit firms? Will non-profit organisations be overwhelmed by the temptations of profit motive and compromise their social agendas? and will governments – like the sorcerer's apprentice – be able to master the forces they unleashed?* (Moulton & Anheier, 2000:117).

### 3.2.1.11 Models

PPPs in the United States generally take the form of purchase of services contracts, in which government entities purchase services from non-profit contracting agencies. Here
programmes, which rely on contracting often, require contractors to be non-profit entities. These contracts are characterised by relatively short funding cycles where the government funder enjoys varying control over admission criteria, service delivery and discharge decisions for clients of the contracted services. Moulton & Anheier (2000:106) refer to this partnership configuration as a "contracting regime" in which public and private agencies are involved in a mutually dependent, but not equal, relationship. It is also cited that these contractual arrangements typically subordinate non-profit agencies to a hegemonic state, which often serves more as a sponsor than a partner to its non-profit contractors.

The result of the demand-driven policies is, as noted by many observers of the US welfare state, e.g. Moulton and Anheier (2000:106) a patchwork approach to social policy and an approach altogether distinct in style and aspiration from the European model. According to Moulton and Anheier (200:107), this contrast applies not only to social democracy and Christian democratic ideas of policy making, but also to large-scale programmes like the National Health Service in Britain. None of the latter approaches fit the American style of policy making.

The US model is found to be marked by its demand-driven aspect mentioned earlier, and the patchwork character of the overall result (Moulton & Anheier, 200:107). Moulton and Anheier (2000:107) argued that an electorate, which may be seen as reconciling three value streams as follows, made this possible:

- Individual freedom, formal equality before the law and due process;
- High levels of tolerance for significant disparities in material wealth and well-being combined with a belief in individual advancement and responsibility (the "American Dream");
- A "taken-for grantedness" of the US Government as best blueprint for the political constitution of society and a system of government that requires only fine tuning, never major "overhauls" to maintain and perfect it.

The mentioned writers refer to a system in the American government called "third party government" out of which a model is emerging whereby governments at all levels involve private organisations in delivering public services. In America these partner organisations are typically non-profit entities and business corporations. Moulton and Anheier (2000:107) states that the American version of the welfare state consists of a
public sector, which makes policy and generates tax revenue while hiring private non-profit agencies to manage and deliver goods and services.

In summary, the PPPs in America may be seen as a basic characteristic of American politics and social-welfare system – not by design but by happenstance. Public-private partnership is also the *modus vivendi* of America's contemporary non-profit sector (Moulton & Anheier, 2000:108).

### 3.2.2 Public-private partnerships in Australia

Borthwick (1999:1) notes that much of the public focus on Australia's health care system is aimed at issues involved with best ways to best provide high quality, accessible care at a reasonable cost. Yet frequently this discussion is polarised around arguments about whether the health system as a whole, or at least important components of it, are "in crisis" or "unsustainable" (Sperling & Parslow, 1999). According to Sperling and Parslow, there are also many "good news" stories about health in Australia, e.g. exciting and pharmaceutical breakthroughs, or gains in public health through successful immunisation campaigns. Sperling and Parslow (1999:1), among others, provide certain information concerning the impact of public and private sector participation in the funding and delivery of health services, making specific references to the market based approaches, including competition, on the overall objectives of Australia's health care system: good health, low cost, equity and satisfaction.

#### 3.2.2.1 History

In Australia there has always been a strong, commitment to broadly liberal notions of market freedom, competition and managerial prerogatives. Moreover the Australian state has played a very active, interventionist role in society and the economy, though this situation underwent a rapid change in the 1980s (Carroll & Steane, 2000:38). Carrol and Steane (2000:38) argues that the state in Australia:

> ... was not excluded from the private economy but rather joined it in a relationship of strong partnership.

The government was to use its resources to gain access to international, largely British, finance and to carry the risk involved, acting as entrepreneur and developer in a fashion readily understandable to nineteenth-century businesses. There was also the clear
expectation that, for example, the physical development of the infrastructure would involve the private sector, with the bulk of the work contracted out to individual businesses (Carrol & Steane, 2000:39).

In the first decade of the twentieth century, urban, industrial business interests and labour interests combined to establish a new web of tariff, labour, arbitration and general regulatory controls to “protect” the Australian economy from international competition. (Castles 1988; Capling and Galligan 1992; Glezer 1982) as referred to by Carroll & Steane (2000:39).

The Australian state eventually developed economic relationships of a pragmatic nature, concerned mainly with the “domestic defence” of industry from the rigorous of international competition. Carroll and Steane (2000: 39) state that these developments stand out in marked contrast to those smaller European states. For instance, over a similar period of time, Austria, Sweden, and Norway emerged with detailed public policies of microeconomic reform, social welfare, industry development and various labour-market programmes, characterised by Carroll and Steane (2000:39) as policies of “domestic compensation”, as opposed to Australian policies of “domestic defence”.

The aim of the former was to continue to expose domestic business to the forces of international competition, not to protect it and run the risk of overly protected, inefficient, domestic monopolies. Carroll and Steane (200:39) refer to Bell and Head as stating that Australian protectionism came without much microeconomic oversight. It is stated, moreover that the Australian state has rarely challenged the concept of the autonomous firm or the concept of private management prerogative (Osborne, 2000:4).

Non-profit organisations have made a different contribution to Australia’s economic history. Many of the “friendly societies” or “cooperatives” sprang out of liberal sentiments of the nineteenth century or emerged from religious beliefs generally. Unlike the relative independence of such groups in the United States, Australian non-profit organisations mimicked developments in Britain, where a dependence upon public funding prevailed. While this is still the case today, the roles played by non-profit organisations are changing. The effects of a general and often negative reassessment of Keynesian approaches to economic management, for example, has had a delayed but increasingly significant impact on the charity sector. The Industry Report of 1995, for example, sought to redefine relationships between the state and non-profit groups by legislative and regulatory changes (Carroll & Steane, 2000:41). The result has been the
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introduction of public tendering and contracts for clearly defined and accountable services, which are legally enforceable. The general tenor of the Commission's report was that a quasi-USA system of non-profitable organisations working within a more rigorously market-oriented system was appropriate (Carrol & Steane, 2000:41).

The words "Healthy partnership benefits all" was cited in the Health and Medical Research Strategic Review, an article placed on the Internet by the Commonwealth of Australia (2000:1).

3.2.2.2 Status

Health care funding and delivery in Australia currently involve both the public and private sectors in a complex, interwoven relationship. Although there has always been a significant private sector participation in health service delivery, there have been some changes in the balance between public and private health service delivery, with a move towards more private sector involvement, particularly through the private sector provision of publicly funded services under contractual arrangements. However, funding arrangements have remained fairly static with the public sector continuing to have the bulk of funding responsibility (Sperling & Parslow, 1999:1)

Health care in Australia represents a significant investment, accounting for $47.3 billion (Australian), or 8.4 per cent of gross domestic product (GDP) in 1997-98.

The funding of health care is defined as the provision of funds to:

- Pay individual or institutional health care providers for the delivery of health services to individuals, communities and the wider population;

- Reimburse individuals who have already purchased health care services (Sperling & Parslow, 1999:7).

It is important to note that funding in Australia from one source may be paid out through another source; for example, the Federal Government. The thirty per cent rebate on private health insurance specified represents public funding, although it is usually paid out by private health insurers, in the form of lower premiums (Sperling & Parslow, 1999:7). The public funders in Australia are the Commonwealth Government and the State and Territory Governments.
# TABLE 3.1 FUNDING AND DELIVERY OF HEALTH CARE IN AUSTRALIA

<table>
<thead>
<tr>
<th>Responsibility for delivery of health care*</th>
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<tr>
<td>Principally public sector</td>
<td>Mix-both public and private sectors</td>
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<td>Principally private sector (includes for-profit and not-for-profit)</td>
<td>Principally private sector (mutual, for-profit organisations, individual contributions)</td>
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<td>Medicare hospital patients*</td>
<td>Private patients in public hospitals (declining)*#</td>
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<td>Health research</td>
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<td>Mix-substantial contributions from both sectors</td>
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<td>Australian Hearing Services*</td>
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<td>Commonwealth Rehabilitation Service</td>
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<td></td>
<td>Ownership and investment in infrastructure and assets</td>
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<td>Principally private sector (includes for-profit and not-for-profit)</td>
<td>Private patients in private hospitals *</td>
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<tr>
<td>Ambulatory medical services, e.g. general practitioners, specialists</td>
<td>Dental, other allied health services (mostly individual contributions with some private health insurance)</td>
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<td>Pharmaceutical services</td>
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<td>Nursing services provided in the community</td>
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Notes: The numerous different arrangements for public-private funding and service delivery would be more accurately depicted along a continuum from totally public to totally private but, for convenience and brevity, have been allocated here to distinct categories.

* Components of health care for which delivery is moving from the public to private sectors.

*# Although the public-private delivery pattern for this care is changing, the public funding contributions are fixed through the funding of medical services.

Table adapted from Sperling and Parslow 1999:20 – Table 6.

The lack of homogeneity within each sector also contributes to the complexity of this system. The public sector comprises different levels of government, while the private sector includes organisations, which may be for-profit or not-for-profit, as well as private citizens who contribute to the cost of health care through point-of-service payments.
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3.2.2.3 Development

Publicly funded research in Australia has led to major other developments, apart from the Biota and AZA examples. For instance, this also led to the remarkable success of the Australian designed and manufactured cochlear, or bionic ear implant, which is now the world's leading implant, while earnings from it are growing at forty percent a year (Commonwealth of Australia, 2000:3).

3.2.2.4 Progress

In order to achieve progress in Australia, competition was introduced into service delivery. One of the prime reasons for introducing competition into service delivery and increased private sector involvement in a market-based health care system is to achieve improvements in both allocative and technical efficiency (Sperling & Parslow, 1999:2). However, Sperling and Parslow also mention that information asymmetry, moral hazard, the scope of supplier-induced demand and the existing boundaries between disjoint funding sources all work against improvements in efficiency.

3.2.2.5 Visions

A future direction is envisaged by Sperling and Parslow (1999:2) who argue, that in relation to the funding of services in the future, evidence suggests that more efficient and equitable services are needed for basic health care have to be primarily funded by the public sector. However, there will continue to be a legitimate demand for additional services, which can be privately funded.

In relation to the provision of services, the sector of service delivery is less important than the nature of the funding arrangements, which can be improved by more active purchasing of services rather than passive indemnity arrangements. There is an opportunity to learn more from the growing number of funders who are defining, monitoring and evaluating services in the contracting environment, including private sector funders (Sperling & Parslow, 1999:2).

From the pertaining literature on Australia, the researchers were able to derive at some scope on the vision for Australian as reflected in the National Competition Policy's (NCP) viewpoints. It was noted that the health sector competes with other sectors for resources and is not the only determinant of the population's health status. The policy therefore viewed that it is important that resources devoted to health care are used as
effectively and efficiently as possible. It becomes an even greater imperative given that there is no natural limit to health expenditure (Sperling & Parslow, 1999:23).

Sperling and Parslow (1999:23) also consider that most Organisation for Economic Cooperation and Development (OECD) countries anticipate that their health expenditure will increase as a proportion of GDP in coming years.

3.2.2.6 Driving forces

Regarding Australia's part in the global management reform, it was revealed that Australia moved towards decentralisation of services as explained by Kettl (2000:2). In many countries, as is also the case in Australia, the reform strategy has decentralised many programmes to lower levels of government. Therefore this strategy has meant a shifting of power within the governmental systems. Reformers have endeavoured to put citizens (as service recipients) first. Kettl (2000:64) mentions that Australia, like many other nations, devolved substantial responsibility for domestic policy to its local governments. In federal systems, such devolution has long been a central part of governance. These aspects may possibly be viewed as a driving force in terms of service provision against the background of the aims of PPP formation in the health sectors.

From the literature review, the researcher obtained the viewpoint that the active promotion of competition in the market place is a major driving force in the Australia accomplishment towards the formation of PPPs.

In Australia, the Hilmer report revealed that in the absence of competition there were fewer incentives for suppliers to improve the quality and efficiency of production on a continuous basis (Sperling & Parslow, 1999:22). On 25 February 1994, the Council of Australian Governments (COAG) agreed to adopt the principles of competition policy set out in the Hilmer report and on 11 April 1995, the Commonwealth, States and Territories entered three formal agreements to implement the National Competition Policy (NCP). The NCP's key objective is to develop a more open and integrated Australian market that limits anti-competitive behaviour. It focuses on the operation and products of existing suppliers and the structure and ownership of players in the industry in question.

All levels of government in Australia have responded proactively, undertaking a range of activities across various sectors to create a more competitive environment for Australian
industries (Sperling & Parslow, 1999:22). In line with the NCP's recommendations, governments are assessing their own business activities as part of an initiative to review and reform public monopolies. This endeavour is aimed at improving performance and creating contestability. The NCP aims to make government business activities competitively neutral, i.e. to remove their special advantages over private enterprise by subjecting them to the same obligations, including compliance with regulations and the payment of taxes and charges. The NCP further emphasises the need for governments to review regulations that might limit competition (Sperling & Parslow, 1999:22).

3.2.2.7 Strengths and weaknesses

An example of PPPs going from strength to strength in Australia may be drawn from the following example of success at the level of collaboration in scientific research. Here the private sector is occupying an increasing role in health and medical research, either on its own, or in partnership with publicly funded organisations.

An example of scientific and commercial success is the AZA Research joint venture between the Garvan Institute of Medical Research and the pharmaceutical group, Eli Lilly Australia (Commonwealth of Australia, 2000:3).

3.2.2.8 Potential gain

Regarding the successes of Biota and AZA it may be seen that both the scientific and commercial sectors, contribute to the vibrancy of the research sector and add to its attraction, not only for the research work force, but also for up-and-coming research students (Commonwealth of Australia, 2000:3). This, in turn ensures that the health and medical research community is better resourced to direct its efforts toward the full range of health care needs, whether commercially advantageous or not.

The commercial successes achieved in Australia by means of collaboration in the field of scientific research, whether born from the private or public sector, have also assisted in freeing up public funds for research into less commercial, but no less valuable, health needs (Commonwealth of Australia, 2000:4).

3.2.2.9 Critical factors

Some critical issues are described in Australia by Sperling and Parslow (1999:24), affecting the scope for competition in the health sector. The statement was made that
the underlying characteristics of an ideal market are not always present in the health care market for various reasons, included the following:

- Information asymmetry;
- Lack of price signals and moral hazard;
- Adverse selection;
- Supply-induced demand and supplier-induced demand;
- Restrictions on providers' access to the market;
- The absence of competitive neutrality;
- Market domination;
- Training, distribution and retention of the workforce;
- Restrictions designed to limit growth in government outlays on health.

### 3.2.2.10 Role players

The pertaining literature did not reveal significant aspects or information on the potential future gain of PPP development in the US and therefore was omitted at the time of this study.

### 3.2.2.11 Trends

In Australia the private sector is taking an increasing role in health and medical research, either on its own, or in partnership with publicly funded organisations (Commonwealth of Australia, 2002:02).

In relation to the funding of services in the future, evidence suggests that it is more efficient and equitable for basic health care to be primarily funded by the public sector; however there will continue to be a legitimate demand for additional services, which can be privately funded (Sperling & Parslow, 1999:2). Australia does face an overall increase in the numbers of medical services, prescriptions and episodes of hospital care.

Of the 13 479 practicing pharmacists in Australia in 1995, almost 80 per cent (10 722) were working in the private sector as community pharmacists. There were 1 950 hospital or clinic pharmacists (14.5 per cent of the total), working primarily in the public sector. Industrial pharmacy, pharmacy administration, research and education
employed 755 pharmacists (Sperling & Parslow, 1999:17). Private employment dominated most other allied health work forces.

Over the past decade there have been noticeable changes in the mix of public-private responsibilities for delivering of health care. Many of these reflect the Commonwealth Government's and State Governments' moves to reduce their "hands-on" role in service delivery and increase reliance on private sector organisations to provide publicly funded services, e.g.

- A reduction in the public sector provision of some services, such as public hospital and pharmaceutical services has resulted in an increase in services provided by private sector self-employed medical practitioners and pharmacists.

At the same time, public sector service provision has been affected by changes in utilisation patterns, including, for example:

- Reductions in private patient services in public hospitals;
- Moves from public sector institutionalised health care to more community-based health care, leading to an increase in both for-profit and not-for-profit private sector services (Sperling & Parslow, 1999:19).

Governments have also moved to operate some public health services in a business-like manner to provide a return to government and to allow the private sector to enter the market. Examples of this trend include:

- The private sector provision of health services which previously operated as public sector monopolies and the corporatisation of government business enterprises, e.g. hearing services and governmental medical officer services;
- Parts of public hospital services, such as pathology services, that were then operating on a commercial basis (Sperling & Parslow, 1999:19).

3.2.2.12 Models

In Australia, government funding has provided the seed capital for several extremely successful developments. The AZA and Biota examples were both developed out of successful basic research funded by government grants (Commonwealth of Australia, 2000:03).
“Fund-holding” is still relatively new in most countries and there are many issues to be tested and refined in terms of exploring whether it is possible to develop an appropriate fund-holding model for the Australian context. Ultimately, it would be necessary to ensure that the benefits derived from such a model would undermine the benefits inherent in the current health system, that they would not be outweighed by the cost of any transition and that they would not undermine the other objectives of the Australian health system. Resource allocation through pooled fund-holding arrangements has the potential to improve health outcomes and consumer satisfaction by facilitating the substitution of more appropriate services and providing the opportunities for coordination and integration of services (Sperling & Parslow, 1999:2).

3.2.3 Public-private partnerships in the United Kingdom (UK)

In the Westminster world, the British reforms, at the level of the global Public Management Revolution in transformation of governance, grew from the right with Prime Minister Margaret Thatcher’s neoconservative venture to shrink the size of the state. In 1982 Thatcher launched the government’s Financial Management Initiative. This was aimed at separating the government’s functions into clear responsibility centres, identifying the costs associated with producing outputs in each centre (on an accrual basis) and holding managers strictly accountable for their results. This initiative drew heavily on private sector approaches to production. Later strategies incorporated a heavy customer service component to the production function. British “citizens charters”, for example, set service standards for government programmes (Kettl 2000:13).

As an element of the new public management in Britain, public-private partnerships emerged in the early 1990s as a development in the then Conservative Government’s approach to questions of public sector funding and the quality of public service provision. The principle policy expression of public-private partnership under the Conservative Government was the Private Finance Initiative (PFI), introduced in 1992 and the Conservative approach to PPP, as enshrined within the PFI, was principally ideological, fuelled by a belief in the primacy of the private sector over the public sector (Falconer & McLaughlin, 2000:120).
3.2.3.1 History

The Conservative government which won the 1979 General Election was suffused with the belief that the state was too involved in the economy and welfare provision and needed to be "rolled back" to liberate the growth potential of unfettered private capital. During earlier years, the Conservative governments believed that economic development could be achieved by removing local and national controls on business development. Typical policies of this time included the establishment of enterprise zones and urban development corporations (UDCs) – composed predominantly of business interests – which were given substantial government funding and responsibility for economic development in areas of serious decline (Chandler, 1998:157).

By the late 1980s, following the development of many local public schemes for economic growth, the government somewhat reluctantly acknowledged that local authorities had a role in facilitating economic development. At the same time, however, they curtailed strategies allowing them unilaterally to regulate the private sector or create and run their own commercial ventures. From this point the government turned to the idea of public-private partnerships as a favoured method of securing local economic regeneration. The government also created local business-led organisations such as the Training and Enterprise Councils (TECs) and Business Links to stimulate local enterprise through advice and training schemes (Chandler, 1998:158).

The expansion of UDCs was brought to an end and replaced by City Challenge, a programme inviting local authorities to put forward schemes for economic regeneration in partnership with the local business community. The government judged the proposals on a competitive basis. Those deemed most worthy of funding received substantial grants. In 1994, the City Challenge initiative, along with several smaller schemes for distributing development funds, was consolidated into a single urban regeneration budget, which allowed local authorities and also TECs and private business to bid for funds. Later the National Lottery also required organisations to match grants from the fund with private sector finance (Chandler, 1998:158).

The Conservative government's thinking on partnership was considerably influenced by the best practices found within the United States. Michael Heseltine (1987), the government minister most frequently at the helm of industrial policy since the beginnings of the Thatcher government, observes that urban regeneration grants were designed to secure the highest possible ratio of private investment in response to pump...
priming with public funds. It was modelled on a pattern developed in the United States, which laid the incentives that encouraged the private sector to rebuild parts of a number of cities (Chandler, 1998:158).

In the earlier years of the Reagan (USA) and Thatcher (British) regimes, the emphasis was, at least as portrayed by the media, on providing opportunities for the private, particularly business, sector to undertake work traditionally performed by public-sector agencies. This was the case most dramatically in the UK as the large-scale privatisations of the 1980s took place. More recently the Blair government’s “Third Way” indicates a tendency in which the private sector is less regarded as the sole saviour of society’s economic and social interests. Rather, the Blair government has encouraged the use of whatever sector or mix between business, public or non-profit organisations can provide more immediate value for money (Carrol & Steane, 2000:43).

In essence, the 1980s and 1990s represent a period of mutual learning by partners and potential partners in the political, legal and management challenges posed by the use of public-private partnerships. Expectations, while largely positive, have been cautious and rightly so on either side, at least outside of the USA. There are signs that this sense of caution is being replaced by greater enthusiasm, to a more rapid embrace of the use of partnerships as a valuable instrument. One of the aims of The Public-Private Partnership Programme Ltd, established by the Unite Kingdom (UK) local authorities, for example, was to provide a source of advice for authorities uncertain of the challenges associated with partnerships. Another aim was to use it to lobby the central government to remove perceived barriers to the greater use of Private Finance Initiative (PFI) for creating partnerships (Department of the Environment 1997). Both these aims were signs that very active and successful policy learning was taking place, leading to revisions to the PFI and the clarification of the legal power of local authorities and the National Health Service to enter into public-private partnerships (Carroll & Steane, 2000:52). According to Carroll and Steane (2000:53), an anonymous writer indicated in 1998 that the more cautious approach used for example in the UK in the shape of the PFI, has been viewed with increasing interest by a wide variety of other countries.

With the establishment of the PFI in 1992, the role of the private sector was developed further, from that of involvement in the provision of public services to one of designing, building, operating and owning public sector facilities, such as schools and hospitals (Faloner & McLaughlin, 2000:120). Throughout the 1980s and 1990s, the opposition
Labour Party had fiercely contested the Conservative view on the primacy of the private sector and the policy agenda which had been taken forward to reform the public sector. However, since taking office in May 1997, the Labour Government, under the leadership of Tony Blair, has largely reversed the position of Labour in opposition, and pursued a public-private portfolio that is premised on a strong allegiance to the concept of public-private partnership. In so doing, the Labour Government has taken forward an important element of the "new public management" reform agenda, with its increasing focus on public service provision through the establishment of partnership relationships between the agencies of government, both central and local, the private sector and the voluntary (the "third") sector. In the early years of the Blair Government, partnership has become a favourite word in the lexicon of "New Labour", giving rise to a wide range of PPP initiatives, some representing a continuation and development of Conservative policies, and some representing new Labour approaches to public policy (Falconer & McLaughlin, 2000:121).

3.2.3.2 Status

Government-non-profit partnerships (GNPs) in the UK comprise one specific form of PPPs, in which the State and voluntary and community organisations (VCOs) formally interact within partnership settings as a way to area regeneration in the UK (McLaughlin & Osborne, 2000:324). McLaughlin and Osborne (2000:324) further refer to others papers of authors like Hall and Mawson (1999) and Ross and Osborne (1999) by stating that GNPs are increasingly advocated by Governments for a variety of reasons, including engaging the involvement of citizens in policy making in order to enhance the quality of policy decision and its implementation.

Price et al. (1999:1) refers to certain aspects in which the use of government-procurement-agreement reforms are seen to shape healthcare policy in the UK and refers to:

- Changes to resource allocation;
- Service delivery changes in creation of corporations;
- Public-private partnerships.
According to Price *et al.* (1999:1) privatisation of health, is high up on the agenda of the World Trade Organisation (WTO) and the WTO's aim is to extend the free market in the provision of traditional public services. The UK has already set up the necessary mechanisms:

- The introduction of private sector accounting rules to public services;
- The funding of public sector investment via public-private partnerships or the private finance initiative;
- The change to capital funding streams, which allows the substitution of private for public funds and services.

The variously known private finance initiative (PFI), build-own transfer (BOT), or build, own, operate, and transfer (BOOT) entities in the UK is referred to as:

- The public infrastructure privatisation through public-private partnerships, by Price *et al.* (1999:2).

In summary Price *et al.* (1999:6), state that the UK provides a fascinating insight into the assimilation of the WTO agenda into domestic policy. The UK was one of the first states among the better-developed countries to take up two key recommendations of global financial institutions, viz.

- The introduction to the public sector of commercial accounting and;
- The appraisal of commercial investment.

Procurement reforms are being used to breach socialised provision to enable private firms to exploit the public funding base of traditional public services (Price *et al*., 1999:6).

Competition for per-person funds among autonomous providers leads to competition for patients. Evidence from the UK reveals that such competition has destabilised the provision of care and diverted planning and service priorities away from the needs of their local populations. For example, private-finance-initiative business cases show that hospitals are currently being planned according to trusts’ financial needs and not local clinical need; access to the acute sector is controlled by financial imperatives (Price *et al*., 1999:7).
mergers and new start-ups, sell-offs, demergers and closures, together with restructuring were also common characteristics of business life (Huxham & Vangen, 2000:306).

In a supplemental report on PPPs by Johnson et al. (2000:2) certain developments in legislation were discussed. It was said that Primary Care Trusts (PCTs) in the UK are intended to be a tool to health improvement at a local level, not only a providing cheaper and better quality of services, but also handing over the control to local professionals, managers and the community at large, to ensure local accountability. The introduction of PCTs has been a staged process with four levels of development. Level 1 began with the introduction of Primary Care Groups (PCGs). These operate as sub-committees of Health Authorities and act as advisers to Health Authorities. PCGs then progress through four stages of development culminating at Level 4 with the creation of a semi-autonomous commissioner of healthcare services and the primary provider of community health services for its area. The primary legislation setting up PCGs and PCTs is the Health Act 1999 (UK), (the "Act"), which lays down the basic framework to be supplemented by detailed regulations.

The PCT as a model will be discussed in paragraph 3.2.3.12, p. 128. It has been stated, moreover that PCTs are a new concept and can take a fresh and innovative approach to commissioning a new duty and delivering health care services locally. The Act introduced a new duty of co-operation between health service bodies on the one hand and local authorities on the other, in particular to deliver integrated health and social care. The authors conclude by saying that there is scope for significant innovation in the delivery of hi-tech health services and integrated care packages, although PCTs and any future partners must be aware of the new responsibilities and risks involved in delivering these services, managing them carefully with the benefit of professional advice (Johnson et al., 2000:2).

Public Private Partnerships also developed via the Private Finance Initiative (PFI) in the UK’s National Health Service (NHS). The Treasury Task Force endorsed the PFI guidance. The PFI in the NHS is based on best practice and the experience of the first wave schemes. It has been developed in keeping with the White Paper “The New NHS: Modern, Dependable”. It highlights the main issues the main issues and procedures in PFI procurement, and indicates what is required at various points in the process. The guidance applies to both small and large schemes involving the provision of facilities.
Moreover, according to Price et al. (1999:7), the substitution of market mechanisms and competition has fractured the traditional mechanisms for local accountability. Trust boards govern National Health Service providers, with no democratic or legal mechanisms to ensure that they uphold the interests of the local communities from which they draw patients. Increasingly, the goals of universality and equity are being replaced by consumer sovereignty. This effect is reflected in the growing governmental emphasis on league tables, performance measures, and quality frameworks, rather than on substantive health-care rights, such as to a universal, comprehensive health-care service.

According to Johnson et al. (2000:1), the UK government remains committed to PPP as a key tool for delivering new social infrastructure. In the year 2000 the UK treasury forecast a further 20 billion Pounds worth of PPP projects over the then commencing three years. As well as the familiar PFI model, the authors are seeing the use of new project structures, such as public-private joint venture companies, transfers of assets to independent trusts with borrowing capacity, as well as traditional management contracts. In the health care sector, the newly created Primary Care Trusts will surely look to PPP to generate the estimated 10 billion Pounds of investment needed nationally in GP and primary care facilities (Johnson et al., 2000:1).

### 3.2.3.3 Development

As the new Labour Government in Britain moved through its first term of office, the government had been increasingly attracted to the benefits that, it believed, accrue from partnership-based policies, particularly in regard to the overarching commitment to "modernise" government (Falconer & McLaughlin, 2000:121). Substantial development was therefore achieved by the British government in terms of partnership ethos, as a way in which PPPs are increasingly being advocated as the foundation for the pursuit of public policy.

Government policies frequently lead to changes in the nature of the partner organisations. In the UK, policies in the last decade of the 20th century alone led to a new set of local authorities with new boundaries to both their physical locations and remits. They have also led to several incarnations of Health Service organisations and development organisations. Business organisations were also affected by government policies, not the least in their responses to collaborative initiatives. Acquisitions,
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and services. To ease the procurement process, the NHS Executive has produced a standard form contract, with which this guidance is consistent (United Kingdom, 2000:2).

3.2.3.4 Progress

In the United Kingdom, some drawbacks, skills development, institutional reform, and capacity building preceded the progress. Both the public and the private sector experienced that a successful PPP programme would likely require a degree of reform in order to create the right enabling environment. As such, there are clear drawbacks to a PPP approach to the extent that these reforms may delay implementation of investment. For the public sector, reforms would typically include a move from input-to output-based contracting, which may require significant investment in developing skills and guidance on best practices; enactment of enabling legislation, for example, to overcome issues of public sector vires (legal authority) and taxation of PPP contracts; and institutional reform to assist in prioritising, providing resources for, and approving, transactions. For the private sector, reforms may be required to build capacity in the provision of integrated whole-life-of-asset-based services to the public sector and to provide long-term (that is, 25 years or longer) project finance. Conversely, once the enabling environment has been established, the time taken to implement transactions and the fixed front-end implementation costs, for both the public and private sectors, should steadily decrease, as has been experienced in the United Kingdom (Gerrard, 2001:3).

Exceptional progress in public guidance towards the establishment of PPPs in the National Health Service (NHS) is evident in terms of the Private Finance Initiative (PFI). Guidance on commercial issues is available on the Internet, covering various key commercial aspects such as duration of project agreement, planning, risk design, lifecycle maintenance and retentions, benchmarking, and market testing amongst others (United Kingdom, 2000:1). The guidance casts light on ways in which contractual issues should be dealt with in project agreements for a PFI scheme in the NHS. The main commercial principles to be included in a project agreement are outlined. The guidance is further supplemented by a standard form contract, which is available from the NHS Executive (United Kingdom, 2000:2).
The guidance mentioned, which was updated in 2002 in an overview of good practice and made available on the Internet by the NHS executive, has been endorsed by the UK Treasury Taskforce. The guidance provides practical advice for NHS bodies involved in, or contemplating, PFI schemes for the benefit of NHS Trusts, commissioning Health Authorities and Primary Care Groups. Also useful to the private sector, it can be accessed via the Internet at www.doh.gov.uk/pfi.htm.

PFI in the NHS is based on:

- Best experience;
- The experience of the first wave schemes.

The guidance applies to both small and large schemes, which involve the provision of facilities and services.

The structure of the PFI in the NHS guidance revolves around the selection and preparation of schemes, the PFI procurement process, technical issues and commercial issues. Since best practice will continue to evolve, the guidance will be updated in the light of new experience, or if new models of public private partnership develop (UK National Health, 2000:2). Section 2 of the guidance deals with the PFI procurement process and describes the following aspects:

- An introduction;
- An overview of the PFI procurement process;
- Advertising the project;
- Prequalification;
- The invitation to negotiate;
- Evaluation and selection;
- The full business case;
- Finalising the deal.

The UK National Audit Office has produced a report on its general approach to the audit of PFI deals. Titled "Examining the value for money of deals under the Private Finance Initiative" (July 1999), the report is intended not only for auditors of PFI schemes but
also for all those in both the public and private sectors who are involved in taking forward a PFI scheme (United Kingdom, 2000:3).

### 3.2.3.5 Visions

The British experience reflects a vision described by Drewry (2000:61) who argues that much of the recent New Public Management movement is driven by a belief that markets are inherently superior to public bureaucracies when it comes to delivering efficient and user-friendly public services. The movement has therefore been based on free market economic arguments with important legal ingredients.

It has been noted that PPPs are certainly not an easy procurement for the public sector, nor do they offer a universal solution. However, they are seen as providing a flexible framework within which the skills and resources of the private sector can be mobilised to provide better quality, sustainable, and more cost-effective public services in the right circumstances (Gerrard, 2001:3).

### 3.2.3.6 Driving forces

In the UK, a political undertone may be viewed as a major driving force towards partnership activity if the following is taken into consideration, as concluded by Peter Carroll and Peter Steane (Carroll & Steane, 2000:52):

The 'hegemony of neo-liberal individualism', as some would see it, arguably is losing its predominance in public discourse and policy (Mulgan, 1998). There are now thirteen governments in Europe characterised as 'Centre Left' in their ideological orientation. This trend may be responding to a fundamental shift in social perceptions where collaboration and interdependence is seen as preferable to the competitive individualism stressed by Margaret Thatcher ('there is no such thing as society'). Such feelings, in part, lay behind Tony Blair's 'Third Way' and Gerhard Schroeder's 'Neue Mitte'. Their political challenge is to achieve both market competitiveness and social cohesion at the same time. Whether or not they achieve such an ambitious goal is debatable. In neither case have the policies pursued since gaining office, been radically different from those pursued by their conservative predecessors. Their view that government has a role to play, not so much in the provision of services, but in facilitating the involvement of other parties in providing those services has 'partnership' overtones that echo those predecessors (Carroll & Steane, 2000:52).
An analysis of the drivers of value for money when viewed within the context of reasons for the improved value for money reveals that much of this derives from the fact that when private sector capital is deployed and is at risk – to, for example, the long-term performance of public service delivery – the right commercial decisions are made about design, operating regime, human resource planning, whole-life-of-asset costing, and so on (Gerrard, 2001:4).

3.2.3.7 Strengths and weaknesses

The pertaining literature did not reveal relevant aspects or significant information on strengths and weaknesses described as factors involving the development of PPP developments in the US and therefore was omitted at the time of this study.

3.2.3.8 Potential gain

In the UK, use of public-private arrangements serves a number of important objectives that may be viewed as possible aspects of gain. Falconer and McLaughlin (2000:121) refer to Falconer and Ross (1998) and also to Osborne and Ross (1998) and Scott (1998) on this issue. Some possible gain towards the public sector may be seen as:

- The need to provide alternative sources of capital funding for the public sector, as in the case of the Private Finance Initiative;
- The need to “reinvent” government and establish legitimacy with local communities in the implementation of local economic development policies;
- The need to address the challenge posed by the increasing involvement and participation in the policy of civil society organisations (Falconer & McLaughlin, 2000:121).

Gerrard (2001:2) indicates that throughout, the scope of PPP business, and consequently its potential for profit, is constrained contractually rather than by market forces or the intervention of a statutory regulator. Normal private sector incentives for management still apply within a PPP, such as the need to earn an adequate return on capital, but the business is, in fact, passively regulated by virtue of the constraints placed upon it contractually and without the intervention of a regulator (Gerrard, 2001:2).

Updated evidence within the United Kingdom, which reveals that new investments in public services made through PPPs are largely completed ahead of schedule and within

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budget. This supports the conclusion drawn by Gerrard (2001:4) that while it may initially be more demanding for the public sector to contract on this basis, very worthwhile gains are available.

The value (a form of gain) sought by the private sector investor from a PPP is a return on its capital employed. As a management incentive, this is no different from that which is sought by any other private business. The private sector investor may also have contractual interests in the PPP, but these are normally freestanding. The public sector, by contrast, will apply a much wider concept of value to its participation as an investor in a PPP than simply the return on its capital employed – this could include other policy considerations (Gerrard, 2001:5).

3.2.3.9 Critical factors

McLaughlin and Osborne (2000:333) highlight five challenges for local government in the UK at the time, if it is to make a reality of Government Non-profit partnership (GNPP) involvement in the policy formulation process:

- It is important to understand partnership with the voluntary and community organisations (VCOs) sector as a process rather than as a document or structure:
  - The values on which relationship is based are central to the relationship;
  - Such policy-making partnerships also require the reformulation of the role of local politicians, away from being the sole sources of policy initiatives and representative democracy and towards being their facilitators and supporters;
  - The logic of such GNPPs requires that local government cede part of its powers and role to the VCO sector;
  - Plural policy making requires a real commitment from local government to build the capacity of local VCOs to participate in planning and implementation forums.

The writers further mention that in an ideal world, plural policy making would offer the best of all solutions to social inclusion and to meeting the needs in local communities. Inevitably, reality does not match such ideals and the following dangers that it poses for local community are further viewed as follows:
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- A clan mode of governance carries threats for local communities as well as opportunities. There is thus a lack of openness – clans can exclude people and groups as much as they include others;

- Plural models of policy making can lead to strategic drift and a lack of direction in the development and support of local services, because no one agency has ultimate responsibility for programme outputs and outcomes;

- There is a danger that the creation of sustenance of the networks required to underpin plural policy making will become an end in itself;

- Plural modes of governance carry the dangers of incorporation of isomorphism for the local VCO sector.

It was stated that if either of these mentioned dangers were to prevail then the potential benefits of the plural policy making model would be fatally undermined (Osborne, 2000:335).

3.2.3.10 Role players

According to Falconer and McLaughlin, (2000:122) in the UK, the Labour Government has hardly moved on policy without establishing a task force or a stake holding panel. In the various and numerous bodies established by Labour since taking office, a significant number of non-government members (at least half) have been drawn from the private sector. Labour Party officials and local councillors are conspicuous by their absence. Trade Unions are well represented, but not nearly as much as private-sector employers. This is not to say that such an approach is undesirable. However, the prevailing view that efficient and effective management of public sector affairs requires the involvement of business represents a defining characteristic of the “newness” of Labour (Falconer & McLaughlin, 2000:123).

Falconer and McLaughlin (2000:123) refers to the fact, that the partnership principle is bolstered by Labour’s belief in a “stakeholder” society. In this sense, the public sector is viewed as consisting of a large number of stakeholder groups, each of which has a stake in the way in which public services are financed and delivered. This link by including all stakeholders paved the way for a partnership ethos in Britain. Falconer and McLaughlin (2000:123) state that the language of stake holding, embracing notions of
Inclusiveness, community, corporate governance and partnership is "cast in terms of acceptance of responsibilities as well as assertion of rights and changing culture".

It is through partnership between the public sector, the private sector and the increasing number of voluntary sector organisation, that both the infrastructure of the public sector and the quality of the public services are maintained and improved (Falconer & McLaughlin, 2000:123). A cursory glance at Labour public policy rhetoric illustrates the way in which the language of partnership has permeated across the wide spectrum of public sector activity, at national, local and regional level, between service providers, communities and citizens (Falconer & McLaughlin, 2000:123).

McLaughlin and Osborne (2000:325) refer to Putman (1995) and Fisher (1996) when describing the context that was created by the potential of an enlarged role for voluntary and community organisations (VCOs) not just as public services providers, but also as agents for the creation and sustenance of social capital within communities. The nature of the potential role played by VCOs in the sphere of public policy making, was conceptualised along two dimensions:

- The recognition of the range of roles that such organisations can play in this process;
- The awareness that institutional frameworks are also required cultivating such an involvement in policy making (McLaughlin & Osborne, 2000:325).

Within the transitional economies of Eastern Europe, for example, this has been posed as an effective mechanism for dealing with the so-called democratic deficit of these states, whilst in the UK it has been posed as part of the drive to modernise local government and to enhance its legitimacy in plural local communities (McLaughlin & Osborne, 2000:325).

3.2.3.11 Trends

McLaughlin and Osborne (2000:325) refer to Phillips (1999) and Ross and Osborne (1999) when the writers pointed out that the nature of relationships between government and VCOs is currently undergoing fundamental review across the world, with governments exploring new mechanisms for relations between VCOs and government. It is seen moreover as a product of the institutional shift from government to governance in these relationships, and by which the State seeks to work
collaboratively with VCOs in order to enhance its own legitimacy within an increasingly pluralistic society (McLaughlin & Osborne, 2000:325). A trend may therefore be observed in the context of changing relationships between the State and voluntary and community organisations in the UK.

Price et al. (1999:6) describe a trend of service delivery changes in the creation of corporations. In the UK, National Health Services entities have been re-established on private sector lines, or corporatised by the imposition of commercial accounting practices. For example, the sole statutory duties of National Health Service provider trusts (hospital and community services) are financial and not health care duties; National Health Service bodies must break even after having made a profit for their owners (the government) equivalent to a 6% return on capital. The same will apply to primary-care trusts, which will also be made to behave commercially as if they have shareholders. This resource accounting, which was to be introduced in 1999 throughout all the UK public services, makes public and private sectors seem interchangeable. Resource accounting is a prerequisite for public-private partnerships (Price et al., 1999:6).

The UK government is outsourcing labour-intensive services and capital-intensive infrastructure projects through public-private partnerships (or private finance initiative in the National Health service). These changes give the private sector access to public funds, but are presented as offering the public sector access to private funds. The privatisation of public funds has been achieved by almost eliminating new public funding for capital projects such as hospital refurbishment; through the introduction of direct government subsidies to the private sector; and through creation of revenue that can be diverted to the private sector as rental income. These policies or trends are occurring to a greater or lesser degree in all UK public services and are being widely copied in other more-developed countries (Price et al., 1999:7).

In a discussion of democracy versus consumerism, it was mentioned that the cumulative effect of the market-based reforms in the UK, (as also in the US) is a decrease in the supply of publicly funded services. It was also stated that income and health inequalities continue to widen in the UK, and the restrictions on national sovereignty imposed by the World Trade Organisation (WTO) through the General Agreement on Trade in Services (GATS) will make it increasingly difficult to reverse these trends. Resource accounting, private finance initiatives, outsourcing, capitation,
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and corporatisation continue to be imposed under the modernisation programme of the “third way”, but the government has yet to sponsor a thorough assessment of their impact on health inequalities (Price et al., 1999:8).

3.2.3.12 Models

In Britain the former conservative policy agenda was developed from a strong allegiance to market principles, whereas the labour philosophy of partnership is grounded within a stakeholder model, and founded on an adherence to the principles of community and communitarianism (Falconer & McLaughlin, 2000:132).

As described earlier (refer par. 3.2.3.2, p. 116) the involvement of citizens in policy making is frequently portrayed within the UK (and the UE) as a means of “combating social exclusion” and as a vehicle for addressing complex social and economic problems. Such aspirations are at odds with the approach of the previous Conservative Government in the UK, which restricted its vision of the role of VCOs in GNPPs to the narrower role of policy implementation. The dissonance between this earlier model and the community governance aspirations of the current Labour Government in the UK has created problems and tensions in respect of broadening the role of VCOs into the policy making process. McLaughlin and Osborne concluded that the tensions mentioned may be resolved, if not solved by locating a debate away from the new public management framework and within the theoretical framework of public governance as seen by Kickert et al. (1997a). This offers a framework, based on a plural model of public policy making and implementation, for considering issues which PPPs raise by taking on a proactive role in policy formulation as well as implementation (McLaughlin & Osborne, 2000:325).

In this model, government was presumed to maintain control over policy formulation whilst a plurality of providers was invited into the domain of service provision. Relationships between governmental and non-governmental organisations (including VCOs) within this framework could be viewed as that of service agency, with the latter operating to contract, and with the contract providing the core governance mechanism for regulating regulations between the so-called partners. This model of GNPP implied governmental control over policy formulation and with other partners, both voluntary and business orientated, being confined to involvement in policy implementation. Thus GNPPPs were advocated solely as a tool for enhancing the implementation of a policy agenda predetermined by government (McLaughlin & Osborne, 2000:326).
By way of contrast to this model, in the UK, the “new Labour” Government has, during its election in 1997, sought to create a new role for GNPPs, which cuts across the established policy making-implementation divide. In this model, GNPPs were developed from a standpoint, which emphasizes the desire to use them as policy-making mechanisms, as part of the espoused project to modernise government in the UK. The overarching policy drivers for such partnerships then viewed VCOs as critical actors who can help to break down endemic departmentalism within government and fragmentation in the policy-making process, in order to produce the much desired model of joined government (McLaughlin & Osborne, 2000:327).

Gerrard (2001:1) explains the differences between PPPs, privatisations and certain concession agreements, stating that a PPP is a business relationship between the public and private sector and that, in the case of a Private Finance Initiative (PFI) project, the business is defined by a long-term contract in which public services are to be delivered by the PPP and the outputs are specified in great detail. In its form as an equity joint venture between the public and private sectors, a PPP in the UK is a business with certain public sector obligations set out in its constitutional documents or within contracts with the public sector (Gerrard, 2001:2). The essential role and responsibility of the private sector in all PPPs is to deliver the PPP's business objectives on terms, which offer the public sector value for its money. Hence PPPs cannot always be well described as “partial privatisations”. For example, there is an important distinction between, on the one hand, a private sector company in which the public sector holds a minority equity stake but has no influence on the objectives or operations of the company (which most would agree was well described as partial privatisation) and, on the other hand, a joint venture between public and private sectors whose business is constrained by public sector considerations or a service contract under which the public sector retains all its statutory functions. Both these models are forms of PPP (Gerrard, 2001:2).

Within a PFI project, the public sector pays for services on behalf of the general public and retains ultimate responsibility for their delivery, whereas the private sector's role is limited to that of providing an improved delivery mechanism for the services. In the privatised utility model, by contrast, ultimate responsibility for service delivery is transferred to the private sector (Gerrard, 2001:2).
Between the two established forms of PPP in the UK – a concessions-based business (PFI project), on the one hand and a joint venture (Wider Markets project), on the other – lies a broad spectrum of possible PPP structures having features of both. These combination partnership structures offer some of the greatest potential for future application of PPPs because their adaptability to the specific needs of the public sector. For example, where the scope of future service delivery cannot be fully defined at the outset, greater emphasis on joint-venture mechanics and less on detailed output specifications may be required. Alternatively, a public sector authority may decide to hold a minority equity stake in a PFI project it has commissioned, to share in the profits generated by the business (Gerrard, 2001:4).

The spectrum of possible PPPs also extends from business almost entirely controlled by the private sector, at the one end, to those almost entirely controlled by the public sector, at the other. The explanation of why the UK model of PPPs generally involves effective control by the private sector, if not majority ownership, lies largely in the role that private sector finance plays in creating the necessary management disciplines for a PPP and in achieving a transfer of risk that provides value for money. Even when day-to-day management of the PPP is firmly in the hands of the private sector, which is generally the case in the UK, the PPP must still operate at the boundary between the public and private sectors in a way that privatised companies generally do not – thus further highlighting its special character (Gerrard, 2001:5).

Price et al. (1999:6) write that the World Bank promoted capitation models. In the UK, the devolution of capitation payments to family-physician fund holders has enabled the substitution of private health insurance and user charges for some publicly funded care (e.g., pharmaceuticals and elective surgery) as well as the diversion of public funds into the private sector (e.g., elective surgery, private outpatient clinics, pediatrics, physiotherapy, and capital infrastructure). The introduction of primary care trusts in April 1999 was to accelerate this process. Primary care groups will have an incentive to expand private health insurance and user charges when their National Health Service per-person budgets are capped, and they will have more freedom to use the private sector (Price et al., 1999:6).

The introduction of Primary Care Trusts (PCTs) may be scrutinised as a new model, and has been central to the UK Government’s plan for modernisation of the National Health Service (NHS) and the transformation of primary care. It has been hailed as one
of the most significant changes in the history of the UK NHS. A PCT is a body corporate
and is autonomous to the extent permitted by statute. PCTs are funded mainly from
revenue and capital allocations from health authorities (although they also have
opportunities to generate additional income). An executive committee, consisting of a
chairman, officers of the trust and non-officer members, may regulate the activities of a
PCT. Of the members, at least one must be a medical practitioner and at least one must
be a nurse. The Health Act 1999 (UK) (the Act) sets out the permitted activities of PCTs
and includes a schedule detailing their general and specific powers (Johnson et al.,
2000:2).

The general and specific powers of PCTs include the provision of medical and dental
services, acquiring or disposing of land and property, entering into contracts,
undertaking research and making officers available in connection with teaching, training
and instruction. The Act does not provide a specific power to borrow, but it is
reasonable to infer that PCTs may use their general power to enter into contracts to
deal with land, or to do other incidental activities in order to secure funding, if
necessary, to enter into a mortgage arrangement. PCTs have the capacity to own
buildings, develop a capital programme and attract private finance, creating significant
new opportunities for PPP projects. Primary care centres could easily lend themselves
to a mixed-use development, housing GP’s, dentists, ophthalmic services, complimentary
medicine and pharmacies and possible scope for providing accommodation for
local officers engaging in health care-related activities. Additional income could be
generated through arrangements for the provision of services on behalf of a local
authority with the PCT leasing part of the premises to dentists, opticians, a pharmacy or
general retailers. The NHS Executive (UK) has produced a detailed procurement
manual for PPP projects in the health sector and a model contract, which should
simplify and accelerate the lead in times to develop new facilities. Possible PPP project
structures might include the PCT:

- Setting up a joint venture company to develop funding;
- Manage new facilities;
- Or entering into PFI style contract with builders or facilities management companies;
- Establishing a not-for-profit body encompassing other interested groups such as
  GPs, local authorities and housing associations (Johnson et al., 2000:2).
PFI is only one model of PPPs in the UK National Health Service (NHS) and other forms may develop over time. PFI is a key policy for improving the quality and cost-effectiveness of public services. It enlists the skills and expertise of the private sector in providing public services and facilities. It is not simply about the financing of capital investments, but about exploiting the full range of private sector management, commercial and creative skills (United Kingdom, 2000:4).

PFI schemes involve the creation of partnerships between the public and private sectors. In the UK health sector, the NHS will continue to be responsible for providing high quality clinical care to patients. Where capital investment is required however, there will increasingly be a role for a private sector partner in the provision of facilities. The PFI in the UK is involved with the building of long term and mutually beneficial partnerships between public and private sector partners. Major PFI schemes are typically base on a design, build, finance and operate basis. This means that the private sector partner is responsible for:

- Designing the facilities (based on the requirements specified by the NHS);
- Building the facilities (to time and at a fixed cost);
- Financing the capital cost (with the return to be recovered through continuing to make the facilities available and meet the NHS’s requirements);
- Operating the facilities (providing facilities management and other support services (United Kingdom, 2000:4).

NHS Trusts will continue to be the employer of clinical staff. PFI in UK health involves ensuring that facilities in which they work are as modern, efficient and cost effective as possible by placing responsibility for their provision on specialist managers who are expert at providing them. The NHS can then concentrate upon provision of health care (United Kingdom, 2000:4). The essence of PFI is that the NHS defines its needs in terms of "outputs", i.e. the nature and level of the service required, and invites private sector bidders to present their solutions to meet these service needs. This allows the private sector to make the fullest possible use of its experience and skills in order to bring innovative solutions to the needs of the health service.
Typically, for a large scheme, the private sector partner will be a consortium whose members may include a construction company and a facilities management provider, among others. The private sector partner obtains finance for the project, constructs the hospital, and provides services to the NHS Trust as specified in the contract agreed between the NHS Trust and the private partner. The terms of the contract set out the range of services to be provided and the performance standards required of the consortium. The NHS makes no payments until services are provided to the agreed standard. Thereafter the standard must be maintained to ensure full payment (United Kingdom, 2000:5).

Any PFI scheme must be seen to demonstrate value for money (VFM) for expenditure by the public sector. This may be achieved if the private sector assumes risks, which would otherwise have been borne by the public sector, where they are more cost-effectively managed by the private sector, and by efficiency savings.

Best VFM is the optimum combination of whole life costs and benefits. There are three separate VFM decisions to be taken:

- Whether to proceed with the project at all;
- Whether to proceed using PFI;
- Which private sector partner to select (United Kingdom, 2000:5).

PFI is governed by the same principles and procedures that have been established to ensure that all investment in the NHS is soundly based. The UK NHS capital procurement process set out in a Capital Investment Manual (CIM) comprises four stages:

- Stage 1: establish the strategic context and make the case for change. In future, the Health Improvement Programme will be the means by which the need for change is identified;
- Stage 2: identify the preferred option and prepare an Outline Business Case;
- Stage 3: assess and plan the preferred option in detail, and prepare a Full Business Case;
- Stage 4: manage the project through implementation and evaluation to ensure that the outputs are delivered (United Kingdom, 2000:5).
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The NHS PFI process reflects these four stages. In order to ensure that the number of major schemes (with capital value over £25M) progress through the system realistically, and thereby to increase their chances of success, proposals for major schemes are prioritised nationally on the basis of health service need. Only prioritised schemes may proceed to procurement.

The NHS PFI process is as follows (United Kingdom, 2000:6):

- Establish the strategic context, assess the options and, for major schemes, make the case for change in a Strategic Outline Case and get approval;
- Identify and develop a preferred option through an investment appraisal, make the case in an Outline Business Case and get approval;
- Prepare for procurement by turning the approval option into detailed specification of outputs, outcomes and desired allocation of risks;
- Advertise the project in the Official Journal of the European Communities (OJEC), identify providers and the best privately financed solution;
- Select a preferred bidder with whom negotiations may be completed, involving stakeholders (e.g. staff and trade unions) in the assessment of proposals;
- Complete the definite investment appraisal and Full Business Case to obtain approval;
- Finalise, award and implement the contract;
- Evaluate and monitor the project.

3.2.4 Public-private partnerships in Canada

In common with governments across the world, the Canadian Government has experienced a period of great transformation over the last decade (Osborne & Murray, 2000:70). According to Osborne and Murray (2000:70) transformation was fuelled by a mixture of concerns over the spiralling costs of government and growing distrust of “big government”. This transformation has involved a combination of “downsizing” government departments and responsibilities and developing alternative, plural models for the provision of services formerly provided by the state (Osborne & Murray, 2000:70).
3.2.4.1 History

As in other federal systems, the global public management revolution transformed governance to decentralise many programmes to lower levels of government. In Canada this meant shifting power within the governmental system (Kettl, 2000:2). According to Kettl (2000:12) Canada had undertaken extensive reforms to shrink the size of government and to improve the coordination of public services. Donald Kettl (2000:35) further states that the global reform movement seeks to strengthen government’s ability to develop coordinated responses to problems that stretch beyond the boundaries of individual bureaucracies. American re-inventors sought “one-stop-shopping,” whereas the Canadian government explored “citizen-centred programme delivery.” As in the Westminster governments that moved towards the use of civil society in the governance system, the move was directed more quickly towards systems of shared power in the so-called federal systems, particularly in Australia and Canada (Kettl, 2000:66).

3.2.4.2 Status

With the spread of public management innovations in global public management reform, many countries have devolved substantial responsibility for domestic policy to their local governments (Kettl, 2000:63). Many other nations are converging on recognition of the basic problems; the twin puzzles of redefining government’s role and size and of building the capacity for making it work effectively (Kettl, 2000:63). In Canada as well as in Australia, Germany and especially the United States, such devolution has long been a central part of governance (Kettl, 2000:64).

3.2.4.3 Development

The public management transformation brought certain changes to budgeting and accounting tactics in some countries of the world. Some nations substantially increased managers’ flexibility in deciding how to meet their targets within a broad allocation. In Canada the “Expenditure Management System”, made provision for managers to fund new initiatives by reallocating their existing budgets (Kettl, 2000:36).

Canada hosts one of the number of existing national associations created specifically to lobby for the use of these partnerships, and have substantial support for their use (Carroll & Steane, 2000:47). The Canadian Council for Public-Private Partnerships, for
example, lists ninety “Corporate Members”, including some of the largest corporations in Canada and its statement of objectives makes its support very clear:

*The Canadian Council for Public-Private Partnerships (1999) is:

- A clearing house for knowledge and information with respect to public-private partnership projects and developments in Canada;
- An information exchange promoting dialogue between public and private sector participants and interest groups;
- An advocate at all levels of government in Canada;
- A sponsor of conferences, seminars and publications designed to increase the awareness of the benefits of PPPs for all Canadians, (Carroll & Steane, 2000:47)

The pertaining literature did not reveal relevant aspects nor significant information on development or progress, visions for the developments, strengths and weaknesses, potential gain, critical factors, or trends involving the development of PPP developments in Canada and therefore was omitted at the time of this study.

3.2.4.4 Driving forces

The Canadian industry has established a business information centre called "The Public-Private Partnership (P3) Office" (Carroll & Steane, 2000:47). Established in 2001, the Public-Private Partnership (P3) Office is a compilation of a wide variety of information and services on public-private partnerships under one roof. It is a unique site, designed to provide interested stakeholders with complete access to essential information on public-private partnerships. The following PPP information within the Public-Private Partnership (P3) Office is accessible in a format that reflects the key organisational divisions required for an effective PPP, viz.,

- A Political Office – to consider the need for a project champion and why PPPs;
- Administration division – to consider the guiding principles and policies;
- Communications division – to discuss the importance of solid and open communications;
- Human Resources division – to govern labour transition issues and PPP training;
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- Legal division – to arrange the legal issues within a PPP;
- Financing division – to procure private financing of a PPP;
- Engineering – to run technical requirements related processes.

3.2.4.5 Models

Osborne and Murray (2000:71) describe a conceptual model of collaboration (collaboration as a multi-phase process) in which they explore non-profit collaboration in the provision of local public services in Canada, in this case, community-based services for disadvantaged children and their families in a city in British Columbia. The purpose of these writers was to present and test the utility of a conceptual approach to understanding the structure and process of collaboration between voluntary and non-profit organisations (VNPOs) in public-private partnerships (Osborne & Murray, 2000:71). Osborne and Murray (2000:71) states that this is the model of collaboration as a multi-phase process. This model described by Osborne and Murray (2000:71), highlights the structure of organisational collaboration, and its impact upon its management, both in terms of the relationships between different levels of organisational goals and in terms of the impact of the process upon collaboration. The writers argues for a five stage model of such a collaborative process, viz. (Osborne & Murray, 2000:71):

- The pre-contact phase;
- The preliminary contact phase;
- The negotiating phase;
- The implementation phase;
- The evaluation phase.

Finally the writers isolates four sets of factors, which affect the probability of successful negotiation of this multi-phase process of collaboration as follows (Osborne & Murray, 2000:71):

- The type of collaboration sought;
- The characteristics of the organisations entering into the collaboration;
- The process of developing and implementing the collaborative process;
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- The environmental and contextual factors, which impinge on the collaboration.

Some key management issues are derived from this study and are discussed in this thesis in Chapter 2 (refer Partnerships management par. 2.4.3, p. 60).

3.2.5 Public-private partnerships in France

Walzer and Jacobs (1998:15) describes certain difficulties experienced in the creation of partnerships in a rural area, the Baronnies, in France. In particular he describes the importance of heavy central control on the outcomes of the networking that occurs in the region. The role of political and social systems is mentioned as being of special importance. In France, the political systems underwent a period of substantial change that may have limited the networking potential of local agencies. In turn, this instability may have affected the criteria in accordance with which local participants assessed the effectiveness of the cooperative efforts (Walzer & Jacobs, 1998:15).

3.2.5.1 History

Teisman and Klijn (2000:179) notes that since the seventeenth century many canals and bridges have been built as a result of the granting concessions. In the mid-1950s the toll operation of highway projects was introduced and four concessionaires were created. However, these were not consortia from the private sector, but more or less public-private ventures under the ownership of local authorities. As a result of the energy crisis in the 1970s three of the four concessionaires did not survive, yet another example of the difficulties in creating competitive markets. The other three concessionaires were renationalised. The state then provided a guarantee to the remaining concessionaire that if it should run into financial problems, government would take responsibility. It seems that the so-called pragmatic approach of the French Government can in fact hardly be defined as partnership (Teisman & Klijn, 2000:179).

3.2.5.2 Status

It was only recently, in the 1980s, that public-private partnerships were considered on the continent. At the start of the twenty-first century several so-called PPP projects are now under way and some have already been completed. These projects are however, found mostly in the transport sector, and involve large interstate projects viz. the channel between Great Britain and France, the Oresund connection between Sweden
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and Denmark, and transnational high-speed railroad tracks and stations. On the local level there are a larger number of smaller PPP projects being developed but they have been less intensely been studied (Teisman & Klijn, 2000:179).

Taking cognisance of the economic development in the French rural area, Andy Smith (1998:239) concludes that given the state of institutional flux that has characterized the French political system during the past fifteen years, it may be understandable that the criteria with which local actors assess the legitimacy of their own partnerships remain limited and lacking in substance.

Only time will tell if the area’s pattern of governance will allow room for new projects and project holders and whether such change will produce a territory better geared for local economic development, (Smith, 1998:239).

3.2.5.3 Development

The French approach is based on trust (Teisman & Klijn, 2000:179). A concession can be granted before all the details are known. Tenders are decided on the basis of the concept and the track record of the bidders. A closer analysis of the French system, however, leads to the conclusion that even in France real PPPs hardly exist (Teisman & Klijn, 2000:179).

The pertaining literature did not reveal relevant aspects nor significant information on development or progress, visions for the developments, driving forces playing a role, strengths and weaknesses, potential gain, trends or models involving the development of PPP developments in France and therefore was omitted at the time of this study.

3.2.6 Public-private partnerships in Germany

Teisman and Klijn (2000:180) argue many municipalities in Germany have at least one or more public-private partnership projects. However, many PPPs on the local level are urban development and transport projects (Teisman & Klijn, 2000:180).

3.2.6.1 History

In Germany a lack of basic theoretical underpinnings for a revitalization strategy caused local governments to pursue less than optimal policies. This is described by Walzer and Jacobs, (1998:15). In particular, the models used in developing partnerships were based on nineteenth century strategies used for manufacturing in cities such as
Pittsburg in the United States. In the late twentieth century, however, the information industry does not respond to the same incentives and strategies as manufacturing did a century earlier (Walzer & Jacobs, 1998:15).

Using three German cities – Bochum, Dortmund, and Duisberg – as examples, Walzer & Jacobs (1998:15), demonstrates the way the perception of reindustrialisation since the 1960s as a temporary phenomena, rather than a structural economic change, caused cities to adopt short-term responses rather than long-term solutions. Some strategies turned out to be ineffective, and the city governments, due to loss of revenues, were forced to partner with businesses to stimulate economic development and rebuild their fiscal base. A major concern for the public sector in Germany was that the planning function, which, formerly, had been almost under public control had been opened to a variety of influences from the private sector (Walzer & Jacobs, 1998:15).

The resulting partnerships in Germany vary with city needs and governmental structure. The organisations range from legal corporations to informal working groups, created to address fairly localized problems. A particularly interesting case is that of Duisberg, where a partnership was created involving representatives of several city departments and a large real estate company. This group functions without benefit of a legal body or other formal organisational structure; rather, it meets regularly and works on urban renewal projects related to a section in the city that the real estate company sees as needing rehabilitation (Walzer & Jacobs, 1998:16).

3.2.6.2 Status

Some of the PPPs in Germany deal with environmental issues, technology innovation and knowledge development. Many of these activities, however, are not analysed in terms of complex networks (Teisman & Klijn, 2000:180).

3.2.6.3 Development

In Germany development was influenced by the unification of West and East Germany. A huge effort was needed to renew and improve old-fashioned East German industry. A special organisation called Treuhand was created to oversee the transformation processes (Teisman & Klijn, 2000:181). Teisman and Klijn (2000:181) states that many of the new partnership arrangements especially in the field of urban development were designed in and for the new Länder in the former Eastern German Republic.
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The pertaining literature did not reveal relevant aspects nor significant information on development or progress, visions for the developments, strengths and weaknesses, potential gain, trends or models involving the development of PPP developments in France and therefore was omitted at the time of this study.

3.2.6.4 Driving forces

Teisman and Klijn (2000:180), summarize the actors involved in PPPs in Germany in a table format, and the actors, divided in central and peripheral relationships, in these PPPs, are mainly the following:

- **Central (Urban development):** Local governments, private developers and/or financiers, housing associations;
- **Central (Transport):** Governments (central, regional and local), transport agencies (railways);
- **Peripheral:** Civil groups. Some of these projects are supported by Central Government (if they are of major importance).

Other actors involved were not divided into central and peripheral relationships but were mainly the following:

- **Environmental/Green projects:** Governments, Not-for profit organisations.
- **Technology/Knowledge:** Private companies, knowledge institutes, consultants and governments.

As with other nations (federal systems), Germany also has devolved substantial responsibility for domestic policy to their local governments, and has such devolution long been a central part of governance (Kettl, 2000:64).

3.2.6.5 Role players

Kettl (2000:69) notes that in Germany, non-profit organisations are playing a stronger role in the system. He mentions the ways in which countries have had expand their traditional services and find new ways of making markets more competitive.

3.2.6.6 Models

The pertaining literature did not reveal relevant aspects or significant information on models used in Germany and therefore was omitted at the time of this study.
3.2.7 Public-private partnerships in Sweden

Economies in the future will differ substantially from the past and city officials must recognize that information- and service-based economies require different strategies, such as those adopted by cities in Sweden, in building partnerships based on information technology (Walzer & Jacobs, 1998:16). In urban development PPPs have experienced strong growth (Teisman & Klijn, 2000:180).

3.2.7.1 History

Particularly in the 1990s, real partnerships, not only private financing arrangements that could often be found in the 1980s, have come into being (Teisman & Klijn, 2000:181).

PPPs in Sweden started in the larger urban areas and later spread to medium-sized cities. Teisman and Klijn (2000:182) confirm the widespread use of PPP arrangements on the local level. She further states that the first partnerships mainly had a strong financial basis and were primarily secured by financial means, or with profit of the private investors. There was, however, criticism that these projects were not tailored to the needs of local communities (Teisman & Klijn, 2000:182).

Collin and Hansson (2000:202) describe a case in Osby, Sweden, where partisan reasons were given for PPP development and explain the way social problems are solved in Osby. The municipality of Osby is a small provincial municipality with only about 13,5000 inhabitants. The people in this northern region of Sweden have long been known for their enterprising spirit. Cooperation between the private sector and the public sector has been present in Osby for many years.

3.2.7.2 Status

Teisman and Klijn (2000:181) concludes in a study on urban-development by PPPs in Sweden that such a mixed cooperative approach in one form or another dominates urban development.

According to Collin and Hansson (2000:201), the significance of PPPs is low in Sweden. In a 1998 survey by Collin and Hansson, it was found that there were 117 acknowledged PPPs; i.e. an average of 1.8 PPPs in each municipality. Most PPPs were very small in capita and personnel. Although most municipalities have some experience of PPPs, the frequency and importance of PPPs appear to be very low indeed. In the Swedish scientific and popular debate, the phenomenon of PPP was absent until the
mid-1990s when a very limited debate occurred about the incorporation of municipal operations and of PPPs (Collin & Hansson, 2000:201).

3.2.7.3 Development

Kettl (2000:70) discuss governance as envisaged for the twenty-first century, and the increase of decentralisation to lower levels of government. In this context Sweden is mentioned as having devolved health care programmes to local governments (Kettl, 2000:70).

The municipalities in Sweden offer many such examples of public-private partnership. Osbyhalsan AB was created as a limited company with as its owners the municipality and several private firms. The goal of the firm was to provide health care for its owners’ employees (Collin & Hansson, 2000:202).

In Sweden the Health Care Corporation pooled resources from several municipalities, a private firm and a state agency, and created a new concept for dealing with juvenile addicts. The intention of both the private firm and the municipalities was to create this new form of health care. The corporation initially experienced some financial problems, mainly on account of for poor marketing, but it managed to solve and expand by running a similar scheme designed for drug-addicted mothers with infants. Thus, as a successful and expanding enterprise, the Health Care Corporation showed signs of dynamic efficiency (Kettl, 2000:211).

The PPP as here described above (see par. 3.2.7.3, p. 143) may similarly be regarded a model for the delivery of health care found in Sweden.

The pertaining literature did not reveal relevant aspects nor significant information on development or progress, visions for the developments, strengths and weaknesses, any critical factors and trends involving the development of PPP developments in France and therefore was omitted at the time of this study.

3.2.7.4 Driving forces

In Sweden negotiated planning practices, where private actors are involved in planning processes through negotiating rounds, have become common in urban-development projects (Teisman & Klijn, 2000:181).

A number of reasons have been reported as having influenced the move towards PPPs in Sweden:
Resource sharing;

The need to have an instrument for transforming an organisation;

Providing the image of a proper firm to a joint venture in order to appease the private partners;

Profit;


3.2.7.5 Potential gain

In Sweden, Collin and Hansson (2000:214) found that with the exception of health care and agencies for formulating industrial policy, almost all branches of industry and service sector could be structured to have a profit-orientation. An institution such as the public health care is prohibited from seeking profit for its services (Collin & Hansson, 2000:214).

3.2.7.6 Role players

Osby is an extreme case in Sweden since most municipalities do not have so many PPPs in proportion to their population. However, the Osby example indicates that partnerships are viable organisations for dealing with resource transfers, facilitating action between partners from different institutional environments and coping with external threats or opportunities (Collin & Hansson, 2000:204).

3.2.7.7 Models

The Swedish municipality of Osby is one among them with the highest number of PPPs per capita (Collin & Hansson, 2000:203). Here the partnerships are mostly based on informal relationships without any need for formal contracts. Each partner simply provides the resources it has or can afford to hand over. Such readiness to establish partnership is not the result of any major ideological discussions about crossing the boundary between the public and private sectors. Nor has it led to any major conflicts between profit-seeking private entrepreneurs and socially aware politicians. Indeed, such a readiness is no more than the outcome of a common fear of an external threat; whether it is from some state corporation or an institution such as the Swedish Army. To counter this threat, both the local politicians and entrepreneurs organised “partisan”
3.2.8 Public-private partnerships in the East Asia region

Richard Common (2000:134) refers to East Asia as the People’s Republic of China (PRC), the Hong Kong Special Administrative Region (SAR) of the PRC (formerly Hong Kong), the Republic of China on Taiwan (Taiwan), South Korea and Japan. Singapore shares many social-economic features with the rest of East Asia (2000:134). Common (2000:134) comments that PPPs appear to be conceptually hard to apply in a region that does not lend itself to a Western analytical perspective. Therefore an understanding of the context of social policy within the region is necessary. Although it is difficult to generalize about the region, the central argument is that the concept of PPPs has developed within the context of fundamental structural changes to the welfare state in Western liberal democracies (Common, 2000:134).

3.2.8.1 History

The welfare state has largely been by-passed in East Asia, in favour of economic development objectives. The Singapore government explicitly endeavours to behave like a “model” private sector company. Elsewhere in East Asia, the public sector has traditionally led the way for private sector development. Common (2000:144) states that in Singapore, for example, the weak development of a local private sector meant that foreign transnational enterprises were more favoured than local companies.

Culturally, the Confucian tradition, which stresses the notion of community harmony, influences governance in East Asia. Although opinion is divided on the importance that should be placed on the influence of Confucianism culturally, the notion of partnership as an egalitarian approach to governance appears to be inappropriate in the East Asian context (2000:138). Undoubtedly, national cultures can have a powerful influence on the way public policy is delivered, and Confucian culture is not homogenous across the region (2000:137). However, the value placed on hierarchy and top-down decision making, which is also central to Confucian philosophy, would appear to suggest that partnerships, with their emphasis on collaboration and networks are likely to be shunned by organisations influenced by Confucian culture (Common, 2000:137).
Also, the notion of social egalitarianism, which is implicit in the Western partnership concept, may clash with cultural values in East Asia (Common, 2000:138)

### 3.2.8.2 Status

The developmental states of East Asia may be regarded as nascent competition states, which are being transformed by further integration into the global economy but remain characterised by strong technocratic control (Common, 2000:135). Leftwich (1994:9) was referenced by Common (2000: 136) and defines developmental states:

> ... as those states whose politics have concentrated sufficient power, autonomy and capacity at the centre to shape, pursue and encourage the achievement of explicit developmental objectives.

Much stands in the way in the development of partnerships in East Asia. Political systems and culture act as considerable obstacles despite the apparent impact of the homogenisation of public and social policy implicit in economic globalisation (Common, 2000:143). The organisational fragmentation, exacerbated by the New Public Management (NPM), has not taken hold in East Asia (Common, 2000:144). Although many countries purport to engage in NPM reforms in East Asia, the marketising of public services in line with the demands of the Competition State is still largely absent, and "strong" bureaucracy remains a feature of East Asian states (Common, 2000:144).

In sum, the concept of PPPs appears unpromising in East Asia. The centralized control wielded by developmental states wedded to semi-authoritarian political systems would appear to discourage collaboration between public and private providers, especially if it is to address a policy problem unrelated to economic objectives. Furthermore, such collaboration is likely to be inhibited if the non-statutory partner was perceived to be political and critical of state policies (Common, 2000:138).

### 3.2.8.3 Development

Since the priority for governments in the region is economic development, the notion of partnership with the private sector has been developed to meet economic rather than social goals (Common, 2000:143). Economic development does not automatically mean social-policy development. If a shift towards "partnership" in social policy in East Asia has occurred, it has come in the form of increasing private sector involvement through provident and pension funds (Common, 2000:144).
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However, economic development has generated social problems for East Asia to which governments will be forced to respond. The problem remains that the NGOs and voluntary organisations are regarded with suspicion by governments in the region, who may regard them as vehicles for special particularistic interests. Therefore, governments will try and exercise control over their activities, particularly by using finance as a lever (Common, 2000:144).

3.2.8.4 Progress

The pertaining literature did not reveal relevant aspects or significant information on development or progress involving the development of PPP developments in East Asia and therefore was omitted at the time of this study.

3.2.8.5 Visions

Yamamoto and Hubbard (1995:53) (quoted by Common, 2000:145) pass the following verdict as a result of the government's suspicion of NGO's:

*Public-private partnerships present an important challenge in broadening the supply side of the civil society... (NGOs and voluntary organisations) cannot make effective contributions to society in the manner they are expected to do, if they will come under strong government control due to financial dependency.*

3.2.8.6 Driving forces

The appearance of a “civil society” in much of East Asia is a result of the link between economic development and the emergence of a middle class. This is often cited as a rationale for the development of a non-profit or non-governmental sector, and the need for a civil society has moved up the political agenda, even in China (2000:145). In Japan, where the Government has failed to address social issues, voluntary and community organisations have grown up in response. Wider democratisation will encourage, the development of partnerships but examples of “community empowerment” are still rare. On the other hand, constraints on public resources are unlikely to be a motivation for the development of partnerships. Although the irony is that the welfare state in East Asia can best be described as “minimal”, the present economic crisis (in 2000), where governments are anxious to check growth, may act as a spur to partnership activity (Common, 2000:145).
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The pertaining literature did not reveal relevant aspects nor significant information on development or visions for the developments, driving forces playing a role, strengths and weaknesses, potential gain, any critical factors, role players, trends or models involving the development of PPP developments in France and therefore was omitted at the time of this study.

3.2.9 Public-private partnerships in South-East Asia

In the thirteen years from 1986 to 1998, the character of the South-East Asian state changed significantly. Prior to 1986, the ten governments that ruled over the region's 500 million population were almost exclusively authoritarian, from the civilian-led but nevertheless semi-democratic regimes of Malaysia, Singapore and Brunei, to the military-led or dominated regimes of Thailand, the Philippines, and Indonesia; from the Communist states of Vietnam, Cambodia and Laos to eclectic socialist dictatorship in Burma (Common, 2000:149). In each case, the markets were subject to political interference or control, and civil society carefully circumscribed or out-rightly repressed programmes. Although the pattern differed from country to country, everywhere the State was the great Leviathan, powerful, over bearing and repressive and the institutions of a free market and civil society weak and ineffective (Common, 2000:149).

3.2.9.1 History

The period from World War II to the mid-1980s was effectively the generation of the Great Leviathan in South-East Asia. With the exception of Thailand, each state acquired its independence over a three-decade spell from the end of World War II, leading to the emergence of centralized governments and bureaucratic machines controlled by relatively cohesive national elites. The generation of the Great Leviathan proved short-lived in South-East Asia, and the decline of the Leviathan was accelerated in an unexpected way, by one critical event; the global economic recession of the mid-1980s (Common, 2000:154).

From 1986, relations between Government and the business community were transformed in the Philippines. State-owned enterprises were privatised, key sectors of the economy deregulated and barriers to foreign investment and trade dismantled. Businessmen and women were brought into Cabinet. Government also established important ties with non-governmental organisation (NGOs) (Common, 2000:155).
3.2.9.2 Status

The generation of Leviathan in South-East Asia, the state of omnipotence and of distorted markets and weak civil societies, was rapidly eroding by 2000 (Clarke, 2000:158). Throughout the region, political and economic reform since the late 1980s had led to reduced state intervention and interference in the economy, to the strengthening of markets and to the emergence of proliferation of a range of civil-society actors (Clarke, 2000:158).

In turn, the decline of Leviathan created an environment in which new forms of PPPs have emerged and consolidated: between Government, business associations, and non-governmental organisations. Post-Leviathan, Government, business and NGOs alike acknowledge that PPPs are essential in:

- Embedding fragile democracies;
- In sustaining high rates of economic growth;
- In reducing poverty (Clarke, 2000:158).

The pertaining literature did not reveal relevant aspects nor significant information on development or progress, driving forces playing a role, strengths and weaknesses, potential gain, any critical factors, role players, trends or models involving the development of PPP developments in France and therefore was omitted at the time of this study.

3.2.9.3 Visions

In terms of the reforms that led to the decline of the Great Leviathan, Clarke (2000:160) asserted that business in South-East Asia would have to establish partnerships at three main levels:

- In maintaining and increasing their competitiveness amid growing competition from foreign investors;
- Companies have to become more open and transparent, in more democratic environments, and to improve their public images;
- Businesses will have to work with civic and non-governmental organisations, in the absence of welfare states, through coalitions rather than direct bilateral relationships.
Business faced a far more complicated and diverse institutional landscape amid the decline of Leviathan and the establishment of new PPPs would be an important means through which to adapt.

3.2.10 Public-private partnerships in the European Union

Until recently, the European Union (EU) policies were strongly focused on the promotion of competition European markets including separating production from policy; a practice, which is called "untwining". Although PPPs had grown in number and importance among the members of the UE and although the topic has received the attention of the UE, there was still a lot of confusion about actual ways of dealing with these phenomena (Teisman & Klijn, 2000:166).

3.2.10.1 History

The pertaining literature did not reveal relevant aspects or significant information on the history of the developments of PPPs in the European Union and therefore was omitted at the time of this study.

3.2.10.2 Status

The restructuring of the welfare states took place in the 1980s. During this period there was a lack of public funds. For this reason the private financing of major projects seemed to be a solution. By the turn of the century, however, there seemed to be a change in the situation. Much more attention was paid to partnerships and co-financing. In fact this was a search for new governance arrangements. In the nineteenth century, the private sector was the leading provider. In the twentieth century, the public sector took over this role. In the twenty-first century, public-private partnerships could become the central provider of infrastructure in Europe according to conclusions reached by Teisman and Klijn (2000:178).

3.2.10.3 Development

The European Commission (EC) indicates that it intends to introduce greater legal certainty by clarifying the conditions in which PPPs operate. The Commission recognizes, on the one hand, that a stable legal framework is needed for a smooth
functioning of the market for public works and, on the other hand, that the existing legal framework is too complex with too rigid procedures (Teisman & Klijn, 2000:183). Furthermore, Teisman and Klijn (2000:183) mention that rules, policies and implementation should be adjusted to reality, not the other way around.

Simplification and a remedy for complexity, is to be carried out in a two-step process that first attempts to demystify the existing guidelines. Only when the guidelines cannot be clarified will adjustments be considered. This reflects the reticence of the Commission (EC) with respect to deregulation in the field of PPPs and probably has reference to several dilemmas that must be dealt with in order to create fruitful ground for PPPs in Europe (Teisman & Klijn, 2000:183). These dilemmas require distinguishing between the following points (2000:183):

- Shared responsibility between government and business that can lead to possible misuse of public money;
- Transparency for third parties;
- Flexibility in order to reach new levels of quality and creative solutions versus fixation in order to get production started and increase earnings;
- The building of long-term public-private relations based on mutual knowledge and trust which can lead to reduced transaction costs versus the principle of equality of treatment that assumes that everyone should be able to know the rules in advance and that the rules will be applied to everyone in the same way, regardless of the degree of mutual trust and the effect on transaction costs.

The pertaining literature did not reveal relevant aspects nor significant information on development or progress, visions for the developments, strengths and weaknesses, potential gain, any critical factors, or models involving the development of PPP developments in France and therefore was omitted at the time of this study.

3.2.10.4 Driving forces

Mario Monti was referred to by Teisman and Klijn (2000:184) as being the Commissioner responsible for the internal market and, more specifically, for public procurement policy. Monti states that:
... cooperation between the public and the private sectors is growing in all member states, ... It is essential, however, to provide a framework for PPPs ... that is transparent and open to competition.

Although new arrangements are accepted and unavoidable, at the same time transparency and intensified competition are still driving forces in EU decision-making (2000:184).

3.2.10.5 Role players

The European Commission (EC) recognizes its duty to devise a legal framework that allows the development of partnerships, which account for nearly 11 per cent of the European Union's GDP and are expected to become even more important in the future. Teisman and Klijn (2000:183) assert that partnerships must be in compliance with EC competition rules and the fundamental principles of the Treaty of Rome.

3.2.10.6 Trends

Some new trends in the EU public policy are described by Teisman and Klijn (2000:166) in that the procurement framework of the EU has been critiqued a great deal; especially for its formal character and lack of practicality. In practice, many governments had long-term relationships with private companies and were often used to contracting out arrangements on these. The new directive now forced them to open up their tendering procedures. Governments had to reorganise their terms of relations with private companies. Private partners involved in the policy process at an early stage could no longer be confident of being selected during the tendering procedure, even if they had supported and improved the feasibility of policy proposals. To some extent this led to a rather contradictory development. In order to open up tendering procedures, the policy process preceding the tender tended to become public, but it also became more fixed in terms of the goals to be achieved and the means to achieve them (Teisman and Klijn, 2000:166).

While the European policies were tending towards untwining, social developments were tending towards cooperation and partnerships, in the private as well as public-private domain (Teisman & Klijn, 2000:167). Teisman and Klijn (2000:168) provide a summary of PPPs trends in European policies in table format as follows:
# TABLE 3.2 EUROPEAN POLICIES WITH RESPECT TO PUBLIC-PRIVATE PARTNERSHIPS

<table>
<thead>
<tr>
<th>Dominant orientation in the European Union during the last decades.</th>
<th>New trends rising looking for governmental response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breaking down state monopolies and separating the public and private sectors as much as possible</td>
<td>Breaking down national domestic barriers and allowing foreign companies to participate on an equal basis in procurement procedures</td>
</tr>
<tr>
<td>Transferring parts of governmental production to the private sector, as much as possible</td>
<td>Accepting the need for ad hoc arrangements, even beyond the scope of public and private sectors</td>
</tr>
<tr>
<td>Improving and reinforcing competitiveness of private companies</td>
<td>Accepting the dynamics of project development, such as the possibility that qualifications will change during the development process, as well as the increased complexity of project development in an ecology of processes</td>
</tr>
<tr>
<td>Opening up public procurement procedures</td>
<td>Accepting that the search for quality can be facilitated by private finance as well as private involvement</td>
</tr>
<tr>
<td>Explicitly defining the procedures</td>
<td>Looking for new rules for PPP</td>
</tr>
<tr>
<td>Detailed listing of evaluation criteria in advance</td>
<td>-</td>
</tr>
<tr>
<td>Requiring governments to choose the cheapest offer that meets the qualifications</td>
<td>Recognising that a kind of policy competition has developed between regions on many levels which stimulates public and private partners within regions to join together</td>
</tr>
</tbody>
</table>

Adapted from Teisman and Klijn (2000:168)
3.3 THE NATIONAL PERSPECTIVE (SOUTH AFRICA)

The South African national perspective will be reviewed by presenting an overview of the background, as well as the National Treasury PPP guidelines and practice notes issued in terms of the Public Finance Management Act, 1999 (PFMA) and the Municipal Finance Management Act (Act 56 of 2003) (MFMA).

3.3.1 South African National background

Groenewald (2005:1) reports that the envisaged South African District Health System, is an internationally recognised system of providing health care within a country, commonly implemented using the Primary Health Care approach and necessitating the introduction of concrete decentralization processes within that country’s health provision mechanisms. The essence of such a system is the moving of healthcare from a centralized, hospital-based curative service to a decentralized, community oriented health promoting service, managed by peripheral levels of government.

According to Van Tonder (2005:8), the envisaged National Health Insurance system cannot be afforded in South Africa without almost a ten-fold increase in spending on health within the country. Other elements, such as the un-homogeneity in terms of income profile and unemployment also plays a negative role in developing a NHI system for the South African population. The last mentioned conditions in South Africa might also lead to the situation of less people being able to afford a medical aid system, which amongst others, might cause the private health care system in South Africa to collapse (Van Tonder, 2005:8).

Looking at the health industry the previous viewpoint of a policy analyst, Labuschagne (1998:133) argues that many government departments are faced with the challenge of providing more services, often on a decreasing budget. Eliminating service backlogs is placing increasing pressure on elected officials and administrators to squeeze existing funds and on personnel to achieve maximum service delivery. In the context of Growth, Employment and Redistribution Strategy (GEAR) and government policy, it is unlikely that there will be a marked increase in future budgets. Other sources of revenue have to be found if these services are to be delivered (Labuschagne, 1998:133).

In the field of health, much planning and work have gone into quantifying, for example quantifying the existing hospital situation. A national audit of health care facilities
analysed each of the nation's 542 health centres and hospitals at the time. The results were that a steady decline of the condition of the hospitals was reported. To the question, "Why has this situation occurred?" the author replied:

The answer lies in the traditional form of government procurement, the government designs a new facility and requests tenders for construction from the private sector. The lowest tender is usually accepted. However, certain problems arise with this form of procurement. Often departments are unable to raise the full cash amount to pay for the construction in the shortest possible period. This is called "capital rationing", that is, the non-availability of the lump sum or total funds needed to purchase goods. The total amount is therefore spread over several budget years. This rationing means that the goods, or in this case the project, is bought incrementally or not at all. The result is that the facility is built in phases; and during these phases, cost and time overruns occur. Because the building process is slow, design changes are often made to the plans, resulting in greater overruns. The old facility stock is therefore replaced more slowly and higher maintenance bills result. Moreover, the optimum design of the facility is distorted, because the facility has to be self-sustaining during each phase (Labuschagne, 1998:124).

Under this system there is no incentive for the private sector operator to save money or optimise the cost of building supplies. All risks are borne by the public sector. These problems can be reduced by stricter contract negotiation and the introduction of building penalties, which transfers the risks. However, one important factor, which cannot be avoided, is the financial cost implication (Labuschagne, 1998:135).

All the money required still has to come from a departmental budget. This money, if available, is not cheaper than private money. Because of budget deficits, government moneys are often raised from the private sector. The government does not have unlimited funds, nor is the money free – there is also a limit to the amount of tax that can be raised and the amount that may be borrowed. The government has to decide where it will get the best value for its money – in other words, the most effective use of the marginal Rand. Will spending this money deliver better service, or should it be used as leverage for private sector participation in the delivery of the service? The answer in this case is public-private investment (Labuschagne, 1998:135). (The public-private investment (PPI) arrangement/ type is discussed in Chapter 2 par. 2.4.1, p. 42).
In South Africa a draft National Department of Health policy on PPP was revealed to the National Consultative Forum in the latter half of 1999. Gray (2000:6), a year later, asked: "Are we any closer to actual partnership than we were in 1995 when it was first mooted?" This issue is often referred to officials and politicians. The draft policy mentioned, clearly outlined four (4) types of PPP arrangements:

- **Purchased services**
  
  Here the State would buy specific deliverables, usually scarce or specialized services in order to improve access and/or quality of care. These would be obtained by solicitation, involve short-term contracts, and would not entail the transfer of state assets to the provider so contracted.

- **Outsourcing agreements**
  
  Here a non-core service would be contracted out to a provider, based on a competitive bidding process and longer-term contracts. This might entail the transfer of equipment and staff to the contractor, with outcomes specified rather than the specific process to be employed. The classic examples are contracted out laundry, cleaning and security services.

- **Joint ventures**
  
  An example here is such as the operation of a private ward in a public hospital, with benefits accruing to both the hospital and the entity, which operates the private ward.

- **Private finance initiatives**
  
  Here private finance is raised to build and operate a public facility (Gray, 2000:6).

According to Gray (2000:6) this offer pharmacy two possibilities:

- **The “purchased services” route;**
- **The outsourcing agreements possibilities.**

The first seems better suited to the current arrangement of private sector pharmacies as it allows for the contracting out of an individual practitioner. However, the services should preferably be provided within the state-owned structures (Gray, 2000:6).

In April 1997, the Cabinet approved the establishment of an interdepartmental task team (IDTT), chaired by the Department of Finance, to explore how PPPs could
improve infrastructure and service delivery efficiency. The IDTT was mandated to develop a national public-private partnership programme, the key objectives of which were to identify the major constraints to the successful implementation of PPPs and to develop a package of cross-sectoral and intergovernmental policy, and legislative and regulatory reform (South African National Treasury, 2001:5). This culminated in groundbreaking work done on the way forward for joint venture development between the private and public sector by the South African National Treasury’s official PPP Unit.

Moreover the Minister of Health released the Revised Health Charter for South Africa (2005:1) and declared that all parties to the Health Charter agree to facilitate and effect transformation of the health sector of South Africa in the following key areas:

- Access to health services
- Equity in health services
- Quality of health services
- Broad Based Black Economic Empowerment

(The formal definitions and explanations of the meaning of the key areas is taken up in this thesis as Appendix 11, p. 577.)

The parties to the Charter acknowledge that it is essential to ensure the sustainability and efficiency of the health sector in order to achieve the transformation goals for each of the four key areas of access to health services, equity in health services, quality of health services and Broad Based Black Economic empowerment.

The Charter also defines and explain the concepts “PPI” and “PPP” as follows:

- **“PPI” means:**
  A Public Private Interaction in terms of which one or more persons or entities involved in health care within the public sector interact with one or more persons or entities involved in health care within the private sector or the NGO sector with the object of achieving a mutual benefit or goal and includes but is not limited to a PPP; PPIs include: public financing of health services provided by the private and/or NGO sectors; private financing of publicly provided health services; innovative healthcare delivery models and business models for health practices; delivery models aimed at skill retention and effective distribution and utilisation of skills; use of public assets for the provision of...
health services by the private sector; use of private assets for the provision of health services by the public sector.

- "PPP" means:
A Public Private Partnership as defined in Regulation 16 of the Treasury Regulations issued in terms of section 76 of the Public Finance Management Act, 1999 (Act 1 of 1999).
For a description of the definition see: Appendix 8, p. 564.

3.3.2 The South African National Treasury

A final key document/guideline was developed and is maintained by the South African National Treasury, which serves as a manual for national and provincial departments. The latest version (2004) also contains the National Treasury PPP Practice Notes issued in terms of the Public Finance Management Act, 1999. The document contains the National Treasury PPP Practice Notes numbers 02 to 10 of 2004 (nine modules) and is updated by the South African National Treasury PPP Unit from time to time. This manual lay down the treasury department's regulations, information and guidelines as follows:

- Module 1: South African regulations for PPPs;
- Module 2: Code of good practice for BEE in PPPs;
(See Appendix 13, p. 580, for an illustration on How to apply BEE PPP policy in the typical structure of a PPP).
- Module 3: PPP inception;
[See Appendix 14, p. 581, for an illustration of The Organisational structure of the Project development Facility (PDF)].
- Module 4: PPP feasibility study;
(See Appendix 15, p. 582, for an illustration of the Stages of the PPP feasibility study, as well as Appendix 16, p. 583 for The typical relationships in a project finance structure
Chapter 3: International and local perspectives

for a PPP).

- **Module 5:** PPP procurement;

(See Appendix 17 & 18, pp. 584 - 585, for an illustration of the Stages of PPP procurement with indicative timelines.).

- **Module 6:** Managing the PPP agreement;

(See Appendix 19, p. 586, for an illustration of The Key PPP management functions).

- **Module 7:** Auditing PPPs;

- **Module 8:** Accounting treatment for PPPs;

- **Module 9:** Introduction to project finance;

The latest version of this manual and the updates thereto may be viewed on the Internet www.treasury.gov.za. Due to the importance of this manual and its relevance to the South African environmental development of PPPs, the most outstanding principles covered in this document will be discussed.

Three simple evaluation criteria are set out in the regulations for PPPs:

- The project must be affordable;
- It must provide good value for money;
- It must transfer appropriate technical, operational and financial risk to the private party.

The cornerstone of treasury's planning must be affordability. A PPP may be involved with the following:

- Shift a financing requirement from the public to the private sector;
- Defer the costs incurred on budget;
- Replace a tax burden with a stream of user charge payments.

In none of these cases does treasury increase the quantum of services the economy can accommodate. Treasury rather, change the structure of accounting and perhaps the locus of the obligation to pay. According to the Minister of Finance the benefits do not consist of an increase of funds, but in the better management of scarce resources.
We want PPPs to produce high standards appropriate to our conditions. We want to see black economic empowerment in the consortia, local economic development spin-offs for small and medium business skills transfer and job creation. All these are possible in well-structured deals.

Risk transfer entails reinforcing the incentives that drive improved efficiency and accountability to the public. Governments across the world are notoriously shoddy at calculating the risks associated with service delivery. PPPs force treasury to think differently, and in so doing, calculate the real costs. This is why the treasury carries out thorough feasibility planning before the issue of tenders. In a PPP, the department is no longer the hands and legs of delivery, but rather its strategist, its monitor, its driver and its public accountant. In order to play these roles, new skills are needed to ensure that the public sector engage confidently and effectively with business partners in negotiating the terms and conditions of long-range contractual commitments. The PPP manual should therefore go a long way to build such essential abilities (South African National Treasury, 2002:2).

The Treasury Manual on PPP Projects furthermore contains the basic documents required by South African service managers in national and provincial government who are involved with the design, procurement and implementation of PPPs. It is also aimed at providing PPP information and guidance to project development professionals and private sector investors. It contains three types of documents, viz. (South African National Treasury, 2002:A 3):

- Strategic Framework – endorsed by Cabinet in December 2000, this sets the context, examines key constraints and outlines the general approach of government towards PPPs;

- Treasury Regulations – promulgated in May 2000 in terms of the Public Finance Management Act – which establish the minimum legal requirements governing PPP projects;

- Guidelines – elaborating on best practice in relation to various aspects of the PPP process.
3.3.2.1 South African PPPs at national and provincial level

National Treasury has established a dedicated PPP unit whose role is to enforce compliance with Treasury regulations and to assist departments in preparing, procuring and implementing PPPs. The unit is able to provide technical and financial advice throughout the PPP project cycle. These services is available to national and provincial Departments whose affairs are governed by the:


3.3.2.2 South African PPPs at local government level

At local government level, PPPs are implemented according to legislation and guidelines developed by the Department of Provincial and Local Government. These guidelines are managed in the:

- Municipal Services Partnerships Policy and is regulated by the

The National Treasury's PPP unit and the guidelines and regulations in the PPP manual, do not cover local government PPPs, although the principles are the same, and projects may be similar in practice (South African National Treasury, 2002:A 3). Version 3 of the National Treasury PPP Manual describes PPPs in South Africa, a relative new phenomenon and to help clarify matters the Treasury regulations have adopted a simple definition based on three essential elements (2002:A 3).

- A contractual arrangement;
- Substantial risk transfer;
- Outcome-based financial rewards.

Treasury's role in relation to PPPs is to ensure that PPP projects reflect a prudent use of state resources (i.e. that they are affordable value for money). The regulations and guidelines facilitate departments and Treasury playing their respective roles throughout the PPP project cycle (South African National Treasury, 2002:A 3).

A discussion (summary) of the contents of the South African National Treasury PPP Unit's guidelines is attached to this thesis as Appendix 20 (p. 587) and consists of the following:
Chapter 3: International and local perspectives

- SA Treasury PPP Unit strategic framework; (see p. 587)
- Treasury regulations; (see p. 587)
- Project finance; (see p. 588)
- Project life-cycle; (see p. 588)
- Transaction advisors; (see p. 589)
- Feasibility studies; (see p. 591)
- The sector needs-assessment; (see p. 594)
- Output specifications; (see p. 594)
- Option analysis; (see p. 594)
- Constructing a Public Sector Comparator; (see p. 595)
- Defining Risk; (see p. 596)
- Demonstration of project affordability; (see p. 598)
- Request for proposals; (see p. 602)
- Unsolicited proposals; (see p. 603)
- Departmental budgeting. (see p. 605)

3.3.2.3 Local Government: Municipal Finance Management Act (Act 56 of 2003)

The aim of the Local Government Municipal Finance Act (Act 56 of 2003) is:

To secure sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government; to establish treasury norms and standards for the local sphere of government; and to provide for matters connected therewith (56/2003).

The terms and conditions under which municipalities may enter into PPPs via a legal contract at local government level is compiled as Appendix 10, p. 572 (Act. 56/2003).

Appendix 10 contains the contents of this Act pertaining to:

- Contracts having future budgetary implications Section 33 (Act. 56/2003);
- Contracts and contract management Section 116 (Act. 56/2003);
• Public-private Partnerships Section 120 (Act. 56/2003).

3.4 CHAPTER RESTATEMENT

This chapter firstly described some background to the embedded international and local perspectives of PPP development. A systematic method portrayed the international perspectives, by analysing ten countries of the world. Thereafter, the South African national perspectives were scrutinised.

The chapter then presented the South African National Treasury PPP Unit’s guidelines, starting with the national (local) background followed by an explanation of the South African National Treasury PPP Practice Notes issued in terms of the Public Finance Management Act, for the national, provincial and local governments. Finally, an overview of the Municipal Finance Management Act (Act 56 of 2003), indicated the applicability of the regulations for municipalities and other institutions in the local sphere of government, which falls someway outside the general (national) regulations of the South African National Treasury.

The following chapter deals with the philosophy of the methodology used in this qualitative inquiry as well as philosophical aspects of the interview process. The next chapter follows and constitutes the last section of the literature study for this qualitative investigation.
Chapter 4: Grounded theory: Philosophy, methodology and interviewing

CHAPTER 4

GROUNDED THEORY: PHILOSOPHY, METHODOLOGY AND INTERVIEWING

4.1 INTRODUCTION

Chapter 1 explained the complexity and the nature of networking among the public and private sectors, being the rationale for deciding on a qualitative research study design for this investigation. It was also decided to employ the grounded theory approach to conduct the inquest. Grounded theory, popularised by Glaser, Strauss and Corbin as referenced by Gibbs, (2002:165), has proved to be one of the most popular approaches to the qualitative method of analysis.

Both the qualitative and the quantitative paradigms have roots in 20th-century philosophical thinking (Creswell, 1994:4). The qualitative paradigm is termed the constructivist, the naturalistic, the interpretive, the post-positivist or post-modern perspective, while the quantitative paradigm is termed the traditional, the positivist, the experimental or the empiricist paradigm. To understand the assumptions of each paradigm, various writers have contrasted them on several dimensions (Creswell, 1994:5). Erickson and Nosanschuk (1982:3) referred to the qualitative paradigm as the exploratory technique, searching for ideas about how things work by generating the hypotheses, while the quantitative paradigm is confirmatory techniques, which are the testing of the hypotheses. Gibbs (2002:1) states the first thing that characterizes qualitative analysis is that it analyses a distinctive form of data, namely language and texts. Furthermore, according to Gibbs (2002:7) the second philosophical difference between quantitative and qualitative research is the logic of explanation, which he summarises by the distinction between deduction of data and the induction of data.

There are many different techniques and approaches used by almost all qualitative researchers. Linking data, coding and pattern searching are only three examples. However, there is no unanimous agreement about the wider range of techniques, for example, in some approaches, little use is made of coding and linking data. To others the use of quasi-quantitative data such as attributes is anathema (Gibbs, 2002:156).
Chapter 4: Grounded theory: Philosophy, methodology and interviewing

Gibbs (2002:157) illustrates some of this diversity by examining three different approaches:

- Structured analysis;
- Grounded theory;
- Narrative.

The main methods used in qualitative inquiry comprise ethnography, phenomenology, and grounded theory (Mayan, 2001:7). In this chapter the literature study is focused on the philosophy of grounded theory in particular, some philosophical aspects of the methodology and interviewing.

Over the last thirty years, Glaser and Strauss have formulated and developed in great detail their grounded theory perspective on social science research. In their work they have consistently argued for the inductive discovery of theory, grounded in systematically analysed data. Grounded theory research begins by focusing on an area of study and gathers data from a variety of sources, including interviews and field observations. Once gathered, the data are analysed, using coding and theoretical sampling procedures. When this is done, theories are generated, with the help of interpretive procedures, before being finally written up and presented. This latter activity Glaser and Strauss claim, is an integral part of the research process (Haig, 1995:1).

Carvalho and Hudson (1998:1) state:

> Grounded theory, by its side, relies on the constant recollection and actualisation of data. Its main objective is not to build closed systems or theories but to give an account as accurate as possible of a situation so that an open theory might derive from it or that a fresh account might contribute to update an already existing theory.

### 4.2 GROUNDED THEORY: PHILOSOPHY

To theorise, one must be able to bring a conceptual perspective to the situational and the individual experience. Recollective reflection provides a careful, descriptive account of the situational. Introspective reflection provides insight into the meanings one is drawing from the situation. Conceptual reflection connects individual meanings to broader discourses. Therein lies the power of grounded theory. The procedures of grounded theory provide interpretive researchers with a disciplined process, not simply
for generating concepts, but more importantly for coming to see possible and plausible relationships among them. It is the researcher's portrayal of these conceptual relationships, which constitutes grounded theory. Within an interpretive epistemology, such grounded theories are understood to be heuristic, not predictive, in nature (Piantanida et al., 2002:3).

Because the interpretive researcher makes no claims in respect of direct correspondence between a proposed theory and the ground that gave rise to it, a theory is warranted neither by procedural orthodoxy nor precise execution of technique (e.g., strict adherence to "rules" for coding and analysing data). Furthermore, according to Piantanida et al. (2002:3) an interpretive grounded theory is warranted by:

- The verisimilitude (probability) and coherence with which the researcher portrays the "ground" which the theory is meant to explain;
- The vitality of the concepts used to draw attention to important aspects of the ground;
- The persuasiveness with which the researcher lays out the lines of reasoning about the relationships among the concepts.

In breaking with methodological orthodoxy, grounded theory has been subjected to a considerable amount of criticism, principally on the grounds that the approach signals a return to simple "Baconian" inductivism. However, grounded theory methodology embodies a conception of scientific inquiry, which is far removed from such a naïve account. To this end, grounded theory is reconstructed as a problem-oriented endeavour in which theories are abductively generated from robust data patterns, elaborated through the construction of plausible model, and justified in terms of their explanatory coherence. Haig continuous by describing the philosophy of grounded theory as a general account of scientific method and refers to it as: "abductive explanatory inferentialism" (Haig, 1995:2). It therefore serves the useful purpose of suggesting that the theory of scientific method is centrally concerned with generating theories abductively and appraising them in terms of what philosophers have come to call inference to the best explanation.
4.2.1 Philosophy of phenomena detection

Haig (1995:4), distinguishes between the investigative contexts of phenomena and data. Data are not as stable and general as phenomena. Data are recordings or reports that are perceptually accessible. Thus, they are observable and open to public inspection. Phenomena are not, in general, observable. The importance of data lies in the fact that they serve as evidence of the phenomena under investigation. In extracting phenomena from the data, one often engages in data reduction using statistical methods. Therefore, statistical methods are of direct help in the detection of phenomena, but not in the construction of explanatory theories.

Glaser and Strauss (1967:1) describe grounded theory as involving "the discovery of theory from data". The use of the term 'discovery' suggests that the researcher uncovers something that is already there. Similarly, the concept of 'emerge' (of categories, of theory) also plays down the creative role of the researcher in the research process. It has been argued, however, that such a view of the research process in grounded theory is heavily influenced by a positivist epistemology and not compatible with "Big Q" qualitative methodology, because the suggestion that categories and theories can simply 'emerge' from data and that it is possible for a researcher to avoid the imposition of categories of meaning onto the data, reflects the belief that phenomena create their own representations that are directly perceived by observers.

4.2.2 Philosophy of theory generation

Making a distinction between the 'discovery' of data versus the 'construction' (generation) of data (Willig, 2001:43) explains the introduction of "a social constructionist", in which it is argued that categories and theories do not 'emerge' from the data, but are 'constructed' by the researcher through an interaction with the data. According to this version, the researcher creates an explication, organisation and presentation of the data rather than discovering order 'within' the data. As a result, the theory produced constitutes one particular reading of the data rather than the only truth about the data (Willig, 2001:44).

Qualitative inquiry is similar to building a puzzle. A picture is constructed which takes shape as its parts are collected and examined. This is described as an inductive approach (Mayan, 2001:5). In almost all circumstances, data analysis in qualitative
Chapter 4: Grounded theory: Philosophy, methodology and interviewing

Inquiry is a systematic pattern of data collection-analysis-collection-analysis ad infinitum (Mayan: 2001:21).

In taking a theory as given, the hypothetical-deductive method is not in itself concerned with that theory's origin or creation; only with its validation or justification. This is because the generation of theory is thought to be a psychological (historical, sociological, etc.) event only, whereas science as a rational enterprise is appropriately concerned with testing, because that is considered to be a logical affair (Haig, 1995:4).

The three basic elements of grounded theory are concepts, categories and propositions. Concepts are the basic units of analysis since it is from conceptualisation of data, not the actual data per se, that theory is developed (Pandit, 1996:1).

Gibbs (2002:167), refers to these three elements as stages of analysis in grounded theory viz:

- To identify relevant categories where the text is read reflectively in order to identify themes (open coding);
- The stage where categories are refined, developed and related or interconnected (axial coding);
- A third stage (selective coding), where the 'core category', or central category that ties all other categories in the theory together into a story (hypothesis or proposition).

The third element of grounded theory comprises propositions, which indicate generalised relationships between a category and its concepts and between discrete categories. This third element was originally termed 'hypotheses' by Glaser and Strauss (1967). It was felt afterwards that the term 'propositions' is more appropriate, since propositions involve 'conceptual relationships' whereas hypotheses require 'measured relationships' (Whetten, 1989:492).

The generation and development of concepts, categories and propositions (referred to as hypotheses by Glaser and Strauss) comprise an interactive process. Grounded theory is not generated a priori and then subsequently tested. It is, rather "inductively" derived from the study of the phenomena it represents, that is, discovered, developed and provisionally verified through systematic data collection and analysis of data pertaining to those phenomena. Therefore, data collection, analysis and theory should
stand in "reciprocal" relationship with each other. One does not begin with a theory and then prove it. Rather, one begins with an area of study and what is relevant to that area is allowed to emerge from the data (Pandit, 1996:2).

Strauss and Corbin (1998:146) refer to the criteria that were provided by Strauss in 1987 for choosing a central category (thesis, central theme) and they are directly quoted as follows:

- It must be central; that is, all other major categories can be related to it.
- It must appear frequently in the data. This means that, within all or almost all cases, there are indicators pointing to that concept.
- The explanation that evolves by relating the categories is logical and consistent. There is no forcing of data.
- The name or phrase used to describe the central category should be sufficiently abstract that it can be used to do research in other substantive areas, leading to the development of a more general theory.
- As the concept is refined analytically through integration with other concepts, the theory grows in depth and explanatory power.
- The concept is able to explain variation as well as the main point made by the data; that when conditions vary, the explanation still holds, although the way in which a phenomenon is expressed might look somewhat different. One also should also be able to explain contradictory or alternative cases in terms of that central idea.

4.2.3 Philosophy of theory appraisal

A philosophical perspective of the assessment of grounded theory implicates aspects such as the empirical competence and criteria used to evaluate the adequacy of the constructed theory.

The dominant empiricist account of theory appraisal is characterised in the normal hypothetical-deductive fashion where theories are assessed for their empirical adequacy, by ascertaining whether their test predictions are borne out by the relevant data. However, the limitations of such an austere (severe) account of confirmation are now widely accepted in the philosophy of science (Haig, 1995:6).
While Glaser and Strauss do not articulate a precise account of the nature and place of theory testing, they do make it clear that there is more to theory appraisal than testing for empirical adequacy. Clarity, consistency, parsimony, density, scope, integration, fit to data, explanatory power, predictiveness, heuristic worth and application are all mentioned by Glaser and Strauss as pertinent evaluative criteria, although they do not place them into a coherent view of theory appraisal. Because science pursues multiple goals and because theories are typically under-determined by the relevant empirical evidence, proper theory appraisal has to be undertaken on evaluative dimensions in addition to that of empirical adequacy (Haig, 1995:6).

Critics on the notion of inference to (or suggestion of) the best explanation have been known to complain that the absence of suitably formulated criteria prevents researchers from making judgements of the best explanation of the constructed theory.

Haig (1995:7) refers to Thagard’s development of an account of theory evaluation, which takes inference to the best explanation to be centrally concerned with the establishment of explanatory coherence that is not a general theory of coherence. It is rather a theory of explanatory coherence where propositions hold together because of their explanatory relations. Relations of explanatory coherence are established through the operation of seven principles:

- Symmetry;
- Explanation;
- Analogy;
- Data priority;
- Contradiction;
- Competition;
- Acceptability.

Furthermore, according to Haig (1995:7), the determination of the explanatory coherence of a theory is made in terms of three criteria viz.:

- Consilience (or explanatory breadth, by choosing the best explanation);
- Simplicity (the idea that preference should be given to theories that make fewer special assumptions);
• Analogy (or similarity, indicative of theories that scientists already find credible).

This philosophical view implicates that Thagard's theory of explanatory coherence contains a number of virtues (Haig, 1995:7):

• It satisfies the demand for justification by appeal to coherence considerations rather than foundations;
• It takes theory evaluation to be a comparative matter and one which is centrally concerned with explanation;
• It can be implemented in a computer programme while still leaving an important place for judgement by the researcher.

The theory mentioned therefore, then offers the grounded theorist an integrated account of many of the evaluative criteria deemed important for theory appraisal by Glaser and Strauss (Haig, 1995:7).

The following five analytic phases (not strictly sequential) of grounded theory building were identified by Pandit (1996:2):

• Research design;
• Data collection;
• Data ordering;
• Data analysis;
• Literature comparison.

Furthermore, according to Pandit (1996:2) the phases mentioned should be evaluated further (appraised) against four research quality criteria, viz.:

• Construct validity;
• Internal validity;
• External validity;
• Reliability.
Establishing clearly specific operational procedures enhances construct validity. Internal validity means the enhancement of validity by establishing causal relationships whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships. In this sense, internal validity addresses the credibility or "truth value" of the study's findings. External validity requires establishing clearly the domain to which the study's findings can be generalised. Here, reference is made to analytic, and not statistical, generalisation and generalising a particular set of findings to some broader theory and not broader population is required. Finally, reliability requires demonstrating that the operations of a study — such as data collection procedures - can be repeated with the same results (Pandit, 1996:2).

What lies behind the thinking of most qualitative research approaches that fall under structured analysis is the concern with causality and validity. The origins of these concepts lie in quantitative research where there is strong emphasis on ensuring the validity, reliability and generalisability of results so that the researcher can be sure about the true causes of the effects observed. This approach is based on the idea of collecting and analysing the data in a particular way, combined with the careful examination of the data for any potential threats to validity in order to discover the true causes of the effects recorded. Typical threats to validity include historic threats and changes in participants, people involved in the study such as key participants or change in population. Checking for threats to validity means inspecting the circumstances of the study as widely as possible, attempting to identify any such threats and, if identified, attempting to control or eliminate their effects (Gibbs, 2002: 157).

Theoretical sensitivity is a term frequently associated with grounded theory. It refers to a personal quality of the researcher. It indicates an awareness of the subtleties of the researcher. One can come to the research situation with varying degrees of sensitivity, depending upon previous reading and experience with, or relevant to, an area of study. It can moreover be further developed during the research process. Theoretical sensitivity refers to the attributes of having insight, the ability to give meaning to data, the capacity to understand and the capability to separate the pertinent from that, which is not pertinent. All this is done in conceptual rather than concrete terms. It is theoretical sensitivity, which that allows one to develop a theory that is grounded, conceptually dense, and well integrated, and in order to do this more quickly than if this sensitivity were lacking (Strauss & Corbin, 1990:42).
Some sources for sensitivity that may be of assistance to the researcher have been identified by Strauss and Corbin (1990:42) and is summarised as follows:

- Literature study;
- Professional experience;
- Personal experience;
- The analytical process (as an additional source for theoretical sensitivity).

Therefore theoretical sensitivity represents an important creative aspect of grounded theory. This sensitivity represents an ability to use not only personal and professional experience but also literature imaginatively. It enables the analyst to see the research situation and its associated data in new ways and to explore the data's potential for developing theory (Strauss & Corbin, 1990:44). It therefore represents the ability to recognize what is important in data and to give it meaning.

Strauss and Corbin (1990:47) finally state:

> It is important to keep a balance between what is created by the researcher and the real.

Doing the following can ensure the outcome mentioned:

- Asking what is really going on here;
- Maintaining an attitude of scepticism toward any categories or hypotheses to, or arising early in the research and validating them repeatedly with the data themselves;
- By following valid data collection and analytic procedures.

Strauss and Corbin (1990:47) conclude by stating:

> Good science (good theory) is produced through the interplay of creativeness and skills acquired through training.
4.3 PHILOSOPHY OF GROUNDED THEORY AS A RESEARCH METHOD

The grounded theory approach is a qualitative research method in which a systematic set of procedures is used to develop an inductively derived grounded theory about a phenomenon (Strauss & Corbin, 1990:24). Two sociologists, viz. Glaser and Strauss, originally developed grounded theory as a methodology. While each came from a different philosophic and research background their respective contributions were equally important. Two main points could explain the difference between theory building and the description of data:

Theory building:
- First, theory uses concepts. Similar data are grouped and given conceptual labels. This means placing interpretations on the data.
- Second, the concepts are related by means of statements of relationship.

Description of data:
- In description, data may be conceptualisations of data, but are more likely to be a précis or summaries of words taken directly from the data. There is little, or any, interpretation of data, nor is there any attempt to relate the themes to form a conceptual scheme (Strauss & Corbin, 1990:29).

Some researchers concerned with building theory believe that theories represent the most systematic way of building, synthesising and integrating scientific knowledge. Therefore, it is discovered, developed, and provisionally verified by means of systematic data collection and analysis of data pertaining to the phenomenon. The data collection, analysis, and theory stand in reciprocal relationship to each other.

Grounded theory has been referred to as the method of constant comparison plus theoretical sampling (Gibbs, 2002:169). To the question why to build theory that is grounded, Strauss and Corbin (1990:23) explain, that a well-constructed grounded theory will meet four central criteria for judging the applicability of theory to a phenomenon, namely:
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- Fit (if theory is faithful to the everyday reality, and induced from diverse data it should fit the substantive area of research):

- Understanding (because it should also be comprehensible);

- Generality (should include sufficient variation to make it applicable to a variety of contexts related to the phenomenon);

- Control (should provide control with regard to action toward the phenomenon).

The grounded theory therefore has to meet the criteria because it represents that reality, and it should also be comprehensible and make sense, both to the persons who were studied and to those practising in that area.

There is some debate, not least between Glaser and Strauss, about whether grounded theory should be seen as an interpretive approach or whether it is more fundamentally a realist approach. However, Gibbs (2002:165) refers to more recent discussions by grounded theorists, notably Strauss and Corbin (1990) and Charmaz (1995), have formulated an interpretive or social constructionist version that has much more in common with phenomenology.

Grounded theory's central focus is on inductively generating novel theoretical ideas or hypotheses (and/or propositions) from the data as opposed to testing theories specified beforehand. Insofar as these new theories arise out of the data and are supported by the data, they are said to be grounded – hence the title of the method (Gibbs, 2002:165). Gibbs (2002:165) cited Strauss and Corbin (1990:24) who state:

\[ \ldots \text{the grounded theory approach is a qualitative research method that uses a systematic set of procedures to develop an inductively derived grounded theory about a phenomenon.} \]

4.3.1 Sampling in qualitative research

Sampling is the key to good qualitative inquiry and also to understanding the dilemmas of qualitative validity. Just as fishermen cast their lines into likely fishing holes, rather than randomly select places to fish, so qualitative researchers deliberately select participants for their studies (Morse & Richards, 2002:173). Qualitative researchers may seek bias, deliberately choosing the worst case or the best instance of an event rather than the average experience, for the characteristics of a phenomenon are more easily
explored in outstandingly good and bad examples. Average experiences are difficult to explore, as the characteristics of the phenomenon of interest are diluted and mixed in with other characteristics from other experiences.

According to Creswell (1994: 118), purposive sampling implies sampling with a purpose in mind. Purposive sampling is ideal as it ensures that the targeted population is reached quickly and sampling proportionality is not the primary concern.

Corbin and Strauss (1996:214), explain how sampling in theory-building studies differ from more traditional forms of sampling. In qualitative forms of research, sampling is based on selecting a portion of the population to which one needs to generalize. Thus, the overriding consideration is representativeness of that sample or how much it resembles the population in terms of specified characteristics. In quantitative research, however, certain procedures, such as randomization and statistical measures, help to minimize or control for that problem. Qualitative research sampling is then also completed when categories are saturated (Corbin & Strauss, 1996:214).

An account of the meaning of the mentioned sampling techniques is provided by Morse & Richards (2002, 173):

- **Purposeful sampling**, in which the investigator selects participants because of their characteristics (Good informants/participants are those who know the information required, are willing to reflect on the phenomena of interest, have time, and are willing to participate).
- **Nominated or snowball sampling**, in which participants already involved in the study recommend other persons to be invited to participate.
- **Convenience sampling**, in which those invited to participate in the study are simply those who are available to the researcher.
- **Theoretical sampling**, in which the researcher deliberately seeks out persons to be invited to participate according to the emerging theoretical scheme.

### 4.3.2 Validity and reliability

It is mentioned by Morse and Richards (2002:173) that one occasionally does see a qualitative project report in which a random sample has been used. For instance, a researcher might use semi-structured interviews if he or she has a large pool of
participants and not enough information to use another type of interview. It is advisable to consider the advantages and the disadvantages of each way of sampling for a study and the threats of each to validity (Morse & Richards, 2002, 173).

In quantitative research, techniques such as experimental design, double blind testing and random sampling are used to guarantee validity, reliability and general results from which causality can be inferred. In recent years there has been much discussion as to whether such ideas can be applied to qualitative data and, if they are applicable, what alternative techniques might be available to qualitative researchers to help ensure the quality of their analysis (Gibbs, 2000:12). This aspect has been tackled in part by recognising that, in the absence of the techniques available to quantitative researchers, qualitative analysts have to pay more attention to the way they write about their data and present their reports (Gibbs, 2000:13). Reliability may be described as the degree to which different observers, researchers etc. (or the same observers, researchers etc. on different occasions) make the same observations or collect the same data (Gibbs, 2000:244).

Some authors have argued that the terms 'reliability' and 'validity' have no place in qualitative inquiry because qualitative inquiry is subjective, interpretive, and time and context bound. These arguments posit 'truth' is relative and 'facts' depend upon individual perceptions. Therefore the authors argue that 'reliability' and 'validity' are terms that belong to the positivist paradigm and qualitative researchers should use different terminology (Morse & Richards, 2002:167). Others have argued that, in the qualitative context, criteria for reliability and validity must be different from those used in a quantitative context and aspects of 'trustworthiness or true value', which is 'credibility' of the inquiry, 'applicability', which is the 'transferability' of the results; and 'consistency' which is 'dependability' of the results, should rather be considered for use (Morse & Richards, 2002:168).

4.3.3 Rigour

Morse and Richards (2002:168) state:

Any study (qualitative or quantitative) is only as good as the researcher.

In qualitative research this is particularly the case, because the researcher is the instrument of research. The researcher's skills ensure the quality and scope of the data,
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the interpretation of the results and the creation of the theory. Some elements instrumental in providing rigour to this study were considered by the researcher and include certain of the following aspects (Morse & Richards, 2002:170):

- Appropriate preparation and skills development by the researcher;
- Review of the literature;
- Working inductively;
- Using appropriate methods and design.

Furthermore rigour may be illustrated further by means of demonstration on completion of the project, as follows (Morse & Richards, 2002:178):

- Reaffirming legitimacy through the implementation, replication and incorporation of the project into a meta-synthesis (fit the findings into a conceptual scheme);
- Triangulating the inquiry with subsequent research (the study may provide a foundation for a second study); and
- Reaffirming the outcomes through implementation thereof in practice.

4.4 THE INTERVIEW: METHODOLOGY AND PHILOSOPHY

A focus on analysis, a focus on the researcher's expertise in the analysis of the interactional data as much as in the generation of it, significantly changes the way interviewing may be understood and pursued within the social sciences (Silverman, 1997:130). According to Silverman (1997:131), the process of interviewing is better described as data "making" or data "generation" (thus data construction) rather than data "collection". The analysis of interview data from talk or transcripts of the talk is organised neither to locate interior beliefs or knowledge's nor to seek actual descriptions of social settings. Rather it is organised to identify the speakers' methods of using categories and activities in accounts.

On the one hand, positivists have as a goal the creation of the "pure" interview – enacted in a sterilised context, in such a way that it comes as close as possible to providing a "mirror reflection" of the reality that exists in the social world. On the other hand, radical social constructionists suggest that no knowledge about a reality that is "out there" in the social world can be obtained from the interview, because the interview is obviously and exclusively an interaction between the interviewer and interview
subject, in which both participants create and construct narrative versions of the social world.

The problem with looking at these narratives as representative of some "truth" in the world, according to these scholars, is that they are context-specific, invented, if you will, to fit the demands of the interactive context of the interview, and representative of nothing more or less (Silverman, 1997:99).

Silverman (1997:118) mentions various types of interviewing and the following aspects of interviewing are portrayed:

### 4.4.1 Survey interviewing

Silverman (1997:118) referenced Converse and Schuman's treatise, which is filled with anecdotal reminders of what interviewers must learn in order to keep the subject's vessel of answers in view and the respondent on target. In part, it is a matter of controlling oneself as an interviewer so that one does not interfere with what the passive subject is only too willing to disclose. The interviewer must shake off self-consciousness, suppress personal opinion and avoid stereotyping the respondent. Learning the interviewer role is also a matter of controlling the interview situation to facilitate the candid expression of opinions and sentiments. Ideally the interview should be conducted in private. This helps to ensure that respondents will speak directly from their vessels of answers; not in response to the presence of others. The seasoned interviewer learns that the so-called "pull of conversation", which may have an interpretive dynamic of its own fuelled by the active subjectivity of both the respondent and the interviewer, must be managed so that the "push of inquiry" is kept in focus. Ideally, the cross-pressures of conducting inquiry which will produce "good hard data" are managed by means of "soft" conversation.

### 4.4.2 Creative interviewing


> Creative interviewing, ... involves the use of many strategies and tactics of interaction, largely based on an understanding of friendly feelings and intimacy, to optimise co-operative, mutual disclosure and a creative search for mutual understanding.
Continual self-analysis on the part of the interviewer, who usually is also a researcher, is necessary, lest the creative interviewer's own defence mechanisms work against mutual disclosure and understanding. Furthermore the interviewer should be demonstrating, a commitment to disclosure by expressing an abiding interest in feelings. Silverman (1997:120) records Douglas as having written that the creative interviewer is:

... driven by friendly, caring, and adoring feelings, but adds to those an endearing, wide-eyed sense of wonderment at the mysteries unveiling before her/him.

4.4.3 The active interview

Interviewing is undoubtedly the most widely applied technique for conducting systematic social inquiry, as sociologists, anthropologists, psychiatrists, clinicians, administrators, politicians and pollsters treat interviews as their "windows on the world" (Silverman 1997, 113). Interviews are special forms of conversation. While these conversations may vary from highly structured, standardised, quantitatively orientated survey interviews to semi-formal guided conversations and free-flowing informational exchanges, all interviews are interactional. The narratives that are produced may be as truncated as force-choice survey answers or as elaborate as oral life history, but they are all constructed in situ as a product of the talk between interview parties.

Silverman (1997:113) referred that, while most researchers acknowledge the interactional character of the interview, the technical literature on interviewing stresses the need to keep such interaction strictly in check. Guides to interviewing – especially those orientated to standardised surveys – are primarily concerned with maximising the flow of valid, reliable information while minimising distortions of what the respondent knows. The interview conversation is thus framed as a potential source of bias, error, misunderstanding or misdirection, a persistent set of problems to be controlled. The corrective is simple: if the interviewer asks questions properly, the respondent will give out the desired information.

Understanding how the meaning-making process unfolds in the interview is as critical as apprehending what is substantively asked and conveyed. The hows of interviewing, refer to the interactional narrative procedures of knowledge production and note merely to interview techniques. The whats pertain to the issues guiding the interview, the content of questions, and substantive information communicated by the respondent. A
dual interest in the hows and whats of meaning production goes hand in hand with appreciation of the constitutive activeness of the interview process (Silverman 1997: 114).

4.4.4 The active subject

The image of the active interview transforms the subject behind the respondent from a repository of opinions and reasons or a wellspring of emotions into a productive source of knowledge. From the time one identifies a research topic, to respondent selection, questioning and answering, and, finally, to the interpretation of responses, interviewing itself is a concerted project, which is aimed at the production of meaning. The imagined subject behind the respondent emerges as part of the project, not beforehand. Within the interview itself, the subject is fleshed out – rationally, emotionally, in combination, or otherwise – in relation to the give-and-take of the interview process and the interview’s broader research purposes. The interview and its participants are constantly developing (Silverman, 1997: 121).

Two communicative contingencies influence the construction of the active subject behind the respondent:

- One kind involves the substantive whats of the interview enterprise. The focus and emerging data of the research object provide interview resources for developing both the subject and his or her responses.

- A second communicative contingency of interviewing directs us to the hows of the process. The standpoint from which information is offered is continually developed in relation to on going interview interaction.

4.4.5 Implications for analysis and bias

Silverman (1997: 125) concludes by stating that, compared to more conventional perspectives on interviewing, the active approach seems to invite unacceptable forms of bias. After all, far more is going on than simply retrieving the information from respondents’ repositories of knowledge. “Contamination” is everywhere. This criticism only holds, however, if one takes a narrow view of interpretive practice and meaning construction. Bias is a meaning concept only if the subject is a pre-formed, purely informational commodity, which the interview process might somehow taint. However, if
interview responses are seen as products of interpretive practice, they are neither pre-
formed, nor ever pure. Any interview situation – no matter how formalised, restricted or
standardised – relies upon the interaction between participants. Because meaning
construction is unavoidably collaborative, it is virtually impossible to free any interaction
from those factors that could be construed as contaminants. All participants in an
interview are inevitably implicated in making meaning.

Creswell (1994:148) explains that the idea of qualitative research is purposefully to
select informants (participants) or even documents or visual materials that will best
answer the research question. No attempt is made randomly to select informants.
According to other writers in Creswell’s book, it is known that beyond this general
parameter, researchers should consider four other parameters as suggested by Miles
and Huberman (1984):

- The setting (where the research will take place);
- The actors (who will be observed or interviewed);
- The events (what the actors will be observed as doing or being interviewed about);
  and
- The process (the evolving nature of events undertaken by the actors within the
  setting (Creswell, 1994:149).

4.4.6 Advantages and limitations of interviews

Some advantages as well as limitations to the one-on-one, in-person interview option
are described in literature.

One advantage of this method is that the informants (respondents) can provide
historical information and that it allows the researcher “control” over the line of
questioning during the interview. A limitation to this type of data collection is that it
provides “indirect” information filtered through the views if interviewees. The information
is also provided in a designated “place,” rather than the natural field setting. The
researcher did not perceive the latter limitation in a serious light due to the nature of
data collected and the almost non-existence of a natural field setting at the time of data
collection via interviews. Another limitation of interviews used as a method of data
collection might have been the fact that the researcher’s presence may have biased
responses (Creswell, 1994:150). The researcher (who acted as the only measuring instrument in this study) attempted to minimise bias actively throughout the duration of the time period of interviewing. Creswell (1994:15) mentions another possible limitation on the side of interviewers, viz. that not all people (interviewers) are equally articulate and perceptive when relating to the interviewees.

Research interviews are designed in order that respondents will speak about some topic of interest to the researcher. In such interviews a more asymmetrical organisation of talk is usually seen, with the interviewer asking questions or making probes, while the interviewee talks at great length to supply the information sought. Such interviews are typically conducted under the traditional social science stand, which asks respondents to reveal, describe, and report on their interiors or on their experiences. Respondents are positioned essentially as witnesses of their own interiors and exterior circumstances, who give testimony to their experience of events. In this mode of doing social science, the sticky problems of bias (on the interviewer’s part) and truth-telling (on the witness’s part) come to the fore. Letting go of the presumption that (good) interviews provide some kind of privileged insight into what people really think, believe or do is the first step to seeing interview data as the production of situated “accountings-for” whatever may be the topic the interviewer presents (Silverman, 1997:137).

4.5 CHAPTER RESTATEMENT

This chapter described the philosophy and certain aspects of the methodology of grounded theory, as well as the philosophy of the interview process. Moreover, the review described the philosophy of phenomena detection, theory generation and theory appraisal.

A brief account sketched the fundamentals of sampling, validity, reliability and rigour. Finally, the chapter appraised the methodology and certain philosophical aspects of the interviewee process.

The philosophical review in this chapter aimed at the philosophy of the grounded theory methodology used in this study. A discussion of the methodology applied in this qualitative investigation follows in Chapter 5.
CHAPTER 5

RESEARCH METHODOLOGY

5.1 INTRODUCTION

The general and specific objectives noted for this study (see Chapter 1) outline the study's purpose in context and illuminate the reason for selecting the grounded theory method in order to reach the aims of the study. Furthermore, the research question reflects what the researcher really wanted to investigate and takes into account the reasons for doing so (Mayan, 2001:9). The methodology used in this study interrogates the research question. To answer the research question, the researcher collected data from various resources. These include primary collected material (i.e. interview data collected from the interviews) and pre-existing material (i.e. secondary data ascertained from the literature study material).

5.2 STUDY DESIGN

The study design signifies a balance between the literature study and an empiric qualitative research process. The qualitative research process was primarily exploratory in nature. It was firstly applied to explore the prospects for PPP development and secondly used inductively to construct a hypothetical theory (a proposition) on developing a generic PPP model in South Africa. The meaning of the word "proposition" for the purposes of this study is similarly to the meaning of the phrase 'hypothetical theory' or the word 'hypotheses. [See Whetten's (1989:492) interpretation in terms of meaning Chapter 4 par, 4.2.2, p. 167].

The researcher employed a grounded theory approach to collect and analyse the data, because of the complexity of the research question and the lack of knowledge in respect of this field of research. The qualitative research process therefore complies with the needs of the researcher as well as the goals of the study. The rationale for this study is to identify themes, categories, patterns, linking them and finally to explore and construct the hypothetical theory. Therefore, the nature of the problem provided some reason to the researcher for selecting the qualitative...
paradigm, to explore a topic when the variables and theory base are unknown (Creswell, 1994:145).

It was furthermore foreseen that several themes would emerge from the qualitative survey in order to be used in further studies in the future. Therefore, it was anticipated that, based on the outcomes of this study, further studies might follow which could either be qualitative or quantitative in nature. The researcher posits that quantitative studies based on the possibility of testing the constructed hypothetical framework for a PGM resulting from this study might serve well later, in order to triangulate and add inter-subjectivity to the founding and results of this research.

5.3 PARTICIPANTS AND SAMPLING

In the following section the profile of participants that took part in the survey are described. The sampling methods used for the qualitative inquiry are also explained:

5.3.1 Sampling

Data were collected from identifiable role-players and opinion formulators in the South African health care sector.

A combination of the various sampling methods and techniques was followed. Sampling was executed of all the identifiable role players within the constraints of the budgets and timeframes available. The sampling technique used in this study may, among others, be described as purposeful sampling (Morse & Richards, 2002, 173), as the researcher needed to seek and select participants with knowledge or experience of PPP developments and/or stakeholders from the different sectors. The nominated or snowball sampling technique (Morse & Richards, 2002, 173), was also pertinent as the researcher was often referred from one participant to another during the interviewing process. Some participants were not available or willing to make time for interviewing. Because of stringent timeframes and limits on research budget resources, 38 interviews were conducted. Nevertheless, the researcher found that a considerable amount of data-saturation was experienced towards the end of the 38 interviews.

Not all identified role players could be interviewed and therefore an element of convenience sampling (Morse & Richards, 2002, 173) was present. As the
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interviews progressed, the researcher was impelled to invite more participants from the public sector since data saturation was experienced to occur more swiftly among the private sector participants. This action of deliberately seeking persons to participate represents the elements of *theoretical sampling* (Morse & Richards, 2002:174) and was therefore a further feature of the actual sampling technique used in this study.

5.3.2 Setting

The researcher selected interviewees from the South African health care sector as mentioned in the previous paragraph. The role players in relation to their field of activity are reflected in various sectors and spheres of the pharmaceutical profession of South Africa such as:

- The Pharmaceutical Society of South Africa (PSSA);
- The South African Pharmacy Council (SAPC);
- Other professional bodies such as the Board of Health Care Funders (BHF);
- Medical aid scheme administrators where applicable;
- Pharmacists working in the private sector;
- Pharmacists working in the public sector;
- Pharmacists working for the DOH;
- Pharmacists working in tertiary pharmacy training institutions;
- Other individuals as applicable.

The following table illustrates the breakdown of the environmental spheres, in which the participants were active at the time of the interviews:

(See the next page)
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TABLE 5.1 NUMBER OF INTERVIEWEES IN THE VARIOUS ENVIRONMENTAL SPHERES

<table>
<thead>
<tr>
<th>Spheres representative of the interviewees' activities</th>
<th>Number of Interviewees</th>
<th>% Interviewees</th>
<th>% Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviewees in the Public and Private sectors</td>
<td>25</td>
<td>65.9</td>
<td>65.9</td>
</tr>
<tr>
<td>Interviewees representing the Pharmaceutical Society of SA</td>
<td>6</td>
<td>15.8</td>
<td>81.7</td>
</tr>
<tr>
<td>Interviewees representing the South African Pharmacy Council</td>
<td>3</td>
<td>7.9</td>
<td>89.6</td>
</tr>
<tr>
<td>Interviewees representing Health Systems Trust</td>
<td>1</td>
<td>2.6</td>
<td>92.2</td>
</tr>
<tr>
<td>Interviewees working in tertiary institutions</td>
<td>1</td>
<td>2.6</td>
<td>94.8</td>
</tr>
<tr>
<td>Interviewee representative of the Board of Health Care Funders</td>
<td>1</td>
<td>2.6</td>
<td>97.4</td>
</tr>
<tr>
<td>Interviewee representative of a Medical Aid Claims clearing house</td>
<td>1</td>
<td>2.6</td>
<td>100.0</td>
</tr>
</tbody>
</table>

N = 38

Table restatement:

Out of the 38 interviews conducted, the majority (two-thirds) of interviewees were employed either in the public or in the private sector. Others spheres of the sample environment consisted of interviewees representing the PSSA, SAPC and other bodies such as Health Systems Trust, a tertiary institution, BHF and a medical aid claims clearing house.

The following table represents another breakdown of interviewees (participants) divided into either the public sector or the private sector, regardless of the particular sphere in which they are working. Four of the interviewees were not registered pharmacists.

The sectorial division is illustrated in the following table:
TABLE 5.2 BREAKDOWN OF REGISTERED PHARMACISTS INTERVIEWED IN THE PUBLIC AND PRIVATE SECTOR

<table>
<thead>
<tr>
<th>National Sector</th>
<th>Number of interviewees</th>
<th>% Interviewees</th>
<th>% Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmacists representative of the public sector</td>
<td>12</td>
<td>35.3%</td>
<td>35.3</td>
</tr>
<tr>
<td>Pharmacists representative of the private sector</td>
<td>22</td>
<td>64.7%</td>
<td>100.0</td>
</tr>
</tbody>
</table>

N = 34
4 interviewees were not classified as registered pharmacists
Total interviewee population (N=38)

**Table restatement:**

Almost two thirds of the interviewees (pharmacists) were sampled from the private sector and almost one-third of the interviewees were from the public sector. This break-up, to some extent, correlates with the percentage of expenditure on health care in South Africa (60% in the private sector) as referred to in Chapter 1.

5.3.3 Demographic spread

A demographic spread of the interviewees (n=38) in the public and private sector is illustrated in the following table:

(See the next page)
TABLE 5.3 THE DEMOGRAPHIC SPREAD OF PARTICIPANTS

<table>
<thead>
<tr>
<th>Province</th>
<th>Participants in Public Sector</th>
<th>Participants in Private Sector</th>
<th>Total number of participants</th>
<th>Percentage participants (%)</th>
<th>Cumulative percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gauteng</td>
<td>4</td>
<td>16</td>
<td>20</td>
<td>52.6</td>
<td>52.6</td>
</tr>
<tr>
<td>Western Cape</td>
<td>3</td>
<td>4</td>
<td>7</td>
<td>18.4</td>
<td>71.0</td>
</tr>
<tr>
<td>Free State</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>7.9</td>
<td>78.9</td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>7.9</td>
<td>86.8</td>
</tr>
<tr>
<td>Kwa Zulu Natal</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>5.4</td>
<td>92.2</td>
</tr>
<tr>
<td>North West</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>2.6</td>
<td>94.8</td>
</tr>
<tr>
<td>Limpopo</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>2.6</td>
<td>97.3</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>2.6</td>
<td>100.0</td>
</tr>
<tr>
<td>*Mpumalanga</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>-</td>
</tr>
</tbody>
</table>

N= 38
* No interviewees were conducted in Mpumalanga

**Table restatement:**

The majority of participants were interviewed in the Gauteng province. The table illustrates the national spread of participants indicative of a focus on the larger metro-poles in the country. Because of the snowball sampling technique used, the provincial density of sampling correlates with the researcher's appraisal of activity related to PPP development on a national basis. Participants of all the provincial sectors were interviewed except for Mpumalanga.
5.4 DATA COLLECTION

A total of 38 (n=38) interviews were conducted and recorded on audiotape. The tapes were later transcribed for the purpose of analysis making use of computer-assisted qualitative data analysis software, the new generation of qualitative software, QSR Educational Computer Programme Version 2.2 (NVivo®). An open-ended semi-structured interview was conveyed to collect the primary research data. Sampling (interviewing) continued until saturation of the data was reached. Data saturation is achieved when the category development is dense (in variation and process) and when relationships between categories are well established and validated (Mayan, 2001:10).

The pertaining literature collected, was also used as a ‘qualitative research data set’ in the final construction of the hypothetical framework of the PGM. Finally, the data collected from literature in concert with the personal interview data were integrated during the selective coding phase of this investigation. The literature, which were used as an additional ‘qualitative research data set’ are contained in Chapter 2 and Chapter 3 of this thesis. (See Appendix 26 for a diagrammatic explanation of thesis deployment and the process of analysis).

5.4.1 Research instruments

The following measuring instruments were used to measure and administer the data in this research:

- The researcher was the main measuring instrument in this qualitative inquiry.
- The semi-structured interview used was instrumental in collecting data for the study. The basic elements of the semi-structured interview used in this inquiry will be discussed in the next section. (See par. 5.4.2, p. 191.)
- A questionnaire (an illustrative diagram) was purposefully designed in a single page format to facilitate the semi-structured interview (See Appendix 1, p. 283) for the interview-questionnaire). Themes were identified based on the mentioned literature study (refer to Table 2.6, p.92) and accordingly used as an instrumental platform, whereupon the semi-structured interviews were conveyed as follows:
  - Historical aspects;
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- Status of PPP development;
- Developmental aspects;
- Progress made;
- Visions propounded;
- Driving forces identified;
- Strengths and weaknesses;
- Potential gains;
- Critical factors;
- Role players;
- Trends and models.

- An audio tape recorder was used (Panasonic® mini cassette recorder RQ-L309) to tape and record all the interviews on audiotape and transcribed later with the aid of Dictaphone (Sanyo® Memo-Scriber TRC9100).

- The transcribed interviews consign of regular audio tape recorder numeric tape counter- readings. This makes it possible to target and trace parts of the interviews on the audio tape if so required.

- The audio tapes remains confined with the researcher and may be made available under special circumstances in accordance with ethical conduct. (Refer to section 5.8, p. 203). The audio tapes contains a total of 37 hours 43 minutes and 30 seconds recorded voice taped interview magnetic material. The average time per interviews was 59 minutes and 39 seconds. (See Appendix 1, p. 283) for a summary of the interview time log sheet).

The NVivo® version 2.2 computer software was finally used to collect, manipulate and analyse the research data and may be regarded as a pivotal instrumental aid to this study.

5.4.2 The semi-structured interview

The semi-structured interview contained probing aspects (topics) and was designed to explore open-ended issues from the interviewees such as:
Chapter 5: Research methodology

- The interviewee's personal vision on the prospects for PPP development in South Africa;
- The driving forces perceived by the interviewees, as playing a role;
- Strengths and weaknesses perceived by the interviewees, of both the public and private sectors, in the pursuit of the prospects for PPP development in the health care arena of South Africa; and
- The interviewees' perceptions of possible gains that PPPs might offer to the health care environment of South Africa.

A time of 45 to 60 minutes was scheduled for each interview but the interviewees were allowed to use the time according to their personal feel and availability.

Prior to the interview, an 'interview protocol' was sent to each participant by means of e-mail or facsimile. This covered the following aspects:

- Introduction to the research topic;
- Introduction to the interviewer (researcher);
- Explanation of the method of interviewing;
- Key research questions;
- Invitation to probe into the interviewee's personal field of relevant experience;
- The assurance of confidentiality.

A copy of the interview protocol (information sheet and semi-structured questionnaire) is attached. (See Appendix 1, p. 283).

The researcher facilitated the open-ended discussions during the interviews, using the set of semi-structured themes by means of which the interviewees' opinions and views were gathered, considering their unique field of expertise and realising their unique working environment. The interviewees were free to discuss any particular area of interest relating to their own experience or knowledge regarding the research topic. The respondents were affirmed of the fact that they would not be individually identified or named without prior consent.
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In order to conclude the semi-structured interview, a host of other aspects were listed at the bottom of the interview proposal in an effort to stimulate even further open-ended discussion, (refer to appendix 1, p. 283). These aspects were introduced in the form of open-ended questions, followed by an invitation to comment on any particular topic of interest.

5.5 DATA ANALYSIS

The data analysis will be described explaining the computer-assisted qualitative data analysis used in this study and the manipulation of the axial coding model as described by Gibbs (2002:171). The phases of the used coding system for the analysis in this investigation will also be described.

5.5.1 Computer-assisted qualitative data analysis

This qualitative research study required the use of computer software as the data gathered from interviews are unstructured and therefore a great deal of thought has to go into the processes whereby the data are reduced for analysis and theorised about. Moreover, unlike quantitative data analysis, Bryman posited that there are no well-established principles that can be followed for conducting qualitative analysis (Gibbs, 2002: xix). Because of the complexity of the research question, the researcher chose to use computer software, referred to as CAQDAS (computer-assisted qualitative data analysis software), for data analysis in this investigation.

The qualitative data analysis consisted mainly of content analysis of all the data gathered during the period of research. The contents of relevant literature and the typed transcriptions of audiotapes were analysed by coding, categorising and integrating the themes and data, by using NVivo® version 2.2. The fundamental design of the computer software (NVivo®), used in this research, was strongly influenced by grounded theory and therefore the software programme provides strong support for this method (Gibbs, 2002:165).

The researcher furthermore chose to follow the qualitative research guidelines advocated by Gibbs (2002:166), using qualitative data analysis, exploring the data with the mentioned NVivo® version 2.2 software. The guidelines provided were used to make sense of the large amount of data collected. A framework for grounded theory was followed in developing an analysis of the data. Moreover, Gibbs
(2002:171) describes the model of Strauss and Corbin as a meticulous model, for usage in the grounded theory approach of qualitative analysis. This approach fits the NVivo® version 2.2 software-program by means of doing axial coding of the qualitative research data, which entails a process of exploring the relationships of data categories and making connections between them.

5.5.2 Model used for analysis

The methodology used for data analysis in this study comprised the model for analysis as described by Gibbs (2002:171). This model, which was initially suggested by Strauss and Corbin (1998:123), served as the basis of the grounded theory analytic style used for the analysis in this qualitative research study. According to Gibbs (2002:171), Strauss and Corbin suggest this particular model for doing axial coding in terms of which six types of categories are identified. The idea is that each element in turn has a causal influence on the next. Thus, the causal conditions produce the phenomenon, which in turn causes the strategies in the contexts. These are mediated by intervening conditions and produce actions and inter-actions, which result in consequences. The Strauss and Corbin model contains some elements for axial coding and is incorporated in Table 5.4. Moreover, Gibbs (2002:171) describes the model of Strauss and Corbin as a particular model, for using the grounded theory approach in qualitative analysis. Therefore, Gibbs (2003:171) illustrates the elements of this model in a table format, explaining the axial coding approach. The model of Strauss and Corbin referred to may be explained and summarised as follows:
TABLE 5.4 ELEMENTS OF THE AXIAL CODING MODEL (GIBBS, 2002:171):

<table>
<thead>
<tr>
<th>Model Elements</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Causal conditions</td>
<td>What influences the central phenomenon, events, incidences, and happenings?</td>
</tr>
<tr>
<td>Phenomenon</td>
<td>The central idea, event, happening, incident that a set of actions or</td>
</tr>
<tr>
<td></td>
<td>interactions is directed at managing or handling, or to which the set of</td>
</tr>
<tr>
<td></td>
<td>actions is related.</td>
</tr>
<tr>
<td>Strategies</td>
<td>Addressing the phenomenon purposefully, goal-oriented.</td>
</tr>
<tr>
<td>Context</td>
<td>Locations or events.</td>
</tr>
<tr>
<td>Intervening conditions</td>
<td>Shaping, facilitating or constraining the strategies, which take place</td>
</tr>
<tr>
<td></td>
<td>within a specific context.</td>
</tr>
<tr>
<td>Action/Interaction</td>
<td>Strategies devised to manage, handle, carry out and respond to a phenomenon</td>
</tr>
<tr>
<td></td>
<td>under a set of perceived conditions.</td>
</tr>
<tr>
<td>Consequences</td>
<td>Outcomes of results of action or interaction, resulting from the strategies.</td>
</tr>
</tbody>
</table>

On developing the categories in the axial coding stage of this investigation a 'modification' of the Strauss and Corbin model was required in order to meet the aims of this study and to adapt to the researcher’s needs for the analysis. The modification of the Strauss and Corbin’s model was considered in order to attain the objectives of this study, which were inductively used to develop a hypothetical framework (proposition) for a PGM, which might then serve as a model for PPP development in the pharmaceutical sector of South Africa. The modification of the elements in Strauss and Corbin’s axial coding model can therefore be described as uniquely modified for this inquiry as illustrated in the following table:

(The shaded cells in the table reflects the original elements of Strauss and Corbin’s model which were kept intact for the purposes of this investigation)
### TABLE 5.5 MODIFIED AXIAL CODING MODEL USED IN THIS STUDY.

<table>
<thead>
<tr>
<th>Model element</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Causal conditions / elements</td>
<td>Conditions illustrated by *nodes (themes) and categories presenting causal factors influencing the impending phenomena.</td>
</tr>
<tr>
<td>*Phenomena</td>
<td>Nodes (themes) and categories addressing the phenomena purposefully and goal-orientated by influencing the prospects, shaping possible PPP-model development, and explaining the manner in which the phenomena are affecting or shaping the central idea in terms of events, happenings and incidents.</td>
</tr>
<tr>
<td>*Strategies</td>
<td>Addressing the phenomena, purposefully, goal-orientated by identifying strategies for both sectors orientated and aligned according to the prospects that might purposefully influence PPP-model development in the South African scenario.</td>
</tr>
<tr>
<td>*Context</td>
<td>Locations and environmental background in which the prospects reflect realities and the possible location of a model to fit the South African scenario.</td>
</tr>
<tr>
<td>Hypothesis (proposition) induction. (The proposal of a hypothetical framework of a model)</td>
<td>Results of observations, listing of elements from the research study indicative of the possibilities for the development of a hypothetical framework for a PGM that might be viable in South Africa.</td>
</tr>
</tbody>
</table>

* Elements in the shaded cells represent elements of the original 'Strauss and Corbin axial coding model'. (See Table 5.4, p. 195).

The final model was a modified version of the Strauss and Corbin model and based on collecting and analysing the data, using the NVivo® version 2.2 computer programme.

Eight of the stages for data analysis as described by Gibbs (2002:166), featured in this study and entailed the following:

- **Data collection** – After exposure to the field setting by dint of literature study and some collection of data, the researcher started to develop "categories" which illuminated and fitted the data well.

- **Data saturation** – The categories were then "saturated", i.e. further instances of the categories were gathered until the researcher was confident about the relevance and range of the categories for the research setting. After
conducting thirty-eight interviews with the identified role-players, the researcher recognised that further search for appropriate instances might become a superfluous and cost-inefficient exercise.

- Data abstraction – The researcher then abstracted a more general formulation of the categories and specified the criteria for inclusion in the specific categories. (These criteria were entered into software images of a thematic system, the free node system, under ‘node property descriptions’, in the software programme of NVivo® version 2.2.)

- Theoretical reflection - The general definitions as described above (arrived at during data abstraction) were then used by the researcher as a guide, and stimulated further theoretical reflection. During this stage, the researcher was prompted to contemplate further instances that might be subsumed under the more general definitions of the categories. The researcher experienced this phase as being simplified by making use of the NVivo® version 2.2 model explorer in order to visualise the categories, which stimulated creative thinking.

- Category relationships – The researcher further made use of the NVivo® version 2.2 model explorer in order to establish relationships between the categories. "The researcher should be sensitive to the connections between the emerging general categories (in this study generated making use of the NVivo® ‘free node system’) and other milieus in which the categories may be relevant." (Gibbs, 2002:166).

- Hypothesis (proposition) development - The researcher then took cognisance of the connections between the categories developed in the previous stage, and developed a hypothetical framework. As already mentioned, the connections between the relative categories assisted the researcher in developing the framework.

- Implication exploration – At this point the researcher explored the implications of the framework that had emerged, for other, pre-existing theoretical schemes, which were relevant to the substantive area of research, and reported on these, while making recommendations for further research.
• Relationship testing – The researcher tested the relationships among the categories by comparing the relationships and trends with the findings of the literature study, by importing the completed literature study as an additional source of data into the NVivo® version 2.2 computer programme and comparing these relationships at large.

In essence, the guidelines provided by Gibbs (2002:166) were followed, making full use of mainly the NVivo® version 2.2 computer programme. The analysis was divided into three stages:

5.5.3 The open coding phase

(In the NVivo® computer language the term ‘node’ is used to describe or name a particular grouping of data and will further on be referred to as ‘themes’. Moreover, ‘tree-nodes’ will translate to ‘categories’ for the purposes of this qualitative investigation.)

The researcher examined the data for salient themes of information [nodes (themes) were developed in NVivo® version 2.2] by making comparisons and asking questions. The researcher tried to formulate theoretical theme names in order to avoid a label (theme name) that is merely a description of the text. The researcher further endeavoured to code text (data) to a theme in such a way that the coded text is an example of a more general phenomenon, and that the theme title should indicate this more general idea. During this phase, the researcher went through the texts line by line, simultaneously listening to the audiotape in order to correct mistakes, looking for ideas and text to code.

After the initial stage of open coding (a ‘deductive approach’), fifty themes (“nodes” in NVivo® terms) emerged from the data and were developed and used as the basis for the second stage named axial coding (an ‘inductive’ approach) as described by Gibbs (2002:165). (See Appendix 3, p. 287 for a list of the themes)

Open coding, was performed in terms of which the text is read reflectively to identify relevant themes. The data of this qualitative survey were accordingly open-coded and the originating themes (nodes) were then developed into categories by making use of the modulating facilities of the NVivo® version 2.2 computer programme.
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Gibbs (2002:170) described five techniques which are particularly useful at the early stages of analysis and when difficulties occur while the decision as to what should be coded is taken. The three techniques mentioned below were mainly followed in analysis of the data for this study:

- "Analysis of word, phrase or sentence". Pick one word or phrase that seems significant. List all possible meanings. Examine the text to discern which apply here. Find new meanings that were not immediately obvious. (This technique was used extensively and included the paragraphs of transcribed interviews.)

- "Flip-flop technique". Compare extremes on a given dimension. Try to discover new dimensions or issues not considered earlier. If a fair amount of coding has been completed, this contrast could be achieved by the use of attributes to restrict the scope of a theme search and by comparison of the results using different attributes in NVivo®. (In this study, differences in strengths and weaknesses were verified making use of this technique).

- "Systematic comparison". Ask a series of "what ifs" to explore all the dimensions of two phenomena. How do they differ? Search for the intersection of the theme for one phenomenon with any other theme that might be a possible dimension. Repeat for the theme for the other phenomenon. Browse over the resulting themes to compare their texts (Biggs, 2002:170). (Systematic reviews of the coded text was done on a incessant bases for this study)

5.5.4 The axial coding phase

The NVivo® version 2.2 software offer the facility that free nodes (themes) can be used to set up a ‘tree node’ (a category or thematic structure) that is a root node (category) for the model elements. In this study, themes were similarly used to assemble thematic-category structures. Alternatively, or in addition, sets of nodes (thematic-category structures) could be created for each of the model elements in NVivo® version 2.2.

An advantage of using sets is that they do not involve moving nodes from their original positions in the node tree. However, if one so desires, trees may be set up where the child nodes are copies of the originals (Gibbs, 2002:172)
This analytical style fits the NVivo® version 2.2 software-programme in doing open coding [the development of fifty themes (free nodes), see Appendix 3, p. 287] followed by axial coding of the data (the construction of thematic-category structures, see fig. 6.2, p. 215; fig. 6.3, p. 222; fig. 6.4 p. 228 and fig 6.5 p. 233 respectively). It entails a process of exploring the relationships of data categories and making connections between them.

Therefore, in this investigation axial coding was performed in terms of which categories are constructed, refined, and related or inter-connected. Moreover, the researcher used the node (theme) explorer facility in the NVivo® version 2.2 software to assist the process of analysis, by means of the creation of document-sets, moving the nodes (themes), merging some, dividing and creating new themes, as the process demanded it. The NVivo® version 2.2 model explorer is extensively used during this phase of data assessment as an aid to conceptualise ideas on the emergent theories.

In this study, the researcher used NVivo® version 2.2 data sets to group different types of data before coding the data to free nodes (themes). The NVivo® version 2.2 modelling facility (model explorer) was then used to group the themes into categories and further into thematic-category structures. (See Appendix 3, p. 287; Appendix 22, 23, 24, 25 and 26, p. 610 - 614).

### 5.5.5 The selective coding phase

In defining the term 'selective coding', Strauss and Corbin (1990:116) say selective coding is:

"...the process of selecting the core category, systematically relating it to other categories, validating those relationships and filling in categories that need further refinement and development".

The same authors later compact the definition by saying (Strauss & Corbin, 1998:143):

"Selective coding is: The process of integrating and refining the theory".

The final phase presents a process of 'selective coding', which involved the integration and refining of the all the categories into a proposition (framework) for a PGM. This process may be described as the final selective coding phase, in which
the “core category” or central category/thesis ties all other categories in the theory together into a story (Gibbs, 2002:167). This phase marks the final process of development of the main thesis of this study and conceptualises the prospects for PPP development in the pharmaceutical sector of South Africa. It also concludes with a theory of a structured hypothetical framework (proposition) for the proposed generic model.

The first step in integration and discovering the central category (theme) is deciding on a central category. Strauss and Corbin (1998:146) describe criteria for choosing a central category and the researcher use these guidelines in order to derive and describe the central theme.

A central category evolved out of the list of existing categories. Alternatively, a researcher may study the categories and determine that, although each category tells part of the story, none captures it completely. Therefore, another more abstract term or phrase may be needed, a conceptual idea under which all the other categories can be subsumed.

Once the central phenomenon was selected, selective coding continued by systematically relating it to other nodes (categories or themes). This may indicate some further refinement needed in other themes and require filling out their properties and dimensions. By this stage, much of the work done involved manipulating themes: moving them, creating new ones, amalgamating or dividing them. Compared to open and axial coding there is much less reference back to the text. The reason is that by the time this stage has been reached, most of one’s activity should be analytical and theoretical. Just as with axial coding, one may find using a diagram useful, especially as a diagram can not only show a variety of linkages but also name them and allocate them to different types (Gibbs, 2002:174).

Diagrams were therefore constructed and the information presented in Chapter 6.

5.6 RESEARCH INFORMATION MANAGEMENT

Reporting on voluminous results as for this qualitative investigation required careful planning. Principles of information management were considered in planning the report. The completion of “The Intelligence Cycle” as described by Kahaner (1996:44) was adapted to conceptualise the information management followed in this inquiry. The following illustration elucidates this process:
Interpretation of the illustration:

The figure above illustrate primarily how the raw data (interviews, literature and other source documents), converts to information by means of the qualitative research process and finally into the dissemination of the information and theory. The four steps of the intelligence cycle according to Kahaner (1996:44) are illustrated. It among others, illustrates the initial planning phase of information management up to the dissemination of intelligent data (useful information and theory). Furthermore, the relationships of the chapters in this study are shown in perspective interconnecting with the four stages of the information management process.

The data, information and theory forthcoming from this study were managed as illustrated in Figure 6.1 and disseminated as follows:
5.6.1 Primary source documents (raw data) management

The original data sources (audio tapes and transcriptions contained in the NVivo® version 2.2 computer programme) subjected to this research were the following and managed as follows:

- The original audio tape cassettes (interviews) remain in custody with the author and are available for research, peer review and examination purposes within the constricts of ethical conduct. (See par. 5.9, p. 206 on ethics).
- Thirty eight (38) interviews were audio taped and transcribed into MS-Word® rich text files (.rtf files) and imported to the NVivo® version 2.2 computer programme.
- Ten MS-word® 'rich text' files containing the manual of the South African National Treasury (PUBLIC-PRIVATE PARTNERSHIPS – A manual for South Africa’s national and provincial government departments and Schedule 3 public entities, 2001) were imported to NVivo® version 2.2.
- Eight 'rich text' files containing e-mail circulars from "Drug Information & Policy" <druginfo@healthlink.org.za> were imported to NVivo® version 2.2.
- Three PSSA documents (minutes of annual general meeting and circulars) were imported to NVivo® version 2.2.
- Five MS-word® 'rich text' files on government and semi-government policy, announcement in parliament, acts and regulations were imported to NVivo® version 2.2.
- Six other documents collected from e-mail circulars on various inputs were also imported to NVivo® version 2.2.
- The source documents are therefore electronically contained in the NVivo® version 2.2 computer programme as MS-word® rich text (.rtf) files. (The total number of source documents, n=70). A hard copy of the primary source documents (as contained in NVivo®) is available as 'Annexure 1' for research, peer review and examination purposes within the constricts of ethical conduct. Annexure 1 (690 p.) contains a listing of primary source documents that finally were analyzed by means of the computer assisted qualitative data management software (NVivo® version 2.2).
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- See Appendix 4, p. 289 for a listing of the original source information in custody.

5.6.2 Secondary source information (manipulated data) management

The manipulated primary manipulated data were transformed to secondary source information and contained in the NVivo® version 2.2 computer programme. This data subjected to this research were the following and managed as follows:

- Information from the open coding phase

The secondary source information includes the contents of the themes/nodes that were deductively constructed from the primary source documents during the open coding phase. This source of information is compiled in 'Annexure 2' (1,074 p.) and contains a listing of secondary source information (themes/nodes) constructed in the first phase of the qualitative analysis (open coding) by means of computer assisted data management software (NVivo® version 2.2). The hardcopy will be made available only under special circumstances, such as research, examination and peer review, within the constricts of ethical conduct. Annexure 2 remains in custody and confines with the researcher.

- Information from the axial coding phase

The diagrammatic outlines of the four thematic-category structures will be presented in Chapter 6, as well as brief referencing to matters such as refining, development, interconnectivity, the interaction and relationships relevant to the particular thematic-category groupings. The detailed description of the information forthcoming from this phase is attached as Appendix 5, p. 290 of the thesis.

- Information from the selective coding phase

The diagrammatic outlines of this information will also be presented in Chapter 6 as conclusive information, focussing and representing the core or central thesis of this investigation. However, the detailed selective coded data from this phase is attached as Appendix 6, p. 503 of the thesis.
5.7 RELIABILITY, TRUSTWORTHINESS AND VALIDITY

Due to the lack of simple techniques for validity and reliability, attention was focussed in this study, on the way the results of the qualitative analysis were to be reported on. It was endeavoured to create trustworthiness and credibility of the analysis by demonstrating how the outcomes were grounded in the data, as follows:

- The use of appropriate quotations was one way of doing this;
- Examples and cases were also referred to where applicable, with precaution against stepping into the trap of over generalisation;
- A guarded view was adapted to prevent 'selective anecdotalism', i.e. 'detailed' description of interpretation was sought after by the researcher, as far as possible;
- Quantitative references to the number of sources from which inputs were utilised to construct the themes and categories were noted in the report thus adding more reliability and validity to the contents of the constructs.
- References to the relevant literature were provided in appropriate places, which give validation of the accuracy of the research findings (Strauss & Corbin, 1991:52).
- Trustworthiness were ensured by comparing some findings forthcoming from the interviews with the findings in the literature study and in so doing triangulating the results with some of the study outcomes.
- The credible interview technique used, were aimed at adding substance to the trustworthiness of the outcomes.
- Trustworthiness was enhanced by allowing a peer review on the coded data used in the investigation.

The computer assisted data analysis was combined with the careful examination of the data for any potential threats to validity, in order to discover the true grounds of the data recorded. The procedure was aimed at improving validity of the data by focussing the sampling procedure of interviewees, and targeting people to be key role players in the population.
Chapter 5: Research methodology

5.8 RIGOUR

The researcher endeavoured to ensure rigour while conducting the qualitative inquiry by doing the research inductively, as this is crucial to the validity of the study. Deduction is used to develop conjectures and to verify data, but the dominant thrust should be inductive (Morse & Richards, 2002:172). The aspects that provided rigour throughout this inquiry included the following:

- The appropriate sampling technique used (the snowball-sampling technique);
- Gathering the data till saturation was reached (38 interviews were conducted);
- Doing reliable coding with the aid of computer software (using NVivo® version 2.2);
- Having the data construction procedures and theme (node) development phases controlled and scrutinised by an independent and experienced qualitative researcher.

5.9 ETHICS

The study design did not require ethical approval from the University's ethical committee at the time of commencement of this enquiry.

However, the researcher should demonstrate that he has considered all the benefits and risks that participants may experience in the study. The benefits of participating in a study must always outweigh the risks and risks should always be minimised or avoided (Mayan, 2001:31).

5.9.1 Benefits and risks

In this study, the researcher did consider the benefits and risks that the participants might experience in participating in interviews in respect of the qualitative inquiry. As a result of their participation, interviewees might face negative repercussions from their employers. It was therefore decided not to reveal the interviewees' identification throughout the research without prior consent of the particular interviewee.
5.9.2 Confidentiality

In this study, an interview protocol was developed and offered to the interviewee prior to the interview in which the interviewee was informed of the protocol that would be used for this inquiry. Each interviewee was informed that the interview would be taped on audiotape, and later transcribed for the purpose of analysis. It was made clear that the respondents would not be individually identified or named without prior consent. The interviewees' confidentiality was guaranteed in this way.

On reporting the qualitative data gathered by the interviews, the researcher used a specific system (nomenclature) to refer to each interviewee without exposing the interviewee's identity in any way. A numbering nomenclature was developed by the researcher and consistently used throughout the reporting phase of the research when references were made to the views of the particular interviewees.

5.9.3 Interview protocol

The interview protocol (see Appendix 1, p. 283) served as a letter of information and represented a document explaining the following:

- Who the researcher is;
- Topic of the research project;
- Method of interviewing;
- An outline of the key research questions;
- An invitation to contribute on any other related aspect;
- The assurance of confidentiality;
- A diagram containing various topics in order to stimulate open discussion.

The researcher chose to protect all the participants' (interviewees') identity, even though formal consent was not required.

5.10 CHAPTER RESTATEMENT

This chapter aimed at providing insight into the research methodology used by the researcher in respect of this qualitative inquiry. Concepts of interviewing, techniques and approaches for qualitative research and the methods of sampling in the
qualitative inquiry were discussed. The methodology and modification on Strauss and Corbin's axial coding model were explained. An in-depth account of the grounded theory used for this study was given. Finally, the methodology used for the qualitative data analysis for this study was explained.

The chapter elaborates on the planning phase of information management up to the dissemination of intelligent data, information and theory. Furthermore, the relationships were shown and a perspective on interconnecting the four stages of the information management process were described.

The chapter finally provided the methodological and theoretical background of the qualitative research method. Attended was also given to reliability, trustworthiness, validity and rigour of the study. Lastly the chapter also contained the management of the ethical issues in the research process.

The unfolding or culmination of the investigation will be discussed in the following chapter in terms of the dissemination of information. The conception, results and conclusions made from the analysis-outcomes, features in Chapter 7.
CHAPTER 6

RESEARCH REPORT ON INFORMATION DISSEMINATION

6.1 INTRODUCTION

The research information were disseminated in three phases by means of qualitative data analysis and theory construction. The primary (raw) data were disseminated to intelligent data (useful information and theory). The three stages of information dissemination were:

- Open coding of primary research data disseminated into themes;
- Axial coding of secondary data into categories;
- Selective coding of the disseminated information into thematic-category structures.

A report on the mentioned process will be presented in this chapter.

6.2 OPEN CODING - INFORMATION (1ST PHASE ANALYSIS)

Open coding was performed in terms of which the text is read reflectively to identify relevant themes known as 'nodes' in NVivo® computer language. As previously mentioned the term "nodes" commonly used in NVivo® computer language, will be referred to as "themes" (term more relevantly used in qualitative research). The open coding phase serves as the platform for the following (second) phase of analysis (the axial coding phase), which will be presented later. (Refer par. 6.3, p. 210)

6.2.1 Themes developed by open coding

Fifty themes were deductively constructed during this phase and are representative of the primary information in this investigation. Data coming from the source documents were coded and stored under each theme for use in the second phase (axial coding phase) of the investigation.
Assumption:
The assumption was made, that the ratio of input for a particular theme might be an indication of how vigorous or rigorous the theme may be and may serve as an indication of trustworthiness.

The mentioned tables are representative of the results obtained by NVivo® using the following facilities available in the NVivo® version 2.2 software:

- The NVivo® version 2.2 ‘model explorer’;
- NVivo® version 2.2 ‘show tool’;
- NVivo® version 2.2 ‘assay tool’.

The tables were finally manipulated and refined making use of an Excel® spreadsheet after extraction of the data from NVivo® version 2.2.

6.3.1 CAUSAL ELEMENTS (1st Thematic-category Structure)

The causal elements thematic-category structure was deductively structured and is described by two categories to conceptualise the causal elements influencing the prospects of future PPP developments. The principle of causality (that nothing can happen without a cause) led to the conceptualisation of two categories namely:

- Legislation politics and policy;
- Drivers

Five themes as well as six legislative and policy documents were identified and contained in the 1st thematic-category structure.

Refer to Appendix 5., p. 290 par. 8.1 to par. 8.2.7 for the detailed report on the disseminated information of the 1st thematic-category. Table 6.1, p. 212 conceptualises the contents of the of 1st thematic-category.
Chapter 6: Research report

The NVivo® version 2.2 computer report listing only the names of these themes (free node names) is attached to this thesis as Appendix 3, p. 287.

The information contained under each theme is available as ‘Annexure 2’ (1,074 p.), and is available for the purposes of research, examination and/or peer review within the constricts of ethical conduct.

6.3 AXIAL CODING - INFORMATION (2ND PHASE ANALYSIS)

The techniques mentioned in Chapter 5 were followed to categorise, develop, relate and interconnecting the open coded themes. This resulted in the development of four thematic-category structures in the axial coding phase, viz.:

- The 1st thematic-category structure - Causal elements;
- The 2nd thematic-category structure - Phenomena;
- The 3rd thematic-category structure - Context elements;
- The 4th thematic-category structure - Strategy elements.

Diagrammatic figures in table format are presented in this chapter illustrating the construction of the thematic-category structures as follows:

- Tables conceptualising the thematic-category structure;
- Tables noting the number of interviewees that contributed to a particular theme, the percentage input of the interviewees and the ratio of input contained in the particular theme as a percentage of the total number of data sources used for the investigation.

Note:

The latter (input-tables) were sorted in ascending numeric order according to the ratio of total database input.
### TABLE 6.1 CAUSAL ELEMENTS (1ST THEMATIC-CATEGORY STRUCTURE).

<table>
<thead>
<tr>
<th>Causal elements</th>
<th>Two Categories:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislation, politics and policy (Category 1)</td>
<td>Drivers (Category 2)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Themes (Themes and documents):</th>
<th>Themes named:</th>
</tr>
</thead>
<tbody>
<tr>
<td>The National Health Bill, no. B 320-28033 of 2003.</td>
<td>- Driving forces;</td>
</tr>
<tr>
<td>An abstract of the South African National Treasury’s guidelines on Treasury Department Budgeting.</td>
<td>- Aims of the Public and Private sectors.</td>
</tr>
<tr>
<td>Broad-based Black Economic Empowerment Act, no. 53 of 2003.</td>
<td>SA Governmental Cabinet’s decision of 19 November 2003</td>
</tr>
<tr>
<td>An article: The Way to BEE (Dekker, 2004).</td>
<td>The BEE Act (no. 53 of 2003) on black empowerment</td>
</tr>
<tr>
<td>The Competition Act, No. 89 of 1998 and other legal issues.</td>
<td>Guidelines provided by the South African National Treasury Department’s PPP Unit</td>
</tr>
<tr>
<td>The theme named:</td>
<td></td>
</tr>
<tr>
<td>- New Legislation.</td>
<td></td>
</tr>
<tr>
<td>The theme named:</td>
<td></td>
</tr>
<tr>
<td>- Politics and Policy</td>
<td></td>
</tr>
</tbody>
</table>

**Table discussion:**

From Table 6.1 and the detailed report the result indicates two categories namely legislation, politics, policy and several identified drivers to act as drivers resulting in the main causal elements for PPP development in South Africa.
Some causal elements playing a role in PPP development in South Africa resulted to be factors related to new legislation, politics and policies, several role players and driving forces are described in detail. The aims of the public and private sector were noted as well as the aims of legislation and other causal elements.

Table 6.2 illustrates the resulting contribution (input) from research data towards the 1st thematic-category. The themes were sorted in ascending order using the column ‘input as a percentage of all source documents’, as the primary key and the column ‘percentage interview input’, as the secondary key.

TABLE 6.2 INPUT FROM DATA BASE TO CAUSAL ELEMENTS (1ST THEMATIC-CATEGORY STRUCTURE)

<table>
<thead>
<tr>
<th>Themes embedded in this Thematic-category structure</th>
<th>Δ Intervieweees input</th>
<th>% Interviewee input (n = 38)</th>
<th>Δ Other documents (n = 32)</th>
<th>Total source documents in the row (Interviews plus other)</th>
<th>Input as a percentage (%) of all the source documents (n = 70)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Role players</td>
<td>35</td>
<td>92.11</td>
<td>6</td>
<td>41</td>
<td>58.57</td>
</tr>
<tr>
<td>Driving forces</td>
<td>31</td>
<td>81.58</td>
<td>0</td>
<td>31</td>
<td>44.29</td>
</tr>
<tr>
<td>New Legislation</td>
<td>11</td>
<td>28.95</td>
<td>13</td>
<td>21</td>
<td>30.00</td>
</tr>
<tr>
<td>Aims</td>
<td>13</td>
<td>34.21</td>
<td>7</td>
<td>20</td>
<td>28.57</td>
</tr>
<tr>
<td>Politics &amp; policy</td>
<td>10</td>
<td>34.21</td>
<td>3</td>
<td>16</td>
<td>22.86</td>
</tr>
<tr>
<td>% Average Input</td>
<td></td>
<td>54.2</td>
<td></td>
<td></td>
<td>36.9</td>
</tr>
</tbody>
</table>

*Δ - Quantitative value indicator
Table and input discussion:

From Table 6.2 it is apparent that an average of 54.2% of the interviews gave some information or input to the 1st thematic-category, and that information was coded from an average of 36.9% of the total amount of source documents used to construct this category.

The highest data inputs were into the theme 'Role players' and the lowest data input were to the theme 'Politics and policy'. It is apparent that although low input were received from interviewees towards the theme named 'New legislation', a higher number of source documents were used in the construction thereof.

Based on the assumption made (see par. 6.3, p.210), it may be argued that role players and the identified driving forces are playing an important role in the development of PPPs in South Africa.

The following diagram illustrates the specific thematic-category structure and conceptualises the relationships thereof for the Causal Elements (1st Thematic-category Structure):
FIG 6.2 CAUSAL ELEMENTS (1ST THEMATIC-CATEGORY STRUCTURE)

The 1st Thematic-category structure:
Causal elements

Research phase & Method description: Axial coding / Inductive approach

Data composition: Four Acts, two SA Treasury publications, one article and five themes

Developed Themes (Free nodes):
- The National Health Bill
- The BEE Act, no. 53 of 2003
- The MFMA Act, no. 56 of 2003
- The Competition Act, no. 89 of 1998
- SA National Treasury PPP Manual
- Abstract SA Treasury Budget

Developed Categories:
- Article: The Way to BEE (Dekker, 2004)
- Driving forces
  - New Legislation Drivers
  - Role players
    - Politics & Policy
      - Aims of the Public & Private sectors
      - Legislation, Politics & Policy
        - Drivers

For the detailed disseminated information see pp. 291 – 329.

For a diagrammatic conceptualisation of the 1st Thematic-category structure, which was originally assembled with the aid of the NVivo® explorer facility - See Appendix 21, p. 609.
6.3.2 PHENOMENA (2nd Thematic-category structure)

The following categories were induced:

- Background to the central thesis of this study;
- Some positive or dynamic phenomena affecting the central thesis (PPPs as a prospect for pharmacy in the South African health care environment);
- Some negative phenomena;
- Some urgent or pressing factors that affect the prospects of PPP development.

The phenomena thematic-category structure represents the second thematic-category structure and is developed by using the NVivo® version 2.2 model explorer. It is illustrated as a Table 6.3 p. 218 conceptualising 17 themes which were selected from the data in order to theorise the above-mentioned criteria. The 17 themes selected to represent the 2nd Thematic-category Structure called Phenomena Elements were constructed by the following categories and will be described hereafter. The categories in turn are described by themes as follows:

- The category **background** is supported by the following themes:
  - Status quo;
  - Trends in the public and private sector;
  - Vested interests;
  - Motivators in the public and private sectors.

- The category **negative phenomena** are supported by the following themes:
  - Threats to the public sector;
  - Threats to the private sector;
  - Barriers and constraints;
  - Failures of the past.
The category *positive and/or dynamic phenomena* is supported by the following themes:

- Debates;
- Interactions between the public and private sectors;
- Processes;
- Progress;
- Opportunities.

The category *urgent or pressing factors* is supported by the following themes:

- Expectations;
- Critical issues and key-factors.

The thematic-category structure named "*Phenomena Elements*" is summarised in Table 6.3, p. 218.
TABLE 6.3 PHENOMENA ELEMENTS (2ND THEMATIC-CATEGORY STRUCTURE).

<table>
<thead>
<tr>
<th>Phenomena presenting background to PPP prospects</th>
<th>Negative phenomena</th>
<th>Positive and/or dynamic phenomena</th>
<th>Urgent or pressing factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Category 1)</td>
<td>(Category 2)</td>
<td>(Category 3)</td>
<td>(Category 4)</td>
</tr>
</tbody>
</table>

Themes: (17 themes)

The themes named:  
- Status quo  
- Trends in the Public and Private sector  
- Vested interests  
- Motivators in the Public- and Private-sectors

The themes named:  
- Threats to the Public-sector  
- Threats to the Private sector  
- Barriers and constraints  
- Failures of the past

The themes named:  
- Open debates  
- Interactions  
- Processes  
- Progress  
- Opportunities  
- Collaboration  
- Visions

The themes named:  
- Expectations  
- Critical issues and key-factors

Table discussion:

Four categories were identified in the axial stage of the analysis (Table 6.3), illustrative of the phenomena identified. The categories are indicative of background, urgent matters and phenomena that may affect the developments of PPP in a positive or a negative manner. These phenomena were identified to be present at the time of the investigation.

Furthermore, trends, vested interests and certain motivators were identified and form part of the setting that currently exists, where from PPPs need to develop in future. Nevertheless, significant threats and barriers were identified, which might have causal effects for the many reasons of failures in the past. Open debates, interaction between the public and private sector, as well as processes, progress and opportunities were
identified that might positively affect the development of PPPs in the pharmaceutical sector of South Africa.

Finally, it was conceptualised that expectations from both sectors were a pressing issue and a number of critical key-phenomena were identified and regarded as factors to be dealt with as a matter of urgency. See Appendix 5., par. 9.1, pp. 334 - 405, for the detailed report. on the disseminated information of the 2nd thematic-category.

The following table of themes, illustrate the resulting contribution (input) from research data to the construction of the 2nd thematic-category.
TABLE 6.4  INPUT FROM DATA BASE TO PHENOMENA (2ND THEMATIC-CATEGORY STRUCTURE)

<table>
<thead>
<tr>
<th>Themes embedded in this Thematic-Category structure</th>
<th>*Δ Interviewee input</th>
<th>% Interviewee input (n = 38)</th>
<th>*Δ Other documents (n = 32)</th>
<th>Total source documents in the row (Interviews plus other)</th>
<th>Input as a percentage (%) of all the source documents (n = 70)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Critical Issues</td>
<td>35</td>
<td>92.11</td>
<td>9</td>
<td>44</td>
<td>62.86</td>
</tr>
<tr>
<td>Barriers and constraints</td>
<td>38</td>
<td>100.00</td>
<td>5</td>
<td>43</td>
<td>61.43</td>
</tr>
<tr>
<td>Failures of the past</td>
<td>34</td>
<td>69.47</td>
<td>3</td>
<td>37</td>
<td>52.86</td>
</tr>
<tr>
<td>Opportunities</td>
<td>28</td>
<td>73.68</td>
<td>3</td>
<td>31</td>
<td>44.29</td>
</tr>
<tr>
<td>Visions</td>
<td>28</td>
<td>73.68</td>
<td>3</td>
<td>31</td>
<td>44.29</td>
</tr>
<tr>
<td>Trends</td>
<td>29</td>
<td>76.32</td>
<td>1</td>
<td>30</td>
<td>42.86</td>
</tr>
<tr>
<td>Collaborations</td>
<td>21</td>
<td>55.26</td>
<td>2</td>
<td>23</td>
<td>32.86</td>
</tr>
<tr>
<td>Interactions</td>
<td>18</td>
<td>47.37</td>
<td>2</td>
<td>20</td>
<td>28.57</td>
</tr>
<tr>
<td>Threats to Private sector</td>
<td>19</td>
<td>50.00</td>
<td>1</td>
<td>20</td>
<td>28.57</td>
</tr>
<tr>
<td>Processes</td>
<td>19</td>
<td>50.00</td>
<td>1</td>
<td>20</td>
<td>28.57</td>
</tr>
<tr>
<td>Status quo</td>
<td>15</td>
<td>39.47</td>
<td>3</td>
<td>18</td>
<td>25.71</td>
</tr>
<tr>
<td>Progress</td>
<td>14</td>
<td>36.84</td>
<td>2</td>
<td>16</td>
<td>22.86</td>
</tr>
<tr>
<td>Vested Interests</td>
<td>15</td>
<td>39.47</td>
<td>1</td>
<td>16</td>
<td>22.86</td>
</tr>
<tr>
<td>Threats to Public sector</td>
<td>15</td>
<td>39.47</td>
<td>1</td>
<td>16</td>
<td>22.86</td>
</tr>
<tr>
<td>Expectations</td>
<td>12</td>
<td>31.58</td>
<td>1</td>
<td>13</td>
<td>18.57</td>
</tr>
<tr>
<td>Motivators in Pub. &amp; Prv. Sectors</td>
<td>8</td>
<td>21.05</td>
<td>1</td>
<td>9</td>
<td>12.86</td>
</tr>
<tr>
<td>Open debates</td>
<td>7</td>
<td>18.42</td>
<td>1</td>
<td>8</td>
<td>11.43</td>
</tr>
<tr>
<td>% Average Input</td>
<td></td>
<td>51.9</td>
<td></td>
<td></td>
<td>36.9</td>
</tr>
</tbody>
</table>

* Δ - Quantitative value indicator
Table and input discussion:

From Table 6.4 it is apparent that an average of 51.9% of the interviews gave some information or input to the 2nd thematic-category, and that information was coded from an average of 36.9% of the total amount of source documents used to construct this category.

It is also apparent that the critical issues, barriers and constraints ranked highest on the data input index, strengthening the argument that the factors identified in this investigation signifies the importance of addressing problems that might hinder the process of PPP developments in the pharmaceutical sector of South Africa.

Furthermore it may be argued that more open debate is necessary in promoting the development of PPPs in South Africa as the input to the theme named “Open debates” reflect the lowest input of information from the database.

The following diagram (Fig. 6.3) illustrates the specific thematic-category structure and conceptualises the relationships thereof for the Phenomena (2nd Thematic-category Structure):
The 2nd Thematic-category structure:
Phenomena elements

Research phase & Method description: Axial coding / Inductive approach

Data composition: Seventeen themes (free nodes)

Developed Themes (Free nodes):
- Expectations
- Critical issues and key-factors
- Processes
- Progress
- Opportunities
- Collaboration
- Visions
- Interactions between the Public & Private sectors
- Debates
- Failures of the past
- Barriers and constraints
- Motivators
- Vested interests
- Trends
- Threats to the Private sector
- Threats to the Public sector
- Status quo

Developed Categories:
- Background
- Negative phenomena
- Positive and/or dynamic phenomena
- Urgent or pressing factors

For the detailed disseminated information see Appendix 5 par. 9.1 pp. 334 – 405.

For a diagrammatic conceptualisation of the 2nd Thematic-category structure, which was originally assembled with the aid of the NVivo® explorer facility - See Appendix 22, p. 610.
6.3.3 CONTEXT ELEMENTS (3rd Thematic-category structure)

The context thematic-category structure represents a third structure and is developed by using the NVivo® version 2.2 model explorer, which is illustrated in Figure 6.4, p. 228. This thematic-category structure consists of the following elements:

- A theme, which was named ‘Definitions’ (this NVivo® node was used to collect the meanings of certain entities in order to conceptualise certain entities and terms);
- Five documents relating to legislation regulations and guidelines (category 1);
- An arrangement of seven (7) themes, which were selected from the data in order to theorise the thematic-category structure named, “Context Elements”. The seven themes were then arranged into four categories according to their particular relationships with each other and the categories they represent.

The theme named ‘Definitions’ will first be described in order to conceptualise the entities that were identified in this research, thereby giving a clearer understanding of them, before the four categories are reported on. (See Appendix 5, par. 10.1, p. 415).

The “Context-Elements" thematic-category structure therefore contains four categories that were inducted and will be described by their criteria (categories) in order to theorise or conceptualise the context in which the prospects of future PPP developments were taking place. The categories are:

- Criteria or themes pertaining to legislation;
- Perceptions and background;
- Strengths and weaknesses of the public and private sectors;
- Sustainability of PPPs in the health care sectors.

The “legislation" category structure (1st category) contains five documents on legislation. These documents were reported on under the “causal elements" thematic-category structure and will only be briefly mentioned in this section.

The “perspectives and background" category (2nd category) consists of three themes, viz.:
Chapter 6: Research report

- Perceptions held by the private sector of the public sector;
- Perceptions held by the public sector of the private sector.
- Background.

The penultimate category (3rd category) was named "Strengths and Weaknesses" and consists of the following two themes:
- Strengths and weaknesses of the private sector
- Strengths and weaknesses of the public sector

The last category (4th category) was named "sustainability" and consists out of two themes that will be reported on in this section namely:
- Economics
- Viability

Refer to Appendix 5., par. 10.1, pp. 415.- 454, for the detailed report on the disseminated information of the 3rd Thematic-category. Table 6.5 illustrates the contents of the 3rd thematic-category.

(See the next page)
TABLE 6.5 CONTEXT ELEMENTS (3RD THEMATIC-CATEGORY STRUCTURE).

The 3rd Thematic-category structure.

| Definitions: The data gathered on definitions in the NVivo® version 2.2 free node (theme) were not used as part of the 3rd Thematic-category structure. This data were summarised in order to define certain entities in context. See par. 10.1, p. 415. The four categories constructed in the thematic-category structure are conceptualised as follows: |
|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| Four Categories: | | | |
| * Legislation (Category 1) | Perceptions and Context (Category 2) | Strengths and weaknesses of the public and private sectors (Category 3) | Sustainability of PPPs in the health care sectors (Category 4) |
| (Themes and documents): (Seven themes) | | | |
| The National Health Bill, no. B 320-28033 of 2003. | Perceptions held by the Private-sector of the Public Sector | Strengths and weaknesses of the Private sector | Economics |
| Broad-based Black Economic Empowerment Act, no. 53 of 2003. | Perspectives of Public Sector of the Private sector | Strengths and weaknesses of the Public sector | Viability |
| The Competition Act, No. 89 of 1998. | | | |

* - This category differs from the other three (3) in that it is constructed out of coding from legal documents compared to the other categories that were constructed out of themes containing text coded from interviews.

Table discussion:
The first category of Table 6.5 is constructed mainly out of data retained from legal documents. The background and the different perceptions of the one sector of the other forms the second category of this thematic-category structure. The last two categories
were constructed by putting the strengths and weaknesses of the two sectors in context and lastly a category was construed on sustainability issues, such as viability and the economical contexts.
### TABLE 6.6 INPUT FROM DATA BASE TO CONTEXT ELEMENTS (3RD THEMATIC-CATEGORY STRUCTURE).

<table>
<thead>
<tr>
<th>Themes embedded in this Thematic-category structure</th>
<th><em>Δ</em> Interviewees input</th>
<th>% Interviewee input (n = 38)</th>
<th><em>Δ</em> Other documents (n = 32)</th>
<th>Total source documents in the row (Interviews plus other)</th>
<th>Input as a percentage (%) of all the source documents (n = 70)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Background</td>
<td>19</td>
<td>50.00</td>
<td>12</td>
<td>31</td>
<td>44.29</td>
</tr>
<tr>
<td>Perceptions of Pub-sector of Priv Sect</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strengths and weaknesses of Pub</td>
<td>26</td>
<td>68.42</td>
<td>2</td>
<td>28</td>
<td>40.00</td>
</tr>
<tr>
<td>Viability</td>
<td>20</td>
<td>52.63</td>
<td>5</td>
<td>25</td>
<td>35.71</td>
</tr>
<tr>
<td>Perceptions of Priv-sector of Pub Sect</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strengths and weaknesses of Priv</td>
<td>16</td>
<td>42.11</td>
<td>1</td>
<td>17</td>
<td>24.29</td>
</tr>
<tr>
<td>Economics</td>
<td>10</td>
<td>26.32</td>
<td>3</td>
<td>13</td>
<td>18.57</td>
</tr>
<tr>
<td>% Average Input</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>54.2</td>
</tr>
</tbody>
</table>

*Δ* - Quantitative value indicator

**Table and input discussion:**

From Table 6.6 it is apparent that an average of 54.2% of the interviews gave some information or input to the 3rd thematic-category, and that information was coded from an average of 36.9% of the total amount of source documents used to construct this category.

More input were captured on the theme describing perceptions upheld by the public sector of the private sector. It is also apparent that relatively little information on the
economic impact of PPPs on the health care arena were captured in the data. Notably was the fact that the information on the background of PPP development and the perceptions held from the sectors to another, were featuring high in terms of data input to this category. The following diagram illustrates the specific thematic-category structure and conceptualises the relationships thereof for the Context Elements (3rd Thematic-category Structure):

FIG 6.4 CONTEXT ELEMENTS (3RD THEMATIC-CATEGORY STRUCTURE)

The 3rd Thematic-category structure:
Context elements

Research phase & Method description: Axial coding / Inductive approach

Data composition: A Bill, three Acts, one set of regulations and seven free nodes

Developed Themes (Free nodes):

The National Health Bill

The BEE Act, no. 53 of 2003

The MFMA Act, no. 56 of 2003

The Competition Act, no. 89 of 1998

SA National Treasury Regulations

Abstract SA Treasury Budget

Developed Categories:

- Perceptions by the Private-sector of the Public-sector
- Strengths & weaknesses of Private sector

- Perceptions by the Public-sector of the Private-sector
- Strengths & weaknesses of Public sector

- Background

- Preceptions & Context

- Legislation

- Sustainability

- Viability

- Economics

For a diagrammatic conceptualisation of the 3rd Thematic-category structure, which was originally assembled with the aid of the NVivo® explorer facility - See Appendix 23, p. 611.
6.3.4 STRATEGY ELEMENTS (4th Thematic-category structure)

The 4th Thematic-category structure consisted of themes identified to represent strategic elements related to the central theme of this research, in a purposeful or goal-orientated fashion. Several themes were identified to resort under this Thematic-category structure and were analysed with the aid of the NVivo® version 2.2 software. This thematic-category structure consists of the following elements:

- A document on the Strategic Framework, (A Strategic Framework for Delivering Public Services through Public-Private Partnerships) published by the South African National Treasury Department in 2001, was used as a source of data in this research;

- An arrangement of nine (9) themes, which were selected from the data in order to theorise the thematic-category structure named, "Strategy Elements". The nine themes were then arranged into three categories according to their particular relationships with each other and the categories they represent;

The document published by the South African Treasury as mentioned above was discussed in Chapter 2 and will not be described here, but should be noticed in context and as an integral part of the strategic elements identified in this research. (See par. 2.2.1, p. 21, for details.)

The "strategy-elements" thematic-category structure therefore contains three (3) categories that were inducted and will be described in categories, in order to theorise or conceptualise the strategy in which the prospects of future PPP developments were viewed. The categories are:

- Criteria or themes pertaining to the aims of the strategy;
- Possible strategic outcomes of the aims and;
- Strategic directives.

The "strategic aims" category structure (1st category) was inductively selected in the thematic-category structure out of three (3) themes:

- Common ground;
Chapter 6: Research report

- Strategic elements in the public sector;
- Strategic elements in the private sector.

The second category was named "possible strategic outcomes" and consists out of three (3) themes that will be reported on in this section namely:
- Possible PPPs;
- Capacity building;
- Potential gains and impact.

The last category (3rd category) was named "strategic directives" made up of three (3) themes namely:
- Levels of governance;
- Prerequisites;
- Risk transfer.

Refer to Appendix 5., par. 11.1.1, pp. 461 – 498, for the detailed report on the disseminated information of the 4th thematic-category. Table 6.6 illustrates the contents of the 4th thematic-category structure.
TABLE 6.6 STRATEGY ELEMENTS (4TH THEMATIC-CATEGORY STRUCTURE).

<table>
<thead>
<tr>
<th>The 4th Thematic-category Structure</th>
<th>Strategy Elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three Categories:</td>
<td></td>
</tr>
<tr>
<td>* Strategic Aims (Category 1)</td>
<td>* Possible Strategic Outcomes (Category 2)</td>
</tr>
<tr>
<td>Common ground</td>
<td>Possible PPPs</td>
</tr>
<tr>
<td>Strategic elements in the public sector</td>
<td>Capacity building</td>
</tr>
<tr>
<td>Strategic elements in the private sector</td>
<td>Potential gains and impact</td>
</tr>
</tbody>
</table>

Table discussion:

Table 6.6 conceptualises strategic elements on the future development of PPP in South Africa. This construction resulted in a focussed perception of strategies within the public and private sector making a distinction between them. In the second category, strategies were entertained pointing at possible gains and impact that may result in greater capacity building within the idea of PPP development in the health sector. The last category stressed the point of importance to initiate PPP development at the correct governmental level, paying attention to the prerequisites identified for PPP formation and ensure risk transfer in the process of PPP development.
### TABLE 6.7 INPUT FROM DATA BASE TO STRATEGY ELEMENTS (4TH THEMATIC-CATEGORY STRUCTURE).

<table>
<thead>
<tr>
<th>Themes embedded in this Thematic-category structure</th>
<th>* Δ Interviewees input</th>
<th>% Interviewee input (n = 38)</th>
<th>* Δ Other documents (n = 32)</th>
<th>Total source documents in the row (Interviews plus other)</th>
<th>Input as a percentage (%) of all the source documents (n = 70)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity building</td>
<td>27</td>
<td>71.05</td>
<td>15</td>
<td>42</td>
<td>60.00</td>
</tr>
<tr>
<td>Strategic elements private sector</td>
<td>27</td>
<td>71.05</td>
<td>5</td>
<td>32</td>
<td>45.71</td>
</tr>
<tr>
<td>Potential gains and impact</td>
<td>29</td>
<td>76.32</td>
<td>3</td>
<td>32</td>
<td>45.71</td>
</tr>
<tr>
<td>Levels of governance</td>
<td>26</td>
<td>68.42</td>
<td>3</td>
<td>29</td>
<td>41.43</td>
</tr>
<tr>
<td>Strategic elements pub sector</td>
<td>17</td>
<td>44.74</td>
<td>5</td>
<td>22</td>
<td>31.43</td>
</tr>
<tr>
<td>Possible PPPs</td>
<td>11</td>
<td>28.95</td>
<td>3</td>
<td>14</td>
<td>20.00</td>
</tr>
<tr>
<td>Common ground</td>
<td>2</td>
<td>5.26</td>
<td>1</td>
<td>3</td>
<td>4.29</td>
</tr>
<tr>
<td>% Average Input</td>
<td></td>
<td>54.4</td>
<td></td>
<td></td>
<td>36.0</td>
</tr>
</tbody>
</table>

* Δ - Quantitative value indicator

**Table and input discussion:**

From Table 6.7 it may be argued that potential gain and the impact that PPP might have on the pharmaceutical sector of South Africa, were high priority when strategy for PPP development was considered. The low input in to theme 'Common ground' might be an indication of the importance to focus on the possibility of problems in so far perspectives exist among the public and private sector.

The following diagram illustrates the specific thematic-category structure and conceptualises the relationships thereof for the Strategy Elements (4th Thematic-category Structure):
The 4th Thematic-category structure:
Strategy elements

Research phase & Method description: Axial coding / Inductive approach

Data composition: One legal document (bill), Treasury regulations and nine themes (free nodes)

Developed Themes (Free nodes):
- Common ground
- Possible PPPs
- Levels of governance
- Strategic elements in the Public Sector
- Capacity building
- Prerequisites
- Strategic elements in the Private sector
- Potential gains and impact
- Risk transfer
- Strategic Aims
- Possible Strategic Outcomes
- Strategic Directives

For a diagrammatic conceptualisation of the 4th Thematic-category structure, which was originally assembled with the aid of the NVivo® explorer facility - See Appendix 24, p. 612.
6.4 SELECTIVE CODING - INFORMATION (3RD PHASE ANALYSIS)

The third and final phase of the qualitative inquiry entailed the consolidation of all the previous thematic-category structures into a single 'core thematic-category', or central thesis for this study. The fifth thematic-category structure conceptualises the central or core thematic-category and delivers the resultant central thesis for this study, which culminates into two core categories namely 'Prospect elements for PPP development' and 'Proposed generic PPP-model elements'.

6.4.1 PROSPECT AND PROPOSITION ELEMENTS (5th Thematic-category structure)

The 5th thematic-category structure consists of the disseminated information from the analysis with the aid of NVivo® version 2.2 software, using a 'selective' coding process. This thematic-category structure consists of themes representing the main theme of the thesis. The 'selective coding method' was used and inductively constructs the final theory to conceptualise a PGM.

Finally, the 5th thematic category structure (See Table 6.8, p. 236) inductively constructs and summarizes the central theme of this qualitative investigation. The final inductive qualitative research approach therefore also concludes the final phase of the qualitative grounded theory method used for this study. Therefore, the qualitative axial coding phase featured an 'inductive' approach to conceptualise the four thematic-category structures as pillars on which the outcomes of the last phase hinges.

The 5th thematic-category structure consists of the following data elements:

- The data from the formal literature study done in Chapter 2 and Chapter 3, i.e. theory, concepts, international and local perspectives;
- Also all the data selectively coded including the disseminated information of the axial coding process viz.:
  - disseminated information of the Causal Elements (1st thematic-category structure);
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- disseminated information of the Phenomena (2nd thematic-category structure);
- disseminated information of the Context Elements (3rd thematic-category structure):
- the disseminated information of the Strategy Elements (4th thematic-category structure).

The inductive process of analysis was used to create two categories namely:

- "Future prospects" and
- "Proposed generic PPP-model".

The two categories of this thematic-category structure were subjected to the selective coding process (an inductive approach) to construct the conclusive themes. The 1st category (Future prospects) was modulated commencing from three themes namely:

- Prospect views;
- Prospect expectations;
- Prospects on chances for success.

The researcher adapted the basic (conventional) elements of a general management system Cronje et al. (1987:73) in order to conceptualise the proposed generic model elements for the PGM. The 2nd category (Proposed generic PPP-model elements) was modulated commencing from five themes namely:

- 'Planning' components for PPP model construction;
- 'Organising' components in constructing a PPP model;
- 'Management' components in constructing the PPP model;
- 'Control' components to sustain the model.
- Implementation elements for a PGM.
Finally, all the data were used to create a compilation for the central themes of this research study. The final theme-category structure named 'Prospect and proposition elements for a PGM' is illustrated in Table 6.8:

**TABLE 6.8 PROSPECT AND PROPOSITION ELEMENTS FOR A PGM (5TH THEMATIC-CATEGORY STRUCTURE).**

<table>
<thead>
<tr>
<th>Prospect elements for PPP development (Category 1)</th>
<th>Proposed generic PPP-model elements (Category 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Prospect views</td>
<td>• Planning model elements</td>
</tr>
<tr>
<td>• Prospect expectations</td>
<td>• Organizing model elements</td>
</tr>
<tr>
<td>• Prospects on chances for success</td>
<td>• Management model elements</td>
</tr>
<tr>
<td></td>
<td>• Control model elements</td>
</tr>
<tr>
<td></td>
<td>• Implementation elements for a PGM</td>
</tr>
</tbody>
</table>

**Table restatement:**

The central theme of this study is conceptualised in the 5th thematic category structure elucidating the outstanding prospects for PPP development and the management model elements of a PPP in the pharmaceutical sector of South Africa. The detailed contents of each theme are attached as Appendix 2.

Refer to Appendix 6., pp. 503 – 552 for the detailed report on the disseminated information of the 5th thematic-category.

**Input disseminated information summary:**

A comparison of the input data to the axial- and selective-coding phases:

(See the next page)
TABLE 6.9 RESEARCH DATA CODED MAKING USE OF A GROUNDED THEORY METHOD

<table>
<thead>
<tr>
<th>First phase: Axial coding</th>
<th>Second phase: Selective coding</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Deductive grounded theory construction)</td>
<td>(Inductive grounded theory construction)</td>
</tr>
<tr>
<td>• The 38 transcriptions typed of interviews.</td>
<td>• Literature on: General Theory and Concepts (Thesis - Chapter 2).</td>
</tr>
<tr>
<td>• Ten text files representing South African National Treasury PPP Guidelines.</td>
<td>• Literature on: International and Local perspectives (Thesis - Chapter 3).</td>
</tr>
<tr>
<td>• Eight text files comprising of e-mail newsletters <a href="mailto:druginfo@healthinfo.org.za">druginfo@healthinfo.org.za</a></td>
<td>• Data representing all the axial coded disseminated information from the 1st thematic-category structure (Causal elements).</td>
</tr>
<tr>
<td>• Three text files comprising of PSSA newsletters.</td>
<td>• Data representing all the open and axial coded disseminated information from the 2nd thematic-category structure (Phenomena).</td>
</tr>
<tr>
<td>• Three PSSA documents (minutes of annual general meeting and circulars).</td>
<td>• Data representing all the open and axial coded disseminated information from the 3rd thematic-category structure (Context elements).</td>
</tr>
<tr>
<td>• Five rich text files on government and semigovernment policy, announcement in parliament, acts and regulations.</td>
<td>• Data representing all open and axial coded disseminated information from the 4th thematic-category structure (Strategy elements).</td>
</tr>
<tr>
<td>• Six other documents collected from e-mail circulars on various inputs.</td>
<td></td>
</tr>
</tbody>
</table>

The original free themes were (in the open coding phase) constructed by means of a qualitative deductive analysis approach and the thematic-category structures were thereafter inductively constructed (converted) into rational structures (axial coding phase). The constructions of the thematic-category structures were based on logical cognitive reasoning.

An illustration of the divide of data input for the axial coding phase in relation to the selective coding phase of this study, are presented as a diagram of thematic-category structures and the themes relating to each thematic-category structure. The differences between the axial and selective coding phases are illustrated in the following diagram:
FIG 6.6 ILLUSTRATION AND COMPARISON BETWEEN THE AXIAL AND SELECTIVE CODING PHASES OF THE STUDY:

The Axial Coding Phase (Quality deductive approach in analysis)

1st Node-model structure
Casual Elements
Categories:

- Legislation and Policy
- Drivers

1nd Node-model structure
Phenomena Elements
Categories:

- Background to PPP prospects
- Negative phenomena
- Positive/Dynamic phenomena
- Urgent or pressing factors

3rd Node-model structure
Context Elements
Categories:

- Legislation
- Perception and Context
- Strength and Weaknesses
- Sustainability of PPPs

4th Node-model structure
Strategy Elements
Categories:

- Strategic Aims
- Possible Strategic Outcomes
- Strategic Directives

The Selective Coding Phase (Quality deductive approach in analysis)

5th Node-model structure

Category 1
Prospects for PPP development
Themes:

- Views
- Expectations
- Chances for success

Category 2
Proposed generic PPP-model
Themes:

- Planning
- Organization
- Managing
- Control
- Implementation
A diagrammatic summary of the resultant thematic-category structures in this inquiry:

All the disseminated information, from the data analysis in the open coding phase, was re-assessed with the aid of NVivo® version 2.2 modulated and re-analyzed.

The following five thematic-category structures were constructed during the axial coding phase and the diagrams illustrate the specific thematic-category structure relationships. These structures were discussed in detail in Chapter 6:

The following diagram illustrates the specific thematic-category structure and conceptualises the relationships thereof for the Prospect and Proposition Elements (5th Thematic-category Structure):
FIG 6.7 PROSPECT AND PROPOSITION ELEMENTS (5TH THEMATIC-CATEGORY STRUCTURE)

The 5th Thematic-category structure:
Prospects and Proposed Generic PPP Model (PGM)

Research phase & Method description: Selective coding / Inductive approach

Data composition: All the themes (free nodes), interviews, other documents & literature study

Developed Themes (Free nodes):

Prospect views
Prospect expectations
Prospects on chances for success

Developed Categories:

Prospects for PPP development

Central thesis

Proposed General PPP Model (PGM)

Planning model elements
Management model elements
Control model elements
Model implementation elements

For a diagrammatic conceptualisation of the thesis deployment structure, which was originally assembled with the aid of the NVivo® explorer facility - See Appendix 25, p. 613.
CHAPTER RESTATEMENT

This chapter reported on the disseminated information of the open coding phase, the axial coding phase, and the final selective coding phase of the data analysis. References to the management process of the data and information were conceptualised.

Raw data used in the initial open coding phase were listed. The original source documents and audiotapes of the interviewees are kept in custody and can be made available under special circumstances pending ethical considerations.

The chapter contains the disseminated information of the axial coded data, indicative of four thematic-category structures inductively constructed using the grounded theory method and were named and conceptualised as follows:

- The Causal elements thematic-category structure;
- The Phenomena thematic-category structure;
- The Context thematic-category structure;
- The Strategy thematic-category structure.

Detailed descriptions of the disseminated information from the coding phases are presented in the appendix and cross-references are provided for easy access of the detail.

The framework for the 5\textsuperscript{th} thematic-category structure (prospects and PPP model elements) was conceptualised in the concluding stage of the chapter. The disseminated information of the last thematic-category structure (5\textsuperscript{th} structure) represents the central theme of this study. The key elements of the envisaged prospects and a proposed generic PPP-model for PPP development were reported on.

The final and conclusive report (outcomes, results and recommendations) will be entertained in Chapter 7.
7.1 INTRODUCTION

In conclusion, the prospects for PPP development in the South African health care sector and the findings on PGM model development will be conversed. This narrative therefore represents the conclusions and a précis of the results attained, emerging from the primary open coding phase (first phase), the axial coding phase (second phase) and the selective coding phase (final phase). This chapter concludes this inquiry. Several research questions were identified in the commencement of this study and the objectives for the investigation were posed. The conclusion, results and recommendations thereon will be presented here. The limitations to this study will also be noted in this chapter.

7.2 RESULTS

The conclusions from the qualitative inquiry are summarised as follows:

7.2.1 Future prospects for PPP development

Detailed outcomes of the analysis (selective coding phase) on the prospects for PPP development in South Africa were conceptualised from views, expectations and chances on success and are concluded as follows: (See Appendix 6, p. 503 for detailed report).

7.2.1.1 Prospects from views

Prominent positive prospects from views were:

Positive views on prospects for PPP development of participants taking part in the investigation were summarised as follows:
From the literature a positive report on prospects pointed towards the possibility of "social capital" development or local community development, by means of trustworthy, reciprocal relationships, which bind individuals, groups, communities and society together (Walzer & Jacobs, 1998:5).

A positive prospect is reflected from the view of the South African National Treasury playing an important role in integrating the two distinctive markets (public and private), by imposing a strategic framework that presents a package of integrated reforms in order to strengthen the prospects by enabling the environment to act in support of PPPs (South African National Treasury, 2001:5).

A positive prospect in new legislation enables the public sector to become a "juristic person". This aspect facilitates the establishment of PPPs in the pharmaceutical sector of South Africa.

Pharmacists in South Africa according to Gray (2005), embrace the idea of Primary Care Drug Therapy (PCDT) reflecting on the potential of increasing primary care service delivery through joint ventures with the public sector that could result in a significantly increased capacity by means of the mobilisation of the private pharmaceutical sector.

It was evident from the study outcomes that views reflected by the participants above were positive by nature and in essence reflect positive prospects on PPP development as a solution to the negative threat of service delivery that is becoming unsustainable in both the public and private sectors.

Prominent views on negative prospects:

Some participants however, portrayed negative views on future prospects for PPP development and were summarised as follows:

- Various negative views posed by participants were influenced by experiences of failures in the past, resulting in the status quo of the private pharmaceutical sector being totally excluded from delivery of services to the public sector since the termination of the 'Impress system' in the Free State.
Chapter 7: Conclusive report, results, recommendations and limitations

- Negative perceptions in the one sector of the other possibly resulted in a negative prospect of one sector “blaming” the other rather than a perception of “ownership by each other” at managerial level (Herbert, 2004).

- Views such as, the perception of the South African Treasury department upholding “massive or largely complex contracts” is regarded a major obstacle in the development of PPPs bringing forth negative prospects for future PPP development.

- Other views affecting prospects in a negative way, were views from smaller and individual companies not being able to compete with big BEE companies; the “resistance to change” noticeable in the public sector; elements of bureaucracy in the public sector and especially the element of ‘mistrust’ in respect of both sectors of one of each other.

7.2.1.2 Prospects from expectations

Participants in both sectors upheld various expectations with regard to future prospects in PPP development. The most prominent prospects were:

A overarching prospect shared by both sectors was embedded from the expectation as foreseen that an increased economic base will be a result, when the population base for service provision increases. This will happen as an end result of a shift of service delivery from the traditional white or medical aid insured population, to the total population of South Africa. A spectrum of expectations in both sectors is concluded as follows:

- Improved access to health services of the under-served population;
- Improvement of the quality of pharmaceutical health care;
- More cost-effective means of providing pharmaceutical health services;
- The generation of additional health resources for the public sector;
- Choice enhancement to patients making use of health care services;
- Improvement of urban economies;
- The improvement of the current resources and health care infrastructure;
- Reversal of the diminishing number of pharmacists in rural townships;
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- To reach the objectives of the 'Batho Pele' policy framework;
- The over turn of the current status of 'mistrust' in the spirit of 'letsema' (collaboration);
- Promotion of previously disadvantaged pharmacists;
- The belief that the 'overcrowding' aspect in terms of quality of care may improve;
- A prospect of utilization of a number of well-equipped pharmacy based private clinics;
- Advancements by means of risk transfer;
- Improvement of the availability of scarce pharmaceutical skills in the public sector.

7.2.1.3 Prospects on scope for success

Prerequisites were concluded for success and were highlighted by marketing concepts such as the necessity of pure competition which may represent a major driving force in the viability and/or feasibility of PPP developments. Another prerequisite for success was the ability of partners in PPP developments to deal with complexity as to achieve a way of co-coordinating various activities, perceptions and strategies within the context of such partnerships.

The results from the prospect analysis for success reflected polarization. Views and opinions from the participants were divided on the chances of the successful development of PPPs particularly in the South African health care environment. The majority of participants portrayed a negative view when it comes to their predictions of the scope for success.

Prospects promoting the scope for success:

- The South African government demonstrates the commitment to make PPPs a viable option for delivering public services (South African National Treasury, 2001:10).
- Some consistency in changes to sector-specific legislation demonstrate some scope for success and drive towards the development of PPPs in the South African health care environment.
Chapter 7: Conclusive report, results, recommendations and limitations

- The promulgation of South African National Treasury Regulations in terms of the Public Finance Management Act, 1999, which applies to national and provincial government departments for the development, procurement and management of PPPs, cast positive zest to the views on scope for success.

Prospects not promoting the scope for success:

As mentioned the majority of participants were not positive on the scope of successful development of PPPs in South Africa and the most prominent views were summarised. Some prominent negative views on development of PPPs were the following:

- In the context of GEAR and government policy, it is unlikely that there will be a marked increase in future budgets for the development of PPPs according to Labuschagne (1998:133).
- By implication, the shortage of State funds will not contribute to the successful development of PPPs. Alternative ways of funding from the private sector are necessary.
- The viability of PPP developmental engagements in smaller pharmacies are bleak compared to bigger pharmaceutical businesses since the former lack big capital and the incentives obtainable to BEE-companies.

The participants observed the following legislative obstacles:

- Legislation currently confines the pharmacist to a single pharmacy;
- Lengthy bureaucratic processes and restrictive legislation were accentuated by the participants;
- Legislation that prohibits the pharmacist from working in a group practice with a general practitioner was conceived to represent a barrier;
- In terms of regulations the use of medicine procured by the public sector for use in the private sector is barred and was perceived to impact negatively on the scope for success;
- Different legislative pricing structures with reference to the acquisition costs of medicine in the different sector were perceived in a negative sense;
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- The South African National Treasury Department's stringent regulations, guidelines, budgets and protocols in the early phase of PPP registration, were perceived as being difficult to meet;

- The lack of trust in both sides of the different sectors is not conducive to successful PPP development.

Conclusion:

From the results, it are concluded that the prospects for PPP development in the South African healthcare environment appears to be bleak, and that several barriers need to be removed as a prerequisite for successful PPP development in the pharmaceutical sectors. Capacity building within the sphere of pharmaceutical service delivery to the larger population of South Africa may become sustainable on removal of these barriers.

7.2.2 Proposed generic model (PGM)

In conclusion, the 'PPP Unit' vested within the South African National Treasury Department already conserved guidelines and regulations for the establishment of a formal PPP. The official South African National Treasury model is seen as the benchmark for PPP development and a detailed report on the proposition of a proposed generic PPP model in the pharmaceutical sector of South Africa is described and attached to this thesis as Appendix 6 pp. 519 – 552.

Therefore, in conclusion the results on proposing a PGM for the South African healthcare environment is summarised as follows:

7.2.2.1 Fundamentals to the PGM

PPP development in the pharmaceutical sector of South Africa should be viewed in context within its complexity of political make-up, unique social democracy and cultural mix. Out of the four (4) types of PPP arrangements in terms of the DOH's policy, only two (2) offers possibilities to pharmacy viz.:

- The "purchased services" route;
- "Outsourcing agreements".

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The basic pillars for the proposition of a generic PPP model were adapted from Cronje et al. (1987:73) in terms of archetypal elements of a general management system:

- 'Planning' components for PPP model construction;
- 'Organising' components in constructing a PPP model;
- 'Management' components in constructing the PPP model;
- 'Control' components to sustain the model.

Finally, some components (in terms of possible services) for implementation by means of the PGM will be summarised accordingly.

**7.2.2.2 PGM planning components**

Firstly, the planning phase should incorporate the principles and objectives of the South African National Treasury Department’s PPP Task Team.

The partnership should constitute and demonstrate the following key elements:

- Affordability;
- Value for money;
- Appropriate risk transfer.

Planning the partnership should reflect the following stages:

- A pre-development stage;
- A negotiation stage;
- An agreement stage;
- An evaluation stage.

External transaction advisors need to be identified and the planning implications for the project (partnership) manager entails three steps for planning the venture within the framework legislation and policies of Local and Provincial Government, viz.:

- Identification of the goals for the partnership;
Chapter 7: Conclusive report, results, recommendations and limitations

- The design of a range of mechanisms for achieving necessary linkages in order to structure the partnership;
- Regularly review and plan purposes and progression of the partnership.

Additional elements of the PGM needs thorough planning and are the following:
- The planning of a feasibility study for the partnership;
- Planning a detailed inter-phase of the public and private sector IT-systems;
- Planning the partnership to comply with the Broad-based Black Economic Empowerment Act (53/2003);
- Planning the funding structure and financing arrangements;
- Planning and design the partnership to produce a positive local socio-economic impact, which allows for cognisance of relevant Integrated Development Plans.
- Planning the engagement of all the relevant stakeholder of the joint venture;

The main thrust of the planning therefore focused in the national department, any provincial departments or any municipality that may enter into an agreement with any private practitioner, private health establishment or non-governmental organisation in order to achieve the objects of the legislation.

Planning must ensure that the partnership’s final agreement comply with the Public Finance Management Act, 1999 (Act No. 1 of 1999), or any municipal finance management legislation, as the case may be.

7.2.2.3 PGM organising components

Organising the PGM should emphasise mutuality and trust as the key ingredients of the partnership.

Organising the partnership should reflect the following components:
- Guiding principle and policies;
- Communication systems;
- Human resources, training and labour transition issues;
• Training of human resources and a system of accreditation for pharmacists that will be allowed to deliver the required services;

• A legal division for the arrangement of the legal issues;

• A financing division for procurement of private financing of the partnership;

• An IT division for the running of technical requirements and related processes.

• Cross-sectoral minimum contractual provisions for the PPPs must be prescribed and organised in accordance with SA, Treasury (2001:10) guidelines.

• Adherence to the South African National Treasury Department’s guidelines (SA Treasury, 2004), which offers a code of Good Practice within which certain elements of the model should be organised. (It systematically guides public and private parties through the phases of the regulated PPP project cycle for national and provincial government, unpacking policy and providing procedural clarity as it does so).

7.2.2.4 PGM management components

Several aspects of partnership management were identified in the study. The crucial elements of managing the PGM is summarised as follows:

• Early human resource and labour related discussions should be managed, such as discussions with the different levels of labour and the trade unions;

• Accountability and responsibilities must be managed, internally and externally on aspects with political, legal and constitutional dimensions;

• Resources should be managed to meet the specific goals;

• Output measurement should be managed in terms of the PPP agreement;

• Management of monitoring, regulating of performance criteria in terms of the agreement;

• Facilitators should be used to facilitate "change management" in the course of partnership development;

• Electronic stock holding by means of IT systems, should be managed and form part of specialised management of a generic PPP model;
Chapter 7: Conclusive report, results, recommendations and limitations

- Management of appropriate interaction with public-private forums (established by the provincial government) need to be integrated in the management of the PGM;

- Managing and the development of “a network” of private sector pharmacies that do not necessarily have a major shareholding in the joint venture;

- Managing a medicines formulary and the management of negotiations with medical aid schemes, targeting certain populations in order to provide pharmaceutical health care services;

- Service delivery management should constitute part of the generic PPP model and involves aspects such as:
  - Risk management and;
  - Performance management.

7.2.2.5 PGM control components

The contents of this section specifically focus on aspects of ‘measurement’ and ‘monitoring’ of the sustainability, performance and output of the generic PPP model, as follows:

- The over arching controlling functions for auditing of the partnership lie in the hands of the Auditor-General (Section 3 of the Auditor-General Act, 1995);

- Control elements for measurement and monitoring in the PGM should include:
  - A procurement procedure in accordance with a system that is fair, equitable, transparent, competitive, and cost-effective;
  - A preference for the protection or advancement of persons, or categories of persons disadvantaged by unfair discrimination, in compliance with relevant legislation.

- The construction of a Public Sector Comparator (PSC) once the structure of the project has been established, for use as a tool to control the PGM and implies, risk-adjusted costing, by the public sector as a supplier, to an output specification produced as part of the PPP procurement exercise;
- Regular meetings and peer review sessions in conjunction with the administrative staff of the public sector in order to control and reach agreement on the standards of service delivery on a continuous basis;

- Modern technologies used by the banking sector, such as integrating a smart card system, would enable the generic PPP model to advance medicine supply control systems;

- All vested interests between the different role players should be declared in order to control possible ill effects thereof;

- A control system over intellectual property in the process of applying for the establishment of a PPP should be in place, as there is a risk of losing the intellectual property to some other competitors;

- Control should be instituted by obtaining approval from the Competition Commission prior to the launch of a joint venture between the two sectors;

- Performance monitoring systems established in the PGM to control and sustain performance.

### 7.2.2.6 PGM implementation components

For the implementation of the PGM, certain pharmaceutical services are considered in order to establish a feasible PPP. The services identified were the following:

- A dispensing service to the public sector on an agency basis;

- Pharmaceutical services such as public health, counselling and medicine control services in public sector clinics;

- Primary health care services may be considered to be re-introduced in order to benefit public health by making use of the already developed skills;

- The "carving out" of other related pharmaceutical services such as HIV/AIDS (VCT)-services, or the primary care management of sexually transmitted diseases (STDs), that form part of Primary Care Drug Therapy;

- The supply of chronic medication to public sector patients;

- Pharmaceutical benefit management by PBMs;

- Pharmaceutical administration and IT-technology services;
The private sector to manage the pharmacy within hospitals or within the public sector clinics;

- The ‘pre-packing’ of medicine into ‘patient-ready packs’ for distribution via the depot on provincial level;

- Consultant pharmacists who work with the public sector on an ad hoc locum basis for agreed time periods;

- The distribution of medicine procured by the public sector;

- Specialised pharmaceutical services such as:
  - Managed pharmaceutical care;
  - Drug utilisation review;
  - Pharmacoeconomics;
  - Evidence-based medicine;
  - Pharmacoepidemiology;
  - Disease management.

Conclusion:

From the study results, the above layout, serves as a proposition for the development of a proposed generic model in the pharmaceutical sector. It may also serve as inter-phase between the public and private sectors of the South African health care environment.

These findings conclude the main objectives of the qualitative investigation. The outcomes of the specific objectives for the study will be summarised as follows:

7.2.3 Elements and factors rooted in PPP development

All the available research data were analysed qualitatively. The elements and factors rooted in PPP development were conceptualised by means of three phases of analysis using the qualitative grounded theory approach:

- The open coding phase – Fifty themes were constructed and described, which are representative of the primary data elements rooted in PPP developments.
See Appendix 3, p. 287 and Appendix 4, p. 289 for the in-depth discussion of the open coding phase results.

- The axial coding phase – Four thematic-category structures were constructed, which are representative of the secondary data elements conceptualising the causal factors, phenomena, strategic factors in the specific context of PPP development in the South African health care environment. (See Chapter 6, pp. 210 – 234).

- The selective coding phase – One thematic-category structure was constructed, which are representative of the central thesis of the qualitative investigation conceptualising the future prospects and a proposed PGM for the South African health care environment. (See Chapter 6, pp. 234 – 241).

Conclusion:

All the elements and factors associated with PPP development were described in detail under the relevant sections as were referred to above. This concluded the first specific objective of the investigation. A synopsis of the future prospects and a framework for a proposed generic model were conceptualised from these elements and factors. (See par. 7.2.1, p. 242 and par. 7.2.2, p. 247)

7.2.4 PPP trends, theory and concepts

Detailed findings on the trends, theory and fundamental concepts of public-private partnerships are described, as:

- General trends, theory and concepts in Chapter 2 (pp. 16 – 90).

Conclusion:

This specific aim was reached by means of a description of the trends, theories and concepts in Chapter 2 from the literature study. This aim and the results thereof were also integrated in the qualitative investigation, in order to arrive at the final proposition for a PGM that fits the pharmaceutical sector of South Africa. It was found that many concepts in the international context were also applicable to the South African situation.
7.2.5 International and local perspectives of PPPs

Chapter 3 (pp. 91 – 163) represents a detailed narrative on the international and local (South African) perspectives as conceptualised from literature. Ten international countries were scrutinised and described using the same focus points for each country. Thereafter the narrative focussed on the South African perspective and concluded this specific objective of the study.

Conclusion:

A synopsis of the history, current standing (status) and development of PPPs in the mentioned countries were conceptualised. The South African perspective and the status of PPP development locally was compared to the international perspective looking at ten other countries. Internationally PPPs have been developed in many countries in the context of radical programmes of “new public management” reform, a phenomenon argued to add up to a “new global paradigm” (See Chapter 3, p. 91). Compared to South Africa the following findings may be noted:

- In South Africa the establishment of the IDTT in 1997, possibly represents the first official government intervention on starting planning initiatives for PPP development. This is a delayed development if compared to other countries, such as the United Kingdom, where PFI programmes were established in 1992.

- As far as new developments are concerned, South Africa released a revised edition of the Health Charter in 2005, affecting transformation in the health sector on the level of, access, equity, quality of health services and the fortification of the BEE coercion.

- Compared to the UK, endorsing the Private Finance Initiative Treasury Task Force in their National Health Service, the South African National Treasury also provides guidance in the form of developing and maintaining South African National PPP guidelines.

- The most significant perspective on the level of PPP development in South Africa is probably the underpinning of the South African PPP guidelines in terms of legislation, such as the Public Finance Management Act, which articulates with the Municipal Finance Management Act (Act 56 of 2003) at local government level.
7.2.6 Philosophy and method

A specific objective for the investigation was reached by compiling Chapter 4 (pp. 164 – 183) on the philosophy of the method used for this investigation.

Conclusion:

The philosophy of the qualitative method and in particular the grounded theory approach of qualitative analysis was described. Recognising the nature of the research data and the complexity of networking in joint ventures such as PPPs, the qualitative approach offered an appropriate method for this investigation.
7.3  RECOMMENDATIONS

In this section, recommendations on the findings of this study cluster under the following headings:

- The expectations recognised;
- The scope (of prospects) conceptualised;
- Future research.

7.3.1 Recommendations from views

Participants in this study hailed specific views and recommendations based on these views as follows:

- It is imperative to promote teamwork, thereby imposing a spirit of mutual ownership and coerce co-operation when the public- and private sector engage in a future joint venture.

- Interviewee 15/2002 par. 457 regarded the elements of bureaucracy, distrust and arrogance in the public sector, a critical issue, which is negatively affecting the prospects of PPP development in South Africa. It is recommended that this needs to be corrected or altered before significant advancement can be facilitated.

- It is recommended by interviewee 36/2004 par. 99 and par. 33 that the South African Treasury revise the "massive and largely complex contracts" that are required in order to initiate the venture at private sector pharmacy level, as this was regarded to be a major obstacle in the development of PPPs.

- The investigation of means, in order to improve the possibility of involving smaller companies, individuals and micro level pharmacies in PPP developments, since only large BEE companies is favoured to enter into these types of joint ventures with the public sector at the time of the study as explained by Interviewee 6/2002 par. 33.

- It is recommended that the public sector pharmacists in practice be made part of future strategic planning of the delivery of public sector pharmaceutical services and
that the decision taking process be expanded to include input and participation of public sector pharmacists working at various levels in the public sector.

- Interaction at the level of the Board of Health Care Funders (BHF), with members from the pharmaceutical sector. The proviso being that members of the pharmaceutical sector should have no vested interests. The DOH, the Medicines Control Council (MCC) and members of the Financial Department of the DOH should be considered in this regard, as it may lead to a dynamic and/or positive outcome in PPP development in the pharmaceutical sector of SA.

- It may be recommended to combine the number of public sector clinics (approximately 2,300 clinics) in partnership with the public sector hospitals (approximately 343 hospitals) and community pharmacy pharmacies (approximately 2,500 pharmacies) into a PPP structure. It would result in approximately 2,500 additional primary health care contact points as estimated by interviewee 18/2003 par. 25.

- Pharmacists in community pharmacies contracted to deliver pharmaceutical services such as public health, counselling and medicine control services where the public sector does not employ pharmacists because of lack of capacity.

- With reference to interviewee's 11/2002 opinion (par. 481), it is recommended that the possibility of enacting the potential capacity of increased primary care service delivery, by means of joint ventures with skilled pharmacists in primary care drug therapy that could result in a significant increase in the public sector's capacity.

### 7.3.2 Recommendations on expectations

Participants in this study fostered specific expectations and recommendations on these expectations were the following:

- It is recommended that the organised pharmaceutical sector participate in a macro-level development plan in a bid to establish a PGM initiative that will include the micro-level pharmacies in order to place them on par with macro-level corporate type pharmacies (refer to interviewee 28/2004 par. 22).

- The organised pharmaceutical sector should, plan to meet the expectations of the BEE Act in order to address the economic empowerment of all black people,
including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies.

- The negative perceptions currently perceived by the private sector with regard to the public sector and vice versa should be managed and changed in order to enable both sectors to engage in the complexity of joint ventures in future.

- Future relationships between the public and private sectors should be pursued and driven in the spirit of 'letsema' (collaboration) as foreseen by the South African Government's Parliamentary Cabinet (2003), seeking a co-operative relationship among all sectors.

- The SAPC should continue the endeavour to promote fast tracking of public/private partnerships, since this may contribute to the PPP development in the country (refer Du Toit, 2003).

- It is recommended that all role-players should endeavour closing the gap between acquisition costs of medicine in both sectors, which will favour the opportunities for joint ventures to be initiated between the private, and public sectors (refer interviewee 11/2002 par. 199).

- The services identified in the study need consideration during PPP implementation (see par. 7.2.2.6).

7.3.3 Recommendations on scope for success

The participants in this study noted specific prerequisites for successful PPP development in the South African environment and recommended as follows:

- It is recommended that the principles of pure competition must be considered for PPP development as it would ensure a contestable market, which is open, or potentially open to all suppliers (refer Sperling & Parslow, 1999:21).

- It is likewise recommended that perceptions, interests strategies and goals of the public and private sectors need to be co-ordinated respectively in order to harmonise their different perceptions and strategies, which can conflict with each other (Klijn and Teisman 2000:90).

- The polarisation between the different health professions be managed and co-operative relationships facilitated, in order to address the dilemma in government in
a positive manner, which caused a breakdown in the communication processes at the time of the study (refer interviewee 11/2002 par. 566).

- The accessibility to the minister’s office by the organised pharmaceutical profession should be improved and normalised in order to restore good communication at this level (refer interviewee 18/2003 2003 par. 90).

- A major obstacle exists insofar that legislation confines pharmacists to a single practice. It is recommended that the particular legislation should be scrutinised and revised (refer interviewee 20/2003 par. 58).

Other implications of restrictive legislation should likewise be scrutinised and revised.

The following aspects should be included in the review process:

- Bureaucratic processes and restrictive legislation confining the pharmacist to his pharmacy were accentuated (refer interviewee 25/2003 par. 142).

- Legislation which prohibits the pharmacist from working in a group practice with a general practitioner (refer interviewee 9/2002 par. 114).

- Regulations barring the use of medicine, procured by the public sector from use in the private sector (refer interviewee 10/2002 par. 79).

- The different pricing structures within the public and private sector should be investigated and harmonised in order to produce an environment conducive to PPP development (refer interviewee 10/2002 par. 80).

- The stringent guidelines and complicated protocols set by the South African National Treasury revised and simplified promoting the access of the micro-economic pharmaceutical sector in PPP developments.

- It is strongly recommended that the lack of trust between the public and private sector should be scrutinised, managed and normalised in order to induce a climate conducive to PPP formation in the health care sector of South Africa (refer to interviewee 15/2002 par. 467 and interviewee 34/2004 par. 76).
7.3.4 Recommendations for future research

Throughout the study a single NVivo® ‘free node’ was used for the gathering of pressing research questions, which were perceived to be of co-importance, but were outside the scope of this investigation. A total of thirty-three unresolved research questions were compiled this way and included research questions on the terrain of the following aspects of the PPP milieu:

- Statistical information;
- Services and service levels;
- Cost-effectiveness and efficiency;
- Infrastructure;
- Previous research and inter-subjectivity;
- Compliance with the National Health Bill;
- Viability and sustainability;
- IT technology and infrastructure;
- Needs of the parties involved;
- Pricing systems;
- Collaboration;
- Capacity building;

A detailed description on the essence of the research questions is presented in Appendix 26, (p. 614).
7.4 LIMITATIONS TO THIS STUDY

The following limitations and shortcomings of this research project were noted:

- **Sample bias:** The snowball sampling method used in order to identify the interviewees (role players) and targeting of individuals to partake in this investigation. In contrast to the random sampling method, this qualitative sampling method may inherently lead to some bias in obtaining the data from the study population.

- **Interviewee bias:** The opinions of the interviewees may become influenced by the interviewee's personal characteristics, such as in which sector the interviewee functions, attitude, and personal preferences or views in respect of the development of PPPs.

- **Interviewer bias:** Although the researcher has endeavoured to minimise bias by using a semi-structured interview schedule and making use of open-ended questions, some limitations to the method may still be of essence. Making use of the snowball sampling method leaves the discretion of making the final choice on sampling the interviewees solely to the interviewer, who might follow the wrong leads unintentionally. The interviewee might fail to probe or to probe sufficiently properly during the course of the interviews, and may be using too much topical control, and/or loading the probe. Lastly, more references to the frequency of events would have offered better protection against over generalisation of reporting events and regarded as a limitation to the reliability of this report.

- **Interpretation and reporting:** An argument raised during the interviews can easily result in a false view if the evidence is not dealt with fully and fairly. The researcher has personally experienced that the interviewee's interpretation of the open-ended questions and the interviewer's interpretation of the arguments might be influenced by vested interests on both the sides of the interviewee and the interviewer.

- **Time span:** It was not possible to interview all the participants in a narrow time-span, which may be a constraint. The interviews were completed over a period of three consecutive years (2002 to 2004). Perceptions and information could be
influenced because of the laps of time between interviews. (See bottom part of the interview time log sheet Appendix 2, p. 285 for breakdown in time span).

- **Others:** Financial constraints resulting in limiting the interview process are viewed as a limitation to the research.

### 7.5 CHAPTER RESTATEMENT

The conclusive research report and results is contained in Chapter 7. Conclusions were made on the research question and on the research objectives for this study.

The prospects for the development of PPPs in the pharmaceutical sector of South Africa were conceptualised. A proposition for a generic PPP model was fronted for the South African health care environment. Reference and conclusions were made on the results and the outcomes of the specific objectives for this study. Recommendations resulting from the prospects were identified and discussed. Finally, the limitations to this study were noted.

The research question has been answered therein and the main research objectives reached. Chapter 7 concludes the study.
ACTS see SOUTH AFRICA.


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APPENDIXES

Appendix 1  Interview protocol (Information & questionnaire)

Researcher:
Johan C. Lamprecht


The interview forms part of the initial qualitative research phase in order to conceptualise the viability and prospects for pharmacy in Public-Private Partnerships (PPP) in the SA health care environment. A specific objective is to conceptualise the subjective “meaning” of PPP’s in the pharmaceutical sector as “constructed” by identifiable role players or opinion formulators.

b)  The Interviewer
Mr Johan C. Lamprecht, a senior lecturer in the Department of Pharmacy Practice at the Potchefstroom University for CHE will conduct the interview as part of his research for a PhD-degree in the Faculty of Health Science, School of Pharmacy in Potchefstroom.

c)  Method of interviewing
The researcher chose to make use of a semi-structured interview, in order to collect data from identifiable role-players and opinion formulators in the SA health care sector. The interview will consist of an open-ended discussion using a set of semi-structured themes, on which the researcher would like to gather the interviewee’s opinions and views, considering his/her unique field of expertise and realizing their unique working environment. The interviewee should feel free to discuss any other particular area of interest relating to his/her own experience or knowledge regarding the research topic. The interview will be taped on audiotape, and later transcribed for the purpose of analysis. However the respondents will not be individually identified or named without prior consent.

d)  Key Research Questions
The Key questions centre around four themes namely:
- The interviewee’s personal vision on the research topic or any vision held by other role-players or opinion formulators known to the interviewee.
- Any driving forces towards PPP-formation known by the interviewee.
- Strengths and weaknesses of the different sectors under research.
- Potential gain that may be anticipated.

e)  Other Probes
The discussions may centre on the interviewee’s personal experience, personal views, personal knowledge or general opinions on these matters. Open discussion is invited and any contribution or input is welcomed and considered to be of good worth.

f)  Confidentiality
Whilst the information obtained from the interview will be used as part of the research, no respondent will be identified as explained above.
Tell me about future prospects for pharmacy concerning PPP's in South Africa?

YOUR VISION
What must PPP's do?
Who must be involved
When?
Where Should PPP's be considered?

DRIVING FORCES
Who are the role-players?
What/whom is the driving forces?

STRENGTHS & WEAKNESSES
Public sector?
Private sector?
Of role-players?

AND have you got any ideas on any of the following?

POTENTIAL GAIN
Public sector?
Private sector (pharmacy)?
General public?
South Africa?

WOULD YOU LIKE TO ELABORATE ON ANY OF THE FOLLOWING?

1. Processes and/or progress?
2. Trends?
3. Concepts?
4. Models?
5. Critical factors or issues?
6. Barriers?
7. Expectations?
8. Sectorial perspectives of one another?
9. At what level should collaboration take place?
10. Opportunities?
11. Capacity building?
12. Viability?
13. Impact?
14. Meaning?

ANY OTHER IDEAS OR COMMENTS
## Appendix 2

### Interviews – Time log sheet

**INTERVIEWS – TIME LOG SHEET**

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PPPs: A qualitative approach to prospects for pharmacy in the South African health care environment
### Appendix 2: Page 2 of 2

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- **Total Seconds:** 135810
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- **Total hours of audio tape:** 37.725
- **Average time/interview:** 0.992763

- **Total interviews in 2002:** 16
- **Total interviews in 2003:** 9
- **Total interviews in 2004:** 13
- **Total interviews:** 38

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Appendix 3  Free Node (theme) listing

FREE NODE (THEME) LISTING

Aims - Pub & Private sector
ARVs
Background
Barriers & Constraints
Capacity building
Challenges
Collaboration
Common ground
Concepts
Critical issues & Key Factors
Debates
Definitions
Driving forces
Economics
Expectations
Failures
Interactions Private & Public sectors of SA
IT-systems
Key Issues
Critique
Legal matters
Levels of Governance
Models
Motivations Public & Private
Needs assessment
Opportunities
Perspectives, which the Private sector contain of the Public sector
Perspectives, which the Public sector contain of the Private sector
29 Policy
30 Possible PPPs
31 Potential gains & Impact
32 Pre-requisites
33 Private sector strengths and weaknesses
34 Processes
35 Progress
36 Prospects
37 Public sector strengths and weaknesses
38 Questionnaire
39 Research Future
40 Risk Transfer
41 Role-players
42 Strategy - Private
43 Status quo
44 Strategy - Public
45 Threats to Private
46 Threats to Public
47 Trends in Public and Private sectors
48 Vested interests
49 Viability
50 Visions
Appendix

Appendix 4  Listing of original source information in custody

THE FOLLOWING ORIGINAL SOURCES OF INFORMATION REMAINS IN CUSTODY:

(These items may be made available under special circumstances such as for the use in research, examination or peer review purposes, within the constricts of ethical conduct.)

- Taped cassettes of 38 audio recorded interviews.
- Annexure 1 (690 p.) – Listing of primary source documents analyzed by means of computer assisted data management software (NVivo® version 2.2).
- Annexure 2 (1,704 p.) – Listing of secondary source document (themes/nodes) used in the consequent phases of the qualitative analysis by means of computer assisted qualitative data management software (NVivo® version 2.2).
- CD-ROM diskette contained a final electronic backup of the PhD Project 1 data files of the NVivo® version 2.2 computer software programme.
DETAILED INFORMATION FROM THE AXIAL CODING PHASE

Some information from the axial coding phase are presented in this appendix. For the purposes of this study not all the views of the interviewees and the other source documents were noted as information. The researcher had to consider the relevancy of each passage coded in the NVivo® version 2.2 database and only reported on views and meaning relevant to this qualitative investigation.

CAUSAL ELEMENTS (1ST THEMATIC-CATEGORY STRUCTURE)

From the information of the second phase of the analysis it was observed that among others, new legislation and the new political dispensation is affecting the South African health care environment, which may play an increasing role in the determination of future prospects for PPP development in the pharmaceutical sector.

Five themes were identified as causal elements and it was found that they were complemented by new legislation listed hereunder, which was introduced to the South African Health care environment.

The legislative documents were imported into the NVivo® version 2.2 software programme and coded to form an integral part of the information of this study. The theme named legislation contained data coded from the interviews that were conducted for this study and will also be reported on under category 1 as part of the causal thematic-category structure.

The detailed information of the mentioned two categories and the five themes and the relevant analysis will hereafter be described. The two categories may therefore be summarized as follows:

- The category legislation and policy, is supported by the following legislative documents and five themes:
Appendix

- Broad-based Black Economic Empowerment Act, No. 53 of 2003;
- The Municipal Finance Management Act, 2003. No. 56 of 2003: (For Local Government);
- An article: The Way to BEE (Dekker, 2004);
- An abstract of the South African National Treasury's guidelines on the SA Treasury Department Budgeting;
- The theme named: Legislation;
- The theme named: Politics & Policy.

The category Drivers is supported by the following themes:
- Driving forces;
- Role players;
- Aims of the Public and Private sectors.

See par. 6.3.1., Table 6.1, p. 212.

The following aspects from current legislation were perceived to be complimenting the causal elements and will be described as follows:

8.1 LEGISLATION AND POLICY (CATEGORY 1)

The following pieces of legislation and the contents of three themes were identified to represent the first category of the causal thematic-category structure.

8.1.1 The National Health Bill

The National Health Bill (South Africa, 2002) provides a framework for a structured uniform health system within the Republic of South Africa. Cognisance is taken in the bill of the obligations imposed by the Constitution and other laws on the national, provincial and local governments with regard to health services; and to provide for matters connected therewith as follows:
In the preamble the bill recognizes:

The socio-economic injustices, imbalances and inequities of health services; the need to heal the divisions of the past and to establish a new society based on; the need to improve the quality of life of all citizens and to free their potential; to improve democratic values, social justice and the fundamental human rights of each person.

The preamble to the bill also includes the counsel that:

- In terms of section 27(2) of the Constitution the State must take reasonable legislative and other measures within its available resources to achieve the progressive realisation of the right of the people of SA to have access to health care services, including reproductive health care;

Moreover, it states the need to:

- Unite the various elements of the national health system in a common goal to actively promote and improve the national health system in South Africa;
- Promote a spirit of co-operation and shared responsibility among public and private health professionals and providers and other relevant sectors within the context of national, provincial and district health plans.

The National Health Bill (South Africa, 2002:23) describes the government’s relationship with and it’s the obligations to public and private health establishments. The Minister must prescribe mechanisms to enable a co-coordinated relationship between private and public health establishments in the delivery of health services. The national department, any provincial department or any municipality may enter into an agreement with any private practitioner, private health establishment or non-governmental organisation in order to achieve any object of this Act. An agreement contemplated in sub-section (2) must comply with the Public Finance management Act, 1999 (Act No. 1 of 1999), or any municipal finance management legislation, as the case may be. Every private health establishment must maintain insurance cover sufficient to indemnify a user for any damages he or she may suffer as a consequence of a wrongful act by any member of its staff or by any of its employees.

Discussion:

This legal aspect quoted from the National Health Bill above, represents data that have the causal implication that the State has an obligation of promoting public and private...
health establishments at all the levels of governance; i.e. on national-, provincial- and local-municipal levels. Doing so the National Health Bill initiates the framework and structure in terms of the Constitution to promote access to health and unite the public and private health care sectors.

8.1.2 Treasury regulations

Section 16 of Treasury Regulations deals with PPPs for departments and constitutional institutions issued in terms of the Public Finance Management Act, 1999 Government Gazette no. 22219 of 9 April 2001. The relevant treasury may give such approval only if it is satisfied that the proposed PPP agreement will, provide value for money; be affordable for the institution and transfer appropriate technical, operational and financial risk to the private party.

Discussion:

The causal effects of the South African National Treasury regulations have far-reaching effects. The regulations contained in the PPP Manual provide clear guidelines as to the regulations to which a formal PPP has to adhere. This provides body and structure to the proposed PPP model for consideration.

8.1.3 Treasury budgeting process

The parliamentary budgeting process as described in the Treasury Department’s PPP Manual (2001) gives guidelines that are indicative of four important timeframes or steps for the process. The four key decision steps or timeframes in the National Budget Process are indicated as follows:

- Stage one (April May)
- Stage two (May August)
- Stage three (September November)
- Stage four (December February)

Discussion:

It takes a long period of time to register a new PPP, since the formal process develops through the four stages of the formal budgeting process. It also implies a causal factor
Appendix

as far as planning the timeframes is concerned, as well as the timing of the initiation and finally implementation of the commencement of a formal PPP.

8.1.4 Municipal Finance Management Act

Chapter 11 (Part 2) under the subtitle “Goods and Services” of the Municipal Finance Management Act (56/2003) the act describes the formation of a PPP at local government level.

The conditions and process for public-private partnerships are described as follows:

(1) A municipality may enter into a public-private partnership agreement, but only if the municipality can demonstrate that the agreement will:

   (a) Provide value for money to the municipality;
   (b) be affordable for the municipality; and
   (c) transfer appropriate technical, operational and financial risk to the private party;

(2) A public-private partnership agreement must comply with any prescribed regulatory framework for public-private partnerships, for instance the South African National Treasury regulations;

(3) If the public-private partnership involves the provision of a municipal service, Chapter 8 of the Municipal Systems Act must also be complied with;

(4) Before a public-private partnership is concluded, the municipality must conduct feasibility studies that:

   (a) Explains the strategic and operational benefits of the public-private partnership for the municipality in terms of its objectives;

   (b) Describes in specific terms-

      (i) The nature of the private party's role in the public-private partnership;

      (ii) The extent to which this role, both legally and by nature, can be performed by a private party; and

      (iii) how the proposed agreement will-

          (aa) provide value for money to the municipality;

          (bb) be affordable for the municipality;

          (cc) transfer appropriate technical, operational and financial risks to the private party;

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(dd) impact on the municipality's revenue flows and its current and future budgets;

(c) Takes into account all relevant information;

(d) Explains the capacity of the municipality to effectively monitor, manage and enforce the agreement.

(5) The national government may assist municipalities in carrying out and assessing feasibility studies referred to in subsection (4).

(6) When a feasibility study has been completed, the accounting officer of the municipality must:

(a) 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 public-private partnership;

(b) at least 60 days prior to the meeting of the council at which the matter is to be considered, in accordance with section 21A of the Municipal Systems Act:

(i) Make public particulars of the proposed public-private partnership, including the report on the feasibility study;

(ii) Invite the local community and other interested persons to submit to the municipality comments or representations in respect of the proposed public-private partnership; and

(c) solicit the views and recommendations of:

(i) The National Treasury;

(ii) the national department responsible for local government;

(iii) if the public-private partnership involves the provision of water, sanitation, electricity or any other service as may be prescribed, the responsible national department;

(iv) any other national or provincial organ of state as may be prescribed.

(7) Part 1 of this Chapter applies to the procurement of public-private partnership agreements. Section 33 also applies if the agreement is to have multi-year budgetary implications for the municipality within the meaning of that section.

Discussion:

As in the case of the National Health Bill, this document represents data that have a causal implication in terms of promoting and enabling the formation of PPPs, particularly
Appendix

at local government level. In doing so the Municipal Finance Management Act represents a primary causal framework and structure for the development of PPPs at local government level.

8.1.5 Black Economic Empowerment Act

The Broad-Based Black Economic Empowerment Act (53/2003) (the BEE Act) establishes a legislative framework for the promotion of black economic empowerment; to empower the Minister to issue codes of good practice and to publish transformation charters; to establish the Black Economic Empowerment Advisory Council; and to provide for matters connected therewith.

The preamble to the Act states that, apartheid and race was used to control access to SA's productive resources and access to skills, SA's economy still excludes the vast majority of its people from ownership of productive assets and the possession of advanced skills; and that SA's economy performs below its potential because of the low level of income earned and generated by the majority of its people.

In terms of this scenario the Act states that it makes further steps to increase the effective participation of the majority of South Africans in the economy, the stability and prosperity of the economy in the future may be undermined to the detriment of all South Africans, irrespective of race; and in order to promote the achievement of the constitutional right to equality, increase broad-based and effective participation of black people in the economy and promote a higher growth rate.

The BEE Act is responsible for increasing employment and more equitable income distribution; and for establishing a national policy on broad-based black economic empowerment in order to promote the economic unity of the nation, protects the common market, and promotes equal opportunity and equal access to government services.

It is enacted by the Parliament of the Republic of South Africa, in this Act, unless the context indicates otherwise that "black people" is a generic term which means Africans, Coloureds and Indians; "broad-based black economic empowerment" means the economic empowerment of all black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to:

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(a) Increasing the number of black people that manage, own and control enterprises and productive assets;

(b) Facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises;

(c) Human resource and skills development;

(d) Achieving equitable representation in all occupational categories and levels in the workforce;

(e) Preferential procurement;

(f) Investment in enterprises that are owned or managed by black people.

Cliffe Dekker (2004:1) has compiled a guide to broad-based black economic empowerment in SA with a view to highlighting some of the issues that businesses must face in meeting the challenge of empowerment.

Black economic empowerment (BEE) emerged as a central objective of the Reconstruction and Development Plan, the country's original blueprint for transformation. Outside of this document, BEE has lacked a workable manifesto of its own. In 2001, the BEE Commission released its report (the BEE Commission Report), which contained as one of its most important recommendations the adoption of an integrated national BEE strategy, designed to co-ordinate measures to achieve meaningful participation by black people in the economy within 10 years.

The Government has released three important documents, viz.

- The Strategy for Broad-Based Black Economic Empowerment (Strategy) in March 2003;
- The Code of Good Practice (Code), which is an explanation of the approach to be adopted by government in the measurement of BEE compliance;
- The Broad-Based Black Economic Empowerment Act 2003 (Act No. 53 of 2003) (the BEE Act), which was promulgated on 6 January 2004 for operation on a date to be determined by the President, by proclamation in the Government Gazette.

Although Strategy and Code are not legally binding documents, they give a clear indication of government's current policy in relation to BEE. Achieving authentic BEE will require a re-assessment of traditional business models and corporate cultures. A real commitment to BEE is now an economic imperative.
Appendix

On the question, as to what is the strategy with regard to government regulation of commerce, Dekker (2004:4) writes:

_The BEE Act empowers the Minister of Trade and Industry to issue codes of good practice either generally or for particular sectors. These codes are intended to be applied in determining the qualification criteria for granting licenses, concessions and other authorizations under any law, in developing preferential procurement policies for government and the public sector, and in defining the qualification criteria for the sale of State-owned enterprises and the establishment of public private partnerships._

On the question, as to the way the government will apply BEE in the regulation of commerce, Dekker (2004:5) writes:

_Organs of state and public entities, in exercising their discretion to award licenses, concessions or other authorizations, are required to review an applicant's BEE compliance credentials. This review will take the form of an assessment of the applicant's direct and indirect empowerment and human resource development on the basis of a BEE scorecard, constituted either in terms of the transformation charter applicable to the sector in which the applicant operates, or in terms of a code._

The definitions of 'organ of state' and 'public entity' are extremely wide in ambit. They include the various government departments responsible for issuing licenses, Independent Communications Authority of South Africa (ICASA), the Development Bank of South Africa, the Industrial Development Corporation of South Africa (IDC), the Accounting Standards Board, the Competition Commission, the Medical Schemes Council, the Financial Services Board, the South African Tourism Board and the National Electricity Regulator. The definitions are linked to the schedules of the Public Finance Management Act 1999 (Act No. 1 of 1999).

While it is unlikely that BEE compliance will be an absolute requirement for the grant of any license, concession or authorisation, BEE is set to become an evaluation criterion in its own right, bearing a high degree of significance (Dekker, 2004:5).

On the question, as to the way in which the government will apply BEE in the context of public procurement, Dekker (2004:5) writes:
For some time now, bidders for public procurement have been required to demonstrate their BEE credentials. This practice remains unchanged in the context of the BEE Act, but it appears that compliance with the BEE scorecard applicable to the transformation charter for the sector in which the bidder operates, or with a code applicable to the bidder, will be used as the measurement tool in determining a company's BEE credentials.

It is important that the obligation to consider BEE as a factor in public procurement now extends to all organs of state and public entities.

According to Dekker (2004:7) a black-owned enterprise is described as follows:

A black-owned enterprise is defined as being a business that is "50.1% owned by black persons and where there is substantial management control". The crucial factor is that ownership refers strictly to economic interest in the relevant business. Black people must be eligible to receive at least 50.1% of the profits. The term "substantial management control" refers to membership of any board or similar governing body of that business.

The quantitative measure placed upon the level of black ownership required in order for a business to be regarded as a black-owned enterprise is absolute. Should black ownership amount to anything less than 50.1% the business will not qualify as a black-owned enterprise.

Customers of, and investors in, black-owned and black-empowered enterprises are entitled to count their procurement from, and investment in, those enterprises towards their own BEE scorecards, effectively rendering those enterprises more desirable as suppliers, or as targets for investment.

The three remaining enterprise definitions may be relevant in a number of contexts, including:

- As pre-selection criteria in the award of public procurement contracts;
- As selection criteria for hold-over public procurement contracts (i.e. contracts reserved for particular categories of enterprise); Customers of, and investors in, black-owned and black-empowered enterprises are entitled to count their procurement from, and investment in, those enterprises towards their own BEE
scorecards, effectively rendering those enterprises more desirable as suppliers, or as targets for investment.

On the question as to the way in which the BEE scorecard works, Dekker (2004:9) writes:

*The scorecard works on the basis of a weighted average. The scorecard proposed in the Code identifies seven criteria and each is given a weighting. Compliance targets for the seven criteria are set either by the applicable transformation charter or code. A method for calculating the scorecard does exist.*

The seven criteria are:

- Ownership
- Management
- Employment Equity
- Skills Development
- Preferential Procurement
- Enterprise Development
- Variable Criteria

On the question, as to whether the BEE Act includes a gender element in respect of ownership, Dekker (2004:14) states:

*The BEE Act has introduced the possibility of measurement of BEE compliance at the level of ownership to differentiate between male and female black persons. The financial charter has included individual targets for black women under the ownership criterion and it is likely that this will emerge as a common factor in future charters.*

Regarding the question on Affirmative Procurement and how this is measured, Dekker (2004:17) writes:

*Affirmative procurement is defined as the percentage of total procurement that is sourced from suppliers that are BEE compliant. In the absence of a charter or...*
Appendix

*code setting forth a BEE scorecard applicable to its sector, a supplier may rely upon its qualification as a black-owned or black-empowered enterprise under the enterprise definitions.*

A company in other entities that are BEE compliant defines Enterprise development in terms of the total investment. In the absence of a charter or code setting forth a BEE scorecard applicable to the entity in which the investment is made, it may rely upon its qualification as a black-owned or black-empowered enterprise under the enterprise definitions.

The Strategy and Code according to Dekker (2004:17) state that enterprise development may take a variety of forms including:

- Direct investment in black-owned and black-empowered enterprises; or
- Joint ventures with black-owned and black-empowered enterprises that result in "substantive" skills transfer.

Enterprise development is defined in terms of the total investment by a company in other entities, which are BEE-compliant. In the absence of a charter or code setting forth a BEE scorecard applicable to the entity in which the investment is made, it may rely upon its qualification as a black-owned or black-empowered enterprise under the enterprise definitions.

The Strategy and Code state that enterprise development may take a variety of forms including:

- Direct investment in black-owned and black-empowered enterprises; or
- Joint ventures with black-owned and black-empowered enterprises that result in "substantive" skills transfer.

In conclusion it may be noted that:

'BEE' means black economic empowerment. 'BEE Act' means the Broad-Based Black Economic Empowerment Act No. 53 of 2003.

'BEE Commission' means the commission established in May 1998, under the auspices of the Black Business Council, entrusted with the objective of researching and reporting on BEE in SA.
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'Black-empowered enterprise' means an enterprise that is at least 25.1% owned by black persons and where there is substantial management control. 'Black-owned enterprise' means an enterprise that is 50.1% owned by black persons and where there is substantial management control. 'Black people' means Africans, coloureds and Indians.

'Black woman-owned enterprise' means an enterprise with at least 25.1% representation of black women within the black equity portion of management. 'Broad-based BEE' means the economic empowerment of all black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to:

(a) Increasing the number of black people that manage, own and control enterprises and productive assets;

(b) Facilitating ownership and management of enterprises and productive assets by communities, workers, co-operatives and other collective enterprises;

(c) Human resource and skills development;

(d) Achieving equitable representation in all occupational categories and levels in the workforce;

(e) Preferential procurement;

(f) Investment in enterprises that are owned or managed by black people.

'Code' means the government's Code of Good Practice published on 20 August 2003 explaining the government's approach in the measurement of BEE compliance.

Discussion:

The BEE Act (Act No. 53 of 2003) contains various criteria, guidelines and preconditions that may be regarded as causal factors to the development of the ideal proposed generic PPP-model for a PPP in the pharmaceutical health care that fit the unique environment of SA. Cognisance should be taken of all the above aspects of the BEE Act in order to comply with the spirit and expectations of the criteria.

8.1.6 The Competition Act and other legal issues

When the causal effects of the BEE Act stated above are taken into consideration the following aspects of the Competitions Act may also be read in tandem:

In the preamble to the Competition Act, (89/1998), it is stated that the people of South Africa recognize:
That apartheid and other discriminatory laws and practices of the past resulted in excessive concentrations of ownership and control within the national economy, weak enforcement of anti-competitive trade practices, and unjust restrictions on full and free participation in the economy by all South Africans. The economy must be open to greater ownership by a greater number of South Africans. That credible competition law, and effective structures to administer that law, are necessary for an efficient functioning economy. That an efficient, competitive economic environment, balancing the interests of workers, owners and consumers and focused on development, will benefit all South Africans.

Comments and viewpoints on other legal issues were abstracted from the interview-data of the study and coded to the theme called legislation, using the NVivo® version 2.2 software programme. In order to promote meaning of this category (Legislation and Policy) these viewpoints offered by the interviewees were noted and resulted in the following:

- According to the communication by interviewee 15/2002 par. 109, a significant effect is affected via legislation on the fact that the public sector is now legally enabled to outsource or contract out an institutional pharmacy to the private sector.

- This point was clarified further by interviewee 2/2002 par. 99 saying: In terms of the new Regulations relating to the ownership and licensing of pharmacies published on 2 May 2003,

  "...any person may, subject to certain conditions, own or have a beneficial interest in an institutional pharmacy in a public health facility in the Republic". Furthermore, "the State may enter into arrangements with the private sector for the management of an institutional pharmacy in a public health facility".

- According to the communication by interviewee 2/2002 par. 95 a causal element from a constitutional point of view may be derived at as The Constitution of the Republic of South Africa [1996, section 27(10)(a)] states "everyone has the right to have access to health care services, including reproductive health care". Furthermore, in terms of section 27(2) of the Constitution, 1996, "the State must take reasonable legislative and other measures, within its available resources, to achieve the progressive realization of each of these rights".
Furthermore, in terms of the communication by interviewee 2/2002 par. 95, the new National Health Bill (once enacted), as well as the Medicines and Related Substance Control Act 101 of 1965, as amended, and the Pharmacy Act 53 of 1974, as amended, will become applicable to the State on 1 July 2005. These legal requirements will place an additional burden on the already stretched budgets for particularly, pharmaceutical services within the public sector to comply with good pharmacy practice norms and standards.

According to the communication by interviewee 25/2003 par. 76 it was stated that:

…it really depends on how the legislation in the private sector affects the private sector as it does the public sector. …it will affect all the role-players in the public or in private health across the board by the year 2005. And that may change the interactions with the department provincially or nationally as well as various bodies whether they have been third parties, payers, companies or professional bodies.

Interviewee 16/2002 par. 62 explains that the new legislation causes the public sector to become a “juristic” person allowing the public sector to generate money. The public sector may then apply those funds for its own activities. This achieves the causal effect that the public sector may now get more opportunities in decision-making and that it may also have funds available to pay for services and for interaction with private sector companies.

Interviewee 24/2003 par. 182 envisages that legislation has opened up more opportunities, particularly the Medical Schemes Act, as they know are allowed to enter into contracts with the public sector and medicine supply may be part of such contracts.

According to a communication by interviewee 29/2004 par. 59 some causal factors were affected. One is the legislation on “prescribed minimum benefits” and the other the legislation on “pharmacy ownership”. This interviewee reasons that the causal effect of the legislation has been to keep patients out of public hospitals and has enables them to be able to remain or receive their treatment in die private sector hospitals. The legislation on ownership was aimed at facilitating the opening of pharmacies in underserved areas, which provide a better distribution of entry points (access) to pharmacies. The interviewee mentioned also names a third possible
causal effect in that transparency towards the pricing of medicines has been affected by new legislation.

The National Strategic Framework as described by the South African National Treasury, (Version 1 National Treasury/PPP Manual January 2001) indicates that legislation may negatively have led to causal effects, gaps and constraints in the legislative framework. This assertion has been reinforced by the findings of an initial legal scan, which has been undertaken as part of the IDTT’s (interdepartmental task team) work programme. This finding is not totally surprising; however, if one considers that much of South African legislation was drafted before PPPs were recognized as a real option for service delivery and infrastructure provision. Nevertheless, these constraints create uncertainties and impose risks on departments and potential private service providers. As such, uncertainties and risks are often difficult to allocate in a contract, PPPs are currently less cost-effective than service delivery options.

An indicative list of the legislative and regulatory framework that may constrain the effectiveness and potential benefits of PPPs is presented below. In reviewing the list, it is important to note that legislative review and reform will necessarily be an ongoing process, and that the set of examples presented below is likely to expand as more legislation is encountered in relation to PPPs:

- The present legal framework does not clearly define the legal capacity of the various spheres of government (or the relevant officials) to create binding commitments on behalf of the government;
- Existing procurement legislation and regulations are geared to conventional procurement activities, such as civil works construction, and for the purchase of equipment and services. Existing procedures are neither designed to address the complexities of PPPs nor to provide a basis for ensuring that the key dimensions (e.g. affordability, value for money and efficient risk allocation) are appropriately evaluated;
- Minimum cross-sectoral contractual provisions for PPP arrangements have not been adopted. As PPPs can take many forms with different allocations of risk, there is limited practical scope for utilising a standardised approach to contract preparation.
However, international experience has shown that PPP contracts should include a number of common provisions.

At present, there is no legislative or regulatory requirement for this:

- Current legislation does not specify the extent, timing and scope of mandatory consultative processes with labour regarding matters such as workplace reorganisation. This will create uncertainty for all stakeholders and investors until a body of case law has been established.

- In a number of countries, existing stocks of state-owned infrastructure often fail to comply with environmental legislation. This creates problems where such infrastructure is transferred to PPP arrangements, and where the private sector is required to comply with legislation and to bear all the costs of compliance. South Africa is likely to face similar problems to varying degrees across different sectors.

The South African National Treasury's viewpoint on the legislative framework is documented as follows:

The adverse implications of the current legislative framework for PPP arrangements need to be mitigated. Possible measures include selective reform of relevant laws, regulations to clarify the interpretation of the legislation, or administrative guidelines. Legislative amendment has already been necessary in the context of the APOPS Prison PPPs, where the Correctional Services Act had to be changed in order to permit private parties to manage and operate prison services in the country (SA Treasury, 2001). Interventions to deal with the areas of the legal framework set out in Section 2 above may also be required. The following could be proposed:

- Clarifying the legal capacity and jurisdiction of the spheres of government and relevant officials to create binding commitments on the state. These should also include appropriate penalties for those institutions and individuals that, in the absence of express legal authority to do so, purport to have a right to bind the state in a transaction;

- Prescribing cross-sectoral minimum contractual provisions for PPPs to cover inter alia the following:
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- Duration of the contract;
- Range of services and/or output levels;
- Basis of payment in relation to service and output levels;
- Relationship between the department and the service provider use and retention of technology by the department;
- Accommodation of a department's changing requirements over the duration of a contract;
- Protection of government intellectual property;
- Allowances for contingencies and termination;

- Clarifying the timing, scope and extent of consultative processes with labour on changes in workplace practices associated with PPP arrangements;
- Including within environmental legislation provisions, which will deal fairly with the cost implications of making non-compliant infrastructure comply when responsibility for such infrastructure is transferred to the private sector.

The above list is indicative of the types of legislative amendment that may be required. While it would be premature to propose firm recommendations on amendments to existing legislation, it will be necessary to pursue an ongoing process of legislative review and reform in order to provide more certainty to government departments and potential private sector service providers. Legislative reform is likely to be of two types: that which is sector-specific (such as amendments to the Correctional Services Act), and that which cuts across a range of sectors (such as possible changes to environmental legislation).

8.1.7 New Legislation

New legislation in South African have been identified as playing a causal role in the determination of future prospects for pharmacy and the development of a proposed generic PPP-model for public-private partnerships. References to the sources of input were noted in the previous section (par. 1.1., p.1).
Table 6.2., p. 213, illustrates the resulting contribution from the research data towards the construction of this theme, and serves as an indicator of validity and rigor.

The following aspects on new legislation were therefore summarised from the contents of the theme named “New Legislation”, making use of the computer software NVivo® version 2.2:

Some of the legislative causal aspects were identified to contribute to the development of PPPs and are summarised as follows:

- Ownership of pharmacies broadens the economic base;
- The public sector is enabled to outsource pharmaceutical services to the private sector;
- The state may enter into arrangements with the private sector for the management of an institutional pharmacy in a public health facility;
- Legislation lays a burden on the public sector to comply with good pharmacy practice, norms and standards;
- The public sector has become a “juristic” person allowing it to generate money;
- Medical scheme legislation is structured to relieve the State’s hospitalisation burden in patients hospitalised for chronic diseases;
- Legislation aims at facilitating the opening of pharmacies in underserved areas of the country.

However, the data information also identify some legislative causal aspects seen as negatively having causal effects that may influence development of PPPs and these are summarised as follows:

- Gaps, and constraints do exist in the legislation;
- The legal capacity of certain spheres of government is not clearly defined;
- Procurement legislation has not adapted to new (modern) procurement activities;
- Neither do they ensure the monitoring and/or evaluation of modern key dimensions pertaining to the complexities of PPPs;
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- The legislation does not allow for cross-sectoral contractual provisions, with limited scope for a standardised approach;

- The extent, timing and scope of consultative processes have not yet been specified in the current legislation;

Legislation does not provide for instances where existing stocks of state-owned infrastructure fail to comply with environmental legislation, in which cases the private sector then bears all the costs of compliance.

8.1.8 Politics and policy

Policies of the South African health care environment have been identified as playing a causal role in the determination of future prospects for pharmacy and the development of a proposed generic PPP-model for public-private partnerships. The following aspects on policies were coded under the theme named “policy”, making use of the computer software NVivo® version 2.2:

- In the communication from interviewee 15/2002 par. 221, it was noted that a possible causal factor might be leader political parties such as the ANC promoting the policy of the Social Health Insurance System. This may in turn, have detrimental causal effects on the possible establishment of PPPs in the pharmaceutical health care sector. However, the interviewee stated that the concept has not so far been accepted as formal national policy.

- In terms of the communication by interviewee 38/2004 par. 71, policy decisions may be affected when a tender is awarded in the new South Africa. The interviewee states:

  ... When tenders are awarded to companies, we need to take into consideration previously disadvantaged individuals and so on. We cannot exclude that side of the situation.

- In a communication, interviewee 20/2003 par. 126 states that the policy on the sale of State tender medication, which does not permit the public sector to sell tender stock to persons other than State patients, has a negative causal effect on the functionality of PPPs that interact with the State as “preferred service providers”.

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According to the interviewee concerned, pressure has now been brought to bear in order to have the policy changed or revised.

- Interviewee 25/2003 par. 97 envisages that the implementation of a National Health Insurance Plan may be regarded as a policy that might have the causal effect of increasing the base of people insured for medical scheme aid, in a broader way. Those who can pay for their health care will do so and the indigent people who cannot afford to pay would have continued access to health care.

- Interviewee 31/2004 par. 25-26 and par. 82-84, believes that the policy would imply the involvement of everybody who does have the ability or the capacity to partake in PPPs, subject to the policy of the Broad-Based Black Empowerment Act, and that government would encourage PPP initiatives which support black empowerment. The interviewee concerned also states that the government would give preference relating to job creation policy to SMNE’s (small to medium new entrepreneurs) in order to facilitate the distribution of medicines where possible.

In the SA National Health Bill (SA, 2003c) Chapter 3 point 21, the Director-General is instructed to ensure the implementation of the official South African Health policy, in order to enable the delivery of health services to all the citizens of South Africa. In Chapter 7 of the bill, the National Health Council is instructed more over to develop policy and guidelines for, and monitor the provision, distribution, development, management and utilization of, human resources within the national health system. The bill also applies the policy by instructing the Minister, with the concurrence of the National Health Council, to determine guidelines to enable the provincial departments and district health councils to implement programmes for the appropriate distribution of health care providers and health workers.

Discussion:

- The data indicate that the leader political parties play a major role in promoting the State’s health policies, such as the ANC, promotion of the policy of a social health insurance system;

- Policies are in place by means of what tenders are awarded to those who qualify as previously disadvantaged entities;
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- The policy on medication on State tender, which does not permit the public sector to sell tender stock to persons other than State patients, has a negative causal effect on public private the functionality via interaction.

- The promotion of a National Health Insurance Plan may be regarded as a policy that might have the causal effect of increasing the quantitative base of people that may access a medical aid scheme;

- In Chapter 7 of the National Health Bill, the National Health Council and the minister are instructed to develop policies and guidelines for public and private interaction.

- Entities with the ability or capacity to take part in PPPs, subject to the policy of the Broad-Based Black Empowerment Act, would be encouraged by the government to support black empowerment policy to SMNE’s.

8.2 DRIVERS (CATEGORY 2)

The following themes coded from the interviews conducted have been identified as representing the third category of the causal thematic-category structure. The interviews which were analysed with the aid of the NVivo® version 2.2 software programme, will be reported on as a result of this study.

8.2.1 Driving forces

The following aspects were gathered in the theme named Driving forces. Information was extracted from the relevant interviews and source documents in order to analyse and identify possibly driving forces towards the development of joint ventures between the public and private sectors. This information was identified and coded to a theme in an effort on the part of the researcher to gain perspective and to identify the driving forces that may impact on the health care arena.

See Table 6.2, p. 213 for the data base input to this theme.

The researcher had to consider the relevancy of each passage coded in the NVivo® version 2.2 database and reported only on views and meaning relevant to this qualitative investigation. The following driving forces were identified as information, abstracted and summarised from the data:
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- According to interviewee 34/2004, the following aspects could be considered to be causal elements acting as driving forces towards the necessity or development of PPPs in South Africa:

  The need of the private sector to expand their market share, in order to service the large segment of public not belonging to the private medical aids; only 7% of the South African population does belong to a medical aid (par. 34).

  The public sector’s need to improve “capacity” in order to deliver health services may be regarded as a major driving force and causal to PPP formation in the future (34/2004 par. 42). Interviewee 34/2004 par. 42, further more makes the following comment:

  … Government doesn’t ever like to say they lack capacity and the fact that in a legal sense it (government) almost has the right to raise taxes to create capacity”, which is indicative of a sense of unwillingness on the side of governmental personnel to admit the lack of capacity.

  The allowance in legal terms (new enabling legislation) of the public sector to contract the private sector to dispense chronic medication to state patients as in the case of Johannesburg General Hospital (34/2004 par. 133).

- Furthermore according to interviewee 34/2004 par. 139, “consumerism” in SA is a very weak driving force towards access to quality medicine and health care when compared to the USA. It may therefore be reasoned that consumerism might become a driving force in the future as global trends may spread to South Africa.

- According to interviewee 11/2002 par. 94-95 the demographic spread of private sector pharmacies in SA should be regarded as a driving force in terms of the spread, which allows for health care accessibility. The interviewee states:

  … if one looks at the statistics at the moment that,…in terms of the population, you have a 60-40 split approximately in terms of urbanization, 60% of the people living in the cities and 40% living in the rural areas, now taking it from a retail pharmacy point of view in terms of the 2500 odd pharmacies in SA they have a fairly broad “footprint” which means that they provide access, we estimate to be about 70% of the population.
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- Also according to interviewee 11/2004 par. 104 does the efficiency of providing services in a private sector pharmacy be regarded as a driving force towards PPP development if the following quote:

  ... community pharmacies will be ... more efficient, because you get one on one assessment by the particular pharmacist in the area where the person lives, instead of ... (the public sector patients) having to spend most of their time actually ... collecting medicine.

- Interviewee 11/2002 par. 248 regards the general public as a major driving force in future as soon as advocacy groups pick up on the two-tier pricing disparity in the public and private sector, the significance of generic substitution of medicines and start promoting it.

- According to interviewee 11/2002 par. 244, the future role of the public is that:

  ... the public are going to start demanding, they are going to become far more conscious of the actual price of medicine, they already are very conscious at the moment, and they are also going to become far more informed about their rights.

- Interviewee 11/2002 par. 256 explains how public demand acts as a driving force. There is a demand for affordable health care services, as in the case of local government where low-income employees cannot afford a medical aid. They are driven towards using cheapest services, state services, so they are trying to negotiate the state to supply those sorts of services in order to obtain their needs through the state and the private sector.

- It is reiterated that not public service management per se but the actual client, the "external customer" (member of public), of the service is seen as the driving force for PPP development. (Herbert, 2004).

- Organized pharmacy initiatives by means of promoting the need for collaboration between the public and private sectors could be assessed as a major driving force if the needs for Aids resource centres are accounted for. The South African Pharmacy Council and the PSSA are in the process of establishing Aids resource centres in pharmacies (Osmon, 2003:#86). It is believed that pharmacists can greatly assist the DOH as it begins the process of provision of anti-retroviral therapy in public sector facilities.
Pharmacists and medical practitioners are regarded a driving force in their endeavours to supply anti-retroviral (ARV) therapy to public sector patients. According to Osman (2003:Circ.74), history was made when, for the first time, a joint submission from representatives of both medical practitioners and pharmacists was delivered to the Cabinet's HIV Task Team. The PSSA collaborated with African Health Synergies and USAP to propose a method whereby ARV therapy may be provided to state patients by private sector health care professionals.

According to interviewee 30/2004 par. 1001-102 the possibility of new job creation may be regarded a driving force, in that private sector members take over new jobs and indirectly become employees of the public sector.

The answer to a direct question from interviewee 17/2004 par. 69, as to who the role-players should be, is: "It has to be the Department of health". According to the interview concerned, the DOH should be the major driving force in PPP developmental aspects.

According to interviewee 15/2002 par. 161, firstly legislation became a mayor driving force and secondly, the mere fact that health care became unsustainable in both the private and public sectors is indicative of a driving force fuelled by a situation of unsustainable service delivery in the health care environment. Elaborating the interviewee asserts that the private sector is becoming unaffordable while the public sector lacks capacity. Both sectors need to take hands in order to prevent a total collapse of health service delivery in South Africa. The interviewee mentioned considers this aspect a very important driving force towards PPPs as well as collaboration in both sectors.

According to interviewee 15/2002 par. 224, an important driving force comprises the African National Congress (ANC) policy decisions that were taken before the 1994 national elections regarding a health system to allow access to the health care for the masses. This driving force includes a drive towards a National Health Insurance System.

Interviewee 33/2004 par. 97 mentions that private the employment by community pharmacies of professional nurses in Natal also represent a driving force towards collaborative initiatives. In the reply, reference is made to certain campus clinics that represent a form of partnership between the public and private sectors to.
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- According to interviewee 20/2003 par. 219, the shortage of pharmacists (lack of sufficient capacity) in the public sector may be presenting a driver towards PPP formation. The interviewee concerned empresses the fear lest pharmaceutical services might collapse in the public sector as a result.

- Furthermore, according to interviewee 2/2002 par. 1010-1025, the government has a constitutional obligation to fulfil the delivery of primary health care services to the public sector. The constitutional social economic rights given to the public serves as a driving force as the State has the obligation to deliver.

- Interviewee 34/2003 par. 95 explains how the legislation promulgating prescribed minimum benefits poses a driving force whereas the intention of the legislator is to endeavour to make chronic medicines more affordable, preventing the situation where patients who are running out of benefits, are applying for free medicines to the state. In the past, before the Medical Scheme’s act was promulgated there was a lot of health care unfunded by private patient’s insurers. In such cases patients tended to make use of the public sector so that in fact in this way the public sector in a way was subsidising the private sector. The prescribed minimum benefits now, which came into effect on 1 January 2004, contains the 27 listed prescribed minimum benefits. It states:

  ...That is the whole issue why we have prescribed minimum benefits for chronic conditions. It is also a driving force because people will have so much less interest in ... approaching the State.

- Furthermore, according to interviewee 34/2003 par. 107, another driving force is the notion of government and more specifically the health department of cost recovery from private patients. In the past they were quite poor in billing or drawing up a billing system and had a poor accounts qualification system. The interviewee describes it as follows:

  ... So obviously if one (the public sector) wants to generate some revenue of your own by collecting the moneys due to the department (DOH) that can obviously be a driving force too.

- According to interviewee 34/2003 par. 142 the shortage of funds (poverty) is a major driver in the development of PPPs, otherwise people would not be prepared to stand
in queues or waiting for services. They would simply purchase health care services elsewhere.

- According to interviewee 8/2002 par. 42 the South African National Treasury Department is a driving force in terms of the financial control and guidelines they provide. The South African National Treasury contains and regularly updates the PPP manual for South Africa's national and provincial government departments and Schedule 3 public entities in terms of the regulations with Treasury. According to interviewee 4/2002 par. 193 it's important to work with Treasury in the development of PPPs as this body comprises a very influential and important driver.

- Interviewee 10/2002 par. 145 points out the importance of parliamentarians and politicians serving on health-related bodies, committees and councils as they might act as important drivers towards PPP developments.

- Interviewee 23/2003 par. 67 indicates that making profit in the private sector should be regarded as a driver to reckon with. This interviewee also asserts that the scarcity of pharmacists in the public sector as a result of under-remuneration may drive the public sector towards considering the possibilities of working in partnership with the private sector.

- Interviewee 26/2004 par. 139 states that the most important driver in his view is the ability to deliver a service. Service delivery and the ability of the public sector to do so successfully appear to be a major driver to consider PPPs in achieving this goal.

- In the opinion of interviewee 37/2004 par. 33 a driving force is identified within certain task teams that develop at provincial and local authority levels. Teams such as the "transaction advisory teams" and "supply management teams" within these departments are expected to drive the PPP development initiatives. The interviewee explains his vision of the way political policy on economical development plays a driving role in initiating certain aspects of PPP development while serving the economical and/or political aims. An example of this driving force is illustrated in the Eastern Cape's provincial government's decision to decide to make the Umtata depot the main one, while making the Port Elizabeth depot a feeder-depot. Because Umtata is a previously disadvantaged area it has always been difficult to obtain personnel and supplies moving in this part of the country. Now the public sector is hoping that, the situation will be addressed by a private partner who would take the
responsibility and risk, and manage and make a success of such a venture. If it is an
economic development the PPP initiative has a lot of political support.

- Interviewee 22/2003 par. 104 presents a holistic view on who the driving forces
should be:

... we all should be taking part in this. It should be everybody. It should be
government. It should be the people. It should be the pharmacists. It should be
other health care workers and in fact anybody that has an interest in improving
their communities - they all should be somehow involved in the principle of a PPP
and then obviously more specialists should be brought into it and empower PPPs.
The interviewee states that "preferred doctors, and "preferred pharmacists" and
the like are drivers but in such a scenario it would not be the people's health but
the amount of money to be made in wages or profit. Furthermore

... business is business, people must make money,... I am certainly not investing
the little money I have in a business that is not going to make money, so we don't
expect people to be running businesses and not making profit, but we think that
their focus should be on the health care of the people first. Then obviously implicit
in that the same thought process is to make sure that you stay in business so that
the people can actually benefit.

- According to interviewee 31/2004 par. 53 vested interests also act as a driving force
in this arena, as there have been many recent allegations lately of "fronting" of PPP
issues, some of them being pushed by certain provincial politicians for their own
benefit.

- Interviewee 24/2003 par. 77–84 identifies medical aid schemes as active driving
forces as they are involved in certain pilot projects in certain areas as in the Western
Cape. These medical aid schemes are planning to contract private sector
pharmacies into a network of preferred provider pharmacies in order to initiate a
PPP network. The medical aid schemes drive the initiative in terms of the change in
legislation (Medical Schemes Act), allowing a medical aid scheme to be contracted
by the public sector.

- Interviewee 25/2003 elaborates on the issue of private pharmaceutical companies
(manufacturers) who are reluctant to do business with the public sector:
... what they want to do is to keep the public and the private businesses as separate as possible because the profit incentive is in the private sector.

Furthermore:

... They don't like seeing selling our medicines that we purchase on a state tender-or on a bulk-tender to medical scheme members. So obviously they don't want to see what we are trying to do.

Discussion:

The above abstracts on driving forces were identified to be functioning as causal elements in the South African health care environment driving the initiatives for the development of PPPs and were extracted from the available data.

The researcher theorized the main positive driving forces as follows:

- Legislation has become a major driving force with particular reference to enabling legislation such as:
  - The National Health Bill (B 320-28033);
  - Public Finance Management Act, 1999 (Act No. 1 of 1999);
  - Local Government: Municipal Finance Management, No. 56 of 2003;
  - South African National Treasury regulations (Section 16);
  - Broad-based Black Economic Empowerment Act 53 of 2003;
  - Medical Schemes Amendment Act No. 62 of 2002;
- Leading political party policy decisions;
- The South African National Treasury's new regulations and guidelines;
- The unsustainability of health care service delivery in both the public and private sectors;
- The need of government to fulfil its constitutional obligation in the delivery of primary health care services to the population;
- Need for the public sector to improve "capacity" in order to deliver health care services;
- The shortage of pharmacists (capacity) in the public sector;
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- The need for the private sector to expand their existing market share;
- Public demand for more affordable medicine and health care services;
- The private sector's demographic spread of services, which has the potential to improve health care accessibility;
- The potential for new job creation;
- The potential of improved efficiency of providing services through private sector pharmacies;
- Organized pharmacy's new initiatives such as a role in the ARV role-out plan;
- The potential of making profit in the private sector;
- Initiatives for cost recovery and the possible ability to generate revenue by the public sector;
- Joint initiatives between pharmacists and medical practitioners;
- Initiatives by the DOH;
- New task teams that develop and are operating within provincial and local authorities;
- Vested interests that may exist at various levels, such as politicians, parliamentarians, medical aid schemes and all other parties involved;
- An upcoming driving force appears to be advocacy groups picking up on the pricing disparity in the public and private sector and "consumerism" in SA driving towards access to quality and affordably medicine.

The researcher theorized the main negative driving force as follows:

- Pharmaceutical companies with vested interests in profiteering in the private sector do not want the public sector develop to PPPs, which may result in the states doing business with private sector patients.
8.2.2 Role players

The following aspects were gathered in the theme named "Role players". Information was extracted from the source documents in order to identify the role-players that may influence the development of PPPs. The information was coded to a theme in order to produce perspective and to identify the possible role-players in the South African health care environment.

See Table 6.2, p. 213 for the data base input to this theme.

The researcher had to consider the relevancy of each passage coded in the NVivo® version 2.2 database and only reported on views and meaning relevant to this qualitative investigation. The role-players were identified, abstracted and summarized from the data. Furthermore, a division in the information was made between role-players who influenced PPP development in a positive way, in contrast to role-players who were identified as not influencing PPP development in a positive way.

A summary of identified active or positive role-players follows:

- State organs are possible big role-players in the development of PPPs in the health care arena. They include the various government departments responsible for issuing licences, the Independent Communications Authority of South Africa (Icasa), the Development Bank of SA, the IDC, the Accounting Standards Board, the Competition Commission, the Medical Schemes Council, the Financial Services Board, the SA Tourism Board and the National Electricity Regulator. These organs are denied and are linked to the schedules of the Public Finance Management Act 1999 (Act No. 1 of 1999) (The Way to BEE, 2004);
- Superintendents of public hospitals (interviewee 6/2002 par. 190-192);
- South African Ntional Treasury PPP task units (interviewee 34/2004 par. 34);
- The Pharmaceutical Society of SA (PSSA), (interviewee 11/2002 par. 179);
- Teba Bank is a black economic empowerment bank, which is owned by the National Union of Mineworkers, (interviewee 11/2002 par. 179);
- Advocacy groups in society has taken a decision together with the minister of health that they will assist the minister in the role-out of the national drug policy, (interviewee 11/2002 par. 238).
The Medicines Control Council (MCC) in that the MCC promotes the role of the pharmacist to playing an active part in quality safety and efficacy of rational drug use on a national level (interviewee 11/2002 par. 238);

The South African Pharmacy Council in developing strict criteria for the accreditation of pharmacists (Osman, 2003:Circ.74);

Interviewee 11/2002 par. 246 points out that the general public should be a major role-player in the establishment of PPPs in the South African health care sector;

The general patient, in terms of the South African Constitution, (interviewee 11/2002 par. 414 - 416);

According to interviewee 11/2002 par. 520 – 522 politicians have “a great opportunity” to play a role;

According to interviewee 34/2004 par. 6 – 10 the World Trade Organisation (WTO) and the TRIPS agreement, yet another WTO instrument - the General Agreement on Trade in Services (GATS);

The SA governmental Cabinet's HIV Task Team (Osman, 2003:Circ.74);

African Health Synergies (Osman, 2003:Circ.74);

United South African Pharmacists (USAP) (Osman, 2003:Circ.74);

Various individual pharmacists working in special practice environments mentioned by interviewee 19/2003 par. 90 & 119;

Interviewee 30/2004 par. 39 mentions wholesaler pharmacies which have been converted to black empowerment entities;

Interviewee 15/2002 par. 70 points out hospital groups as role-players as they have bargaining power, and monetary capital at their disposal;

The same interviewee (15/2002 par. 78) is of the opinion that it is people with vision to be a role-player who will achieve this ambition;

Also the bigger corporates with financial muscle may more easily be role-players according to interviewee 15/2005 par. 150.

Interviewee 38/2004 par. 99 refers to provincial heads of pharmaceutical services as major role-players;
Interviewee 33/2004 par. 35 explains that non governmental organisations (NGO’s), Community based organisations (CBOs) and traditional healers are also playing an important part in this situation;

Community pharmacies are singled out as an important role-player by interviewee 33/2004 par. 107;

Interviewee 3/2002 par. 19 refers to the Chief Officer of the Directorate of Business Development in the Western Cape's public sector, as an individual playing a role in the development of PPPs in South Africa;

Moreover, interviewee 3/2002 par. 99 refers to medical aid schemes as role-players.

Interviewee 14/2002 par. 426 identifies hospital boards as role-players as they are getting more authority in the new governmental dispensation. Guidelines for corporate government are in the developmental stage;

Interviewee 20/2003 par. 192 expresses the viewpoint, that provincial pharmaceutical managers who have been appointed at director post-levels are bigger role-players than those not appointed at director level;

Interviewee 20/2003 par. 250 points out that the provincial head of the DOH is potentially the most authoritative role-player in the hierarchy since this individual can more easily overrule decisions taken by the provincial pharmaceutical managers. (The interviewee adds the prerequisite that this is the case, when the particular provincial head of the DOH has a positive attitude).

Du Toit (2003) expressed his view that Universities with particular reference to Pharmacy Schools are identified as a role-player in the sense of research centres.

Interviewee 25/2003 par. 60 refers to the role-players in the public sector as the interface between the public sector operational people and the public sector finance people (treasury people) at the provincial level;

Interviewee 25/2003 par. 81 identifies medical schemes as an energetic “keen” role-player, that are represented by their body named the Board of Health Care Funders (BHF).

According to interviewee 25/2003 par. 87, the Competition Commission may also intervene if pricing collusion takes place, and may therefore be seen as a possible role-player.
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- Interviewee 8/2002 par. 41 explains that the labour unions may be regarded as a role-player insofar as labour and economics are involved. The labour unions may be seen here as a positive or a negative role-player.

- According to interviewee 8/2002 par. 52, political parties such as the ANC play a central role and may influence the development of PPPs via political means and initiate a political "connection" with it;

- The MEC in the province is recognized as a possible role-player by interviewee 8/2002 par. 69;

- According to interviewee 8/2002 par. 124, certain branches of the PSSA such as the Southern Gauteng branch, play an important role in taking initiatives working towards the possible exploitation of viable PPPs in the branch's working environment.

- Big auditing companies (such as PriceWaterHouseCoopers and Leibrandt) may also become a role-player as they are gaining getting experience in the field, according to interviewee 8/2002 par. 124;

- According to interviewee 18/2003 par. 25, health care electronic benefit management companies (HEBMs) may be identified as role-players;

- The interviewee concerned (18/2003) in par. 57 also refers to the Minister of Health as an important role-player;

- According to interviewee 4/2002 par. 79, wholesalers were playing a pertinent role but were not properly recognized in context by the public at the time;

- Certain consultancy groups and/or individuals specifically appointed by the PSSA were acting as role-players by investigating PPP opportunities according to interviewee 10/2002 par. 122;

- Interviewee 9/2002 par. 87 believes that certain members of the governmental pricing committee play a important role in their capacity as appointees of the public sector;

- According to interviewee 26/2004 par. 61 bigger hospital groups are playing a role by means of their negotiations with government for PPP initiatives in the public sector's hospitals;
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- Interviewee 37/2004 par. 27 explains that the South African National treasury needs to be involved every step of the way. Moreover, is necessary to get the backing of the provincial treasury. Treasury also plays a role in its advisory capacity;

- In the opinion of interviewee 37/2004 par. 33, the provincial technical advisory team and the legal people (supply team management) as well as the financial people, the transaction advisory team (the transaction advisors), play an important role in their advise to provincial government on the requirements of the Treasury department;

- The National Health Bill instituted some councils, which will be playing important roles in future. In this regard the Forum of Statutory Health Professional Councils has been established on which all the statutory health professional councils must be represented;

- According to interviewee 22/2003 par. 166, universities as another role-player in PPP development should be paid to do the research. They in turn would interact with communities and communities projects, and bring the role-players in every focus topic who in turn would draw others to the research topic;

- Interviewee 22/2003 par. 221, reasons that the PSSA, and even to a certain extend the pharmacy council, should be regarded important role-players. The mentioned bodies should be involved in talking at a high level to the government and the public sector heads of pharmaceutical services. As a group the mentioned parties should be looking for a new model.

- Interviewee 31/2004 par. 36 advises that consultants be invited to work along for the period of time in that it would take for a PPP to be registered via the Treasury guidelines. These consultants may be regarded as role-players in PPP developments;

- Contractors currently working on outsourced programmes and delivering pharmaceutical services in parts of the country may also be seen as role-players according to interviewee 31/2004 par. 56;

- Interviewee 32/2004 par. 37, feels that the pharmacy community as a whole should be the one who drives this force together with the government, while the head of pharmacy services in the public sector should only be the facilitator at strategic level where you convince, because that is where the available resources are;
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- According to interviewee 32/2004 par. 45, the entity called "executive management" will talk to the MEC for help. All the other people, the directors, the managers are supporting the executive management in this regard.

- Interviewee 32/2004 par. 70 sketches a way in which the National Treasury may interact with the Provincial Treasury and be guided on issues of real need on advice from Provincial Treasury.

- According to interviewee 36/2004 par. 46, medical aid schemes could be regarded as important role-players as they may supply the needed IT-platforms in order to do correct claiming procedures and provide information systems.

- According to interviewee 13/2002 par. 122, the regional councils in support of the provincial MEC are regarded as a role-player and the right people with whom to communicate.

- According to interviewee 24/2003 par. 152, all the role-players involved in developing the National Health Insurance plan should likewise be regarded as role-players in the development of PPPs in the pharmaceutical sector of SA;

- Interviewee 24/2003 par. 199, regards Comed (the national tendering system) and all role-players involved in it, as role-players in future developments on this field;

- Interviewee 29/2004 par. 160 sees the following role-players as providing a good combination in order to move towards the development of PPPs in SA: leaders of industry, members of BHF in order to make a good benefit and risk committee together with people from the pharmaceutical sector without vested interests, top management from the DOH, and delegates from the Medicines Control Council, as well as the financial personnel from the DOH.

In contrast to the role-players that were identified as playing a positive role on influencing PPP development in a positive way as detailed above, the following role-players were identified as not influencing PPP development positively. These role-players are not seen as playing an active role:

- Interviewee 8/2002 par. 41 argues that the labour Unions may also play a negative role under certain circumstances. These may be regarded as frantic organisations and a factor to be reckoned with;
Interviewee 18/2003 par. 57 describes the Minister of Health as a negative role-player in the sense that the PSSA was not allowed dialogue or personal interaction for a certain period of time;

According to interviewee 22/2003 par. 125 some role-players in the public sector are not featuring at all and therefore the researcher groups them under the role-players not seen as playing an active role for the aims of this analysis. They are employees of the public sector, people with different grain but also different post-levels, directors and chief directors and various assistants in between and pharmacists, principal pharmacists, chief pharmacists, head pharmacists. In the end, according to the interviewee concerned, not all those pharmacists are even brought into strategic planning. These people are possibly unutilised role-players.

8.2.3 Aims of the Public- and Private-sectors

The following aspects were extracted from the theme named "Aims of the Public- and Private-sectors". It was reasoned that the aims set by role-players in the public- and private sector would act as drivers towards the development of joint ventures between the sectors in order to achieve their aims. Information was extracted from the source documents in order to analyse and investigate the elements of potential aims that joint ventures may have, through the development of PPPs. This information was identified and coded to a free theme in order to gain perspective and to identify the possible aims and their causal role in the development of joint ventures.

See Table 6.2, p. 213 for the data base input to this theme.

The following possible aims were reported as information, abstracted and summarized from the data:

8.2.4 Aims of the National Health Bill

The National Health Bill of South Africa 2003 lists the following aims for health system development (SA, 2003).

- To unite the various elements of the national health system;
- To provide for a system of co-operative governance and management of health services, within national guidelines, norms and standards, in which each province,
municipality and health district must address questions of health policy and delivery of quality health care services;

- To establish a health system based on decentralized management, principles of equity, efficiency, sound governance, internationally recognized standards of research and a spirit of inquiry and advocacy, which encourages participation;

- To promote a spirit of co-operation and shared responsibility among public and private health professionals and providers and other relevant sectors within the context of national, provincial and district health plans.

Chapter 1 of the National Health Bill (2003) specifically mentions the objective of establishing a national health system, which encompasses public and private providers of health services (SA, 2003).

8.2.5 The HIV/AIDS pandemic

Government faces new challenges to enhance the country's comprehensive response to HIV and AIDS which may influence the development of PPPs.

Some aims, which might be regarded as causal elements to stimulate PPP development in the South African health care sector, are visible in the SA Governmental Cabinet's decision of 19 November 2003, and may be outlined as follows (SA, 2003):

- The comprehensive programme includes prevention, treatment and care, research and human rights;

- The treatment plan has two goals; to provide comprehensive care and treatment for people living with HIV and AIDS and to help strengthen the country's national health system;

- The programme responds to the holistic needs of people at all stages of HIV infection and attempts to slow progression and maintain the person at the highest functional level;

- Voluntary counselling and testing (VCT) comprise a crucial entry point. Once identified as HIV-positive, patients will be assessed for the stage of their illness and referred into appropriate medical care;
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- The goal of the programme is to establish at least one accredited service point in every health district (in each district or metropolitan municipality) by the end of the first year of implementation and within a period of five years to provide all South Africans who requires comprehensive care and treatment for HIV and AIDS equitable access to the programme within their local municipal area;

- Significant additional capacity in the national health system, in particular strengthening human resource capacity and providing incentives to recruit and retain thousands of health professionals in historically under-serviced areas. (By the end of 2007, over R750 million is proposed for upgrading systems in the health care infrastructure in areas such as drug distribution, patient information systems and monitoring of reaction to the drugs);

- Service points to be a group or network of linked health facilities operating through a hospital or clinic in a defined catchment area.

- By the end of 2004 year at least one service point in every health district and by 2009 access to all who need it in their own municipal area. (Some areas will be able to start sooner than others, and each service point per district may begin to operate as soon as it is accredited, and as soon as the drugs are available).

8.2.6 Aims of the BEE-Act

The causal element towards the development of PPPs against the background of the BEE-Act possibly lies in the strategic objectives of the act. The BEE Act (no. 53 of 2003) empowers the Minister of Trade and Industry to issue codes of good practice either generally or for particular sectors. The causal implications are spelt out in the relevant Act as follows:

- To facilitate broad-based black economic empowerment;

- Promoting economic transformation in order to enable meaningful participation of black people in the economy;

- Achieving a substantial change in the racial composition of ownership and management structures and in the skilled occupations of existing and new enterprises;
• Increasing the extent to which communities, workers, cooperatives and other collective enterprises own and manage existing and new enterprises and increasing their access to economic activities, infrastructure and skills training.

• Increasing the extent to which black women own and manage existing and new enterprises, and increasing their access to economic activities, infrastructure and skills training;

• Promoting investment programmes that will lead to broad-based and meaningful participation in the economy by black people in order to achieve sustainable development and general prosperity.

8.2.7 Other aims identified as causal elements

• Interviewee 19/2003 par. 36 identifies the fact that, in the rural areas, people are under-serviced and suggests that the aim should be to have involved pharmacies existing in those areas, close to those areas and establishing some sort of PPP where these people don't have to queue where they are going to get cost-effective medicine and where they are going to get it on the right conditions. The interviewee says:

  ... This is what I believe government is looking for. These people will be serviced in a proper kind of area or in a proper way in the area where they are living. They don't have to travel miles.

• Interviewee 33/2004 par. 154 describes the most important aim of the national drug policy in terms of the critical health care service delivery for all citizens in terms of access to services by saying:

  ... Access is the most important at the end. The public sector can't do it on its own.

• According to interviewee 20/2003 par. 221 the aim at provincial level for the public sector lies within the normalisation of the shortage of pharmacists and getting the pharmaceutical service levels up to standards;

• Interviewee 20/2003 in par. 256 further refers to an aim of delivering the most services with the least amount of monetary funds;
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- Interviewee 18/2003 par. 56 states that the aim of the public sector in terms of delivering an after-hours service cannot be fulfilled as a result of the insufficient capacity at present, in contrast with after-hour service delivery in the public sector;

- Interviewee 7/2002 par. 366 describes an aim as, a facility, stating that when a facility needs to be developed or improved, the private sector could come up with all the resources necessary skills to develop the facility by the end of the concession period. In that sense the private sector had gain a new and improved facility. Moreover the public at large has access to the facility, standards of care have improved and better services will be delivered, while the private sector is gaining more profits;

- According to interviewee 28/2004 par. 108 the major aim in formation of PPPs should be an orientation to improved service delivery. The interviewee describes as being the crux of the matter;

- According to interviewee 37/2004 par. 45, improving information technology (IT) is the aim in the advancement of communication among and between public depot facilities in order to obtain optimal stock levels and control, and to increase capacity at the depots as well;

- Interviewee 27/2007 par. 59 further refers to the aim of black economic empowerment, which is going to carry a lot of weight. It is specified that the aim is not to only promote black economic empowerment but that it must take place within the province of service delivery as applicable at the time saying:

  ... not just talking people who are just there in name only. They must be an integral part as a private partner, ... they mustn't just work, ... like sitting in a pharmacy somewhere in say, ... Johannesburg, ... and say this is our black economic empowerment partner, when that person is just a talking person;

- This viewpoint is elaborated on by interviewee 13/2002 par. 150, who states that black economic empowerment is going to play an increasing role in the future, but refers to black empowerment in the sense of "South African empowerment".

- According to interviewee 22/2003 par. 90, it is foreseen that the private sector’s aim is to offer PPP models to government, in the light of the visible fact that everybody knows, that the public sector suffers on pharmaceutical dispensary line services:
... Everybody sits for hours and hours in the hospital just waiting for their medicine;

- Interviewee 22/2003 par. 284 also referred to the aim of the necessity to do long term (up to 20 years) pre-planning in order to plan achievements and monitoring the plans implemented.

- Interviewee 36/2004 par. 46 refers to the aim of implementing IT-platforms that are needed for correct claiming procedures, and for allowing access of information from the hospital to the patient and the patient to the hospital through the medical aid. Mention is made of the importance of monitoring the benefits of patients. It is an even more important for the state to see if these monies arrive on time, every time for payments when required;

- According to interviewee 36/2004 par. 49, the state is always trying to become, or achieving its aim to become a good provider of services. The interviewee mentions that unfortunately the experience tends to that the State just does not have sufficient capacity to get to that particular level;

- According to interviewee 36/2004 par. 99 the aim of the public sector is looking at scenario's where the private sector needs capital:

  ... we (the private sector) don't need MASSIVE capital and we don't need massive or largely complex contracts to be drawn up between the two parties, in order to enable them (the public sector) to provide a service.

- Interviewee 36/2003 moreover referred to the “Batho Pele” project, which is about people first, or patients first, therefore an important aim in all these initiatives that should be developed around the patient;

- The last interviewee referred to and also explained that the private sector is geared towards patients, and that the public sector is geared towards patient’s health. The aim therefore is the need to develop the capacity in the private partnership to enhance its own capacity towards addressing the needs of the patients;

- Interviewee 13/2002 par. 76 refers to the aim of enrolling un-insured employed patients in the private sector into the National Health Insurance plan, in an effort to shift some public sector obligations to the private sector.
The South African National Treasury (2001) described some specific aims and objectives in the PPP Guidelines issued by this department and the enabling aims may be summarised as follows:

- Establishing a clearer policy framework to ensure that PPPs are a coherent option for departments;
- Refining legislation through a targeted programme to remove unnecessary obstacles to cost-effective PPP arrangements;
- Enhancing the capacity of departments to use PPPs in sound and effective projects;
- Providing a simple yet effective institutional framework to ensure that PPPs achieve value for money and facilitate capacity enhancement activities.

Discussion:

The above data abstracts on PPP enabling aims were identified to be functioning as causal elements in the South African health care environment representing the aims for the development of PPPs and were deduced from the data.

The researcher theorised and summarised the main identified aims as follows:

- The most important aims were incorporated in the SA National Health Bill and include uniting the various elements of the national health system; a system of co-operative governance and management of health services, a health system based on decentralized management and to promote a spirit of co-operation and shared responsibility among public and private health professionals and providers;
- The current HIV/AIDS pandemic raised the development of a comprehensive strategy, which includes the aims of letsema and vuk'uzenzele, (meaning in the context of the nation, a need to wake up to the call, and doing something about it on one's own). It brought a message of hope and responsibility. These attributes as well as constructive engagement in the realm of practical work would ensure that South Africa advances. The specific aims were stipulated in the SA Governmental Cabinet's decision of 19 November 2003, (SA, 2003);
- The BEE-Act lays out strategic aims and objectives in terms of provision for an integrated, co-ordinated and uniform approach to broad-based black economic

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empowerment by all organs of state, public entities, the private sector, non-
governmental organisations, local communities and other stakeholders;

- PPPs should be established with private sector pharmacies in rural areas in order to promote accessibility to pharmaceutical health services;
- Access to critical care health service delivery;
- The normalization of the shortage of pharmacists in the public sector;
- PPPs should aim at delivering pharmaceutical health services based on sound economic principles, such as delivering maximum services at minimal expenditure;
- PPPs might promote the delivery of after hours pharmaceutical care services;
- PPPs may aim at transferring the necessary skills to develop a facility and delivering the facility plus new skills at the end of the concession period;
- PPP development may improve service delivery in the public health sector;
- The development of PPPs in line with the Broad Based Black Economic Empowerment Act;
- The development of PPPs should work in hand with an IT-platform in order to claim for services and monitoring patient benefits;
- PPP development should be based on projects where massive capital contribution is not needed and massive or complex contracts are not required in order to fulfil in the aims for the pharmaceutical retail sector;
- The development of PPP to fit the aims of the future Public Health Insurance Plan;
- Specific aims were identified in terms of objectives put forward by the South African National Treasury Department as a strategic framework for PPP development and are summarized in the PPP guidelines (South African National Treasury, 2001).

PHENOMENA (2ND THEMATIC-CATEGORY STRUCTURE)

The phenomena thematic-category structure was deductively structured and is described by some criteria (categories) to the phenomena. (See par. 6.3, p. 218 for the diagrammatic illustration).
PHENOMENA PRESENTING BACKGROUND TO PPP PROSPECTS (CATEGORY 1)

Some phenomena were identified containing data that relates to background aspects that may affect the prospects for PPPs in the pharmaceutical sector in the South African health care environment.

9.1.1 The Status quo

The phenomenological abstraction from the data theorising the "status quo" is summarized as follows:

- According to interviewee 6/2002 par. 23 the developmental phase of PPP development in the pharmaceutical sector of South Africa is at a very early stage;
- Interviewee 7/2002 par. 70 mentions that at the time of the interview the public sector was considering PPP in the hospital arena but very little were happening when it comes to pharmaceutical services;
- According to interviewee 16/2002 par. 1, there was one PPP established in the pharmaceutical sector at the time of the interview, which was at the level of the manufacturing of vaccines;
- Interviewee 9/2002 par. 183 asserts that the authority of the pharmacist in the public health sector was not big enough during before the time of interview;
- Interviewee 30/2004 par. 31 explained that members of the public sector are not participating in the existing partnerships. They would rather stand aside and police the matter, not getting involved themselves;
- Interviewee 33/2004 par. 31 is of the opinion that the pharmaceutical private sector pharmacies are not yet included in the public sector's ARV rollout plan;
- Interviewee 33/2004 par. 260 states that the problem with the current system is that; patients who are accessing the tertiary level of care at district hospitals are not supposed to be there in the first place, resulting in the over-burdening of a specialized service at this time;
- Public sector hospitals in general only consider drug costs when these hospitals evaluate expenditure relating to the provision of pharmaceutical services at
hospitals. Expenditure relating to human resources, equipment, facilities, IT systems, as well as other administrative costs to comply with statutory requirements are normally not included as part of the cost of providing a pharmaceutical service, such as operational costs (Du Toit, 2003);

- In 2001 it was estimated that in the Western Cape Province the amount involved was in the vicinity of R12+ million per annum (Du Toit, 2003);

- There is an ever-increasing shortage of pharmacy human resources in the public sector. The implementation of pharmaceutical community service for pharmacists has not really solved the problem. The increase in the training of pharmacists' assistants will alleviate the problem in certain cases to some extent, but will not provide a long-term solution (Du Toit, 2003);

- Most provinces have been unable to comply with the staffing norms developed by the SAPC, neither is it foreseen that the conditions of service of pharmacists in the public sector will improve to such an extent that more pharmacists could be recruited to this sector to ensure compliance with these staffing norms (Du Toit, 2003);

- According to interviewee 26/2004 par. 49, the public sector is currently considering PPPs as a result of the shortage of pharmacists. This interviewee believes that the possibilities could not be postponed for too long as service delivery is suffering as a result of this shortage;

- Interviewee 37/2004 par. 29 explains that when it comes to pharmaceuticals and PPP's there is not anything really being done in South Africa. Outsourcing of the pharmaceutical depots were done and the public sector have struggled and try to provide a pharmaceutical service:

  ... but we have obviously not done a good job;

- According to 22/2003 par. 103, PPPs were not actively pursued at the time of interview, as most of the private sector pharmacists and role-players were historically people who had all done well in private sector pharmacies and did not bother considering the options:

  ... they act like businessman, not like health care providers, keep whatever secrets they have, to themselves and they don't share them with people that are struggling, they don't help other people, and I think that is part of the reason why
that continues to happen. That is why they never bring the community pharmacists or the patients in to help them formulate what they should be doing;

- Interviewee 22/2003 par. 108 is of the opinion that the public and the private sectors have remained separate entities which do not collaborate in pharmacy unless they have to borrow medicines from each other, or when they need each other for very small projects;

- According to interviewee 22/2003 par. 116 many errors are occurring in public sector dispensaries. Some people “actually die” because they are getting the wrong medicine and not always only from assistants, but also from pharmacists, because pharmacists are under pressure because of serving up to 400 people a day. In another instance it was reported that the figure escalates to 600 people served per day.

- According to interviewee 21/2003 par. 33, the retail pharmaceutical sector has been totally excluded from delivery of services to the public sector, since the termination of the Impress system in the Free State.

- Interviewee 24/2003 par. 160 reports that the retail pharmaceutical sector occasionally negotiates possibilities with the public sector, and offers services it is able to, without considering or accounting for the costs thereof to the State;

- According to interviewee 29/2004 par. 69 the current IT platforms in use in the public and private sectors are not inter communicable. This makes it impossible for the private sector service claim administrators to receive electronic claims from the public sector;

- Furthermore, according to interviewee 29/2004 par. 124, the public sector is importing “hard coded” IT systems from abroad, which are not compatible with the systems used by most of the South African private administrator companies. The “rule and parameter” IT systems are currently more needed in South Africa A for demographic and entrepreneurial reasons;

- According to point A of the South African National Treasury’s PPP guidelines, PPPs are an integral component of the state’s overall strategy for the provision of public services and public infrastructure across all sectors. This does not imply that PPPs are the preferred option for improving the efficiency of services delivery, but rather that they enjoy equal status among a range of possible service delivery options.
available to departments in all spheres of government, thus giving practical effect to
the Strategic Framework (South African National Treasury, 2001).

9.1.2 Trends in the public and private sector

The phenomenological abstraction from the data theorising the "trends in the public and
private sectors" is summarised as follows:

General trends in the public and private sectors

- According to interviewee 6/2002 par. 1, only big BEE companies are involved in PPP
activities at the time of the interview, while the smaller and individual companies or
pharmacies do not have an opportunity to become involved. Interviewee 13/2003
par. 49 also emphasised this issue;

- According to interviewee 11/2002 par. 199, the disparity in the prices of medicine in
the public and private sectors is being exposed and the tendency is moving the price
of medicines closer to each other;

- Interviewee 33/2004 par. 144 elaborates on the trend of patients now claiming
services from the medical aid schemes. Medical aid schemes are now also
contracting to state hospitals. Previously medical aids were only involved in the
private hospitals;

- Interviewee 20/2003 par. 126 claims that the trend to make use of a network group
of providers or a system of "designated service providers" (DSP) is now commonly
being considered in the public sector as well;

- Interviewee 29/2004 par. 170 likewise explains the DSP concept, stating that it is
easily to implement, but that it is not taking place as a result of the negative trend of
vested interests amongst role-players (primarily pharmacists) which are possibly
hindering the possibility;

- Interviewee 25/2003 is of the opinion that pharmaceutical companies are not keen to
do business with the public sector, as they want to keep the public and the private
businesses as separate as possible, because the profit incentive is centred in the
private sector. It was said that:

... They (the pharmaceutical companies) don't like seeing us selling our medicines
that we purchase on a state tender, ... or on a bulk-tender to medical scheme
members. There is a general tendency that they do not approve of what we are doing.

- According to interviewee 29/2004 par. 410 the latest trend in health care management, viz. "health care technology" is an important aspect of managing patient information in order to manage clinical and financial risk in a real time environment.

Trends in the public sector:

- According to interviewee 15/2002 par. 221 the trend prevails that leading political parties and policies drive general issues in SA;

- Interviewee 14/2002 par. 283 observes the trend that the public sector is adapting a corporate government management style and has lately become orientated towards service and budgetary management;

- Interviewee 20/2003 par. 219 describes the fear in public sector pharmaceutical service provision, as a trend that services are under threat of collapse as a result of the shortage of pharmacists;

- According to interviewee 25/2003 par. 98 the trend towards the Social Health Insurance Scheme (SHIS) is a mechanism that is being testing and evaluated at the moment to equalise access to health care from an insured point of view. The introduction of prescribed minimum benefits and the increasing usage of state facilities by funded patients is all part of the bigger picture, which SHIS is related to.

- Interviewee 22/2003 par. 123 describes the trend of resistance to change in the public sector as follows:

  ... in the public sector things have been going like this forever and just keep going like that, and nobody is prepared to rock the boat, because they might be scared of coming out of their comfort zone ...;

- Interviewee 31/2004 par. 42 mentions that the tendency to promote PPPs is driven rather by the politicians than by the public sector officials;

- According to interviewee 31/2004 par. 47, a trend of laxity prevails amongst the public sector's workers. This is and was explained as follows:
... the other big problem is that we have in government a culture of laxity, so the people we’ve had were not even acceptable to the private sector to work with. Because there were people who were acquired from the previous regimes especially Boputhatswana and the cultures were not of people dedicated to working together;

- Interviewee 24/2003 par. 64 mentions the running pilot projects for PPPs, which may become a trend in order to evaluate and assess the viability for future PPP projects.

**Trends in the private sector:**

- According to interviewee 35/2004 par. 42 community pharmacies in the private sector are following a trend of being involved in the management of obesity, immunisations, family planning, and many other kinds of primary health care functions, that extend the role of community pharmacist. Many pharmacies are also changing into health care clinics.

- If one looks at the private sector there is a saturation of medical scheme membership, and the number of scheme members has been steadily and probably slightly declining over the last couple of years, according to interviewee 25/2003 par. 98.

### 9.1.3 Vested interests

The phenomenological abstraction from the data theorising the "vested interests" is summarised as follows:

**Other professions:**

- The interests vested by other professions were illustrated by the SA Cabinet’s acceptance of a HIV/Aids plan in parliament on 19 November 2003. The report also stated that the programme would require a major effort to upgrade SA's national healthcare system. This includes the recruitment of thousands of health professionals and a very large training programme to ensure that nurses, doctors, laboratory technicians, counsellors and other health workers have the knowledge and the skills to ensure safe, ethical and effective use of medicines. The report did not refer to the pharmacist at all (Gray, 2003);
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- Signs of vested interests may be further illustrated by the “tug of war” going on reported by interviewee 33/2004 par. 85:

  ... there was a bit of a tug of war, ... doctors felt that they would be the best people to provide the service in terms of providing ... The family planning should not be considered as a “family planning service”, it should be seen as a totally “productive health care” and the best person to provide that is a doctor;

Public sector and political-

- Vested interests with government politicians are illustrated by interviewee 33/2004 par. 231 who explains how the politicians pressurize public sector officials in order to assign hospitals as HIV role out centres in order to promote political image;

- The public sector is gaining interest in providing hospital services to private patients. According to interviewee 35/2004 par. 80, the private sector hospital hierarchies are extremely upset because the public sector hospitals now offers far more affordable rates to the medical schemes, and many medical schemes have chosen public hospitals as designated service providers (DSPs).

- Interviewee 20/2003 par. 126 explains the influence of vested interests on government regulations prohibiting the sale of State tender stock to the public. Government officials and medical aid schemes promote the abolition of these regulations in order to enable the sale of medicines to the private sector within possible partnership arrangements between the sectors;

- Interviewee 25/2003 par. 95 explains the State’s interest in the legislation of prescribed minimum benefits. There is an intention on the part of the legislator to try to make more affordable chronic medicines more affordable, and by doing so prevent the situation where patients who are running out of benefits with their medical aid schemes, approach the state for free medicine:

  ... They always come running for free medicines to the state. That is the whole issue why that we had prescribed minimum benefits for chronic conditions where people are, ... so that is also a driving force because people will have that much less interest to going this route;

According to interviewee 26/2004 par. 55, the public sector is taking a special interest in its “core business”, which is stated to be hospital services and clinic services. This
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Interviewee does not regard "services to outpatients" as "core services", and states that the latter type of services could easily be privatised;

- According to interviewee 31/2004 par. 53 politicians show vested interests as there have been a lot of allegations such as:

  ... allegations of fronting ..., some of them being pushed by certain provincial politicians maybe for their own benefit.

- Interviewee 29/2004 par. 160 also mentions that PPPs could be considered a key focus area but not be regarded as a key deliverable. This might indicate the government's vested interest on priority issues.

**Corporates**:

- Interviewee 8/2002 par. 119 depicts the vested interests identified as major "blocks of influence". The first block of influence is medical schemes; another block of influence is the manufacturers and the other is the pharmacist. These groups are not interactive with each other. The medical schemes dealing directly with the government are not engaged in pharmacies, neither do they engage with manufacturers, so they are always trying to achieve certain things on their own;

- According to interviewee 8/2002 par. 120, vested interests are demonstrated when big "groups" or "blocks" (referring to a medical aid administrator, and a provincial health care services provider) are looking after their own interests by trying to access state tender stock and exclude the manufacturers in their discussions with the State.

- According to interviewee 18/2003 par. 90, the vested interests are noticeable when looking at the fact that public sector's most highly ranking officials communicate with big body corporates as these represent a money market, whereas the PSSA and the SAPC struggle to get a hearing;

**Private sector**:

- Interviewee 8/2002 par. 126 explains the nature of the interests of human resource unions in that they are afraid that if a total restructure in the pharmaceutical supply chain in government is going to change, it could mean that people may be retrenched;
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- According to interviewee 8/2002 par. 133, role-players should be looking after the consumer of health care's needs or interests, rather than after the pockets of the shareholders;

Pharmacists-

- According to interviewee 22/2003 par. 164 & 209, vested interests are so imbedded within pharmacists (doing well in their own pharmacies), that they are not particularly interested or focused on the health care delivery to the public:

  ... but we think that their focus should be on the health care of the people first and then obviously in that same thought process is to make sure that you stay in business (making profit) so that the people can actually benefit, ... I think not all pharmacists are interested in health care. A lot of pharmacists are interested in pharmacy, making money, running a business, ... They are not primarily in it to improve health care;

- Interviewee 29/2004 par. 160 expresses the view that the interests vested within pharmacists would hinder successful discussions if the role-players were considered for a discussion group to develop PPPs as a key focus area;

Other professions-

- Interviewee 5/2002 par. 241 reports a vested interest in that medical practitioners have a financial interest in medicine by means of their involvement of dispensing medicines in the private sector;

- Interviewee 5/2002 par. 249 reports the same vested interest at the level of the professional nurse, in that nurses as a result of new legislation are getting a financial interest in medicine by means of their involvement of dispensing medicines in the private sector;

9.1.4 Motivating phenomena

Some of the comments made by interviewees were considered aspects that might be regarded as possible motivations in the pharmaceutical arena of both the public and private sectors, to work towards PPPs in future.
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The phenomenological abstraction from the data theorising some "motivations in the public and private sector" is summarized as follows:

- Interviewee 20/2003 par. 58 mentions the number of pharmacists diminished in the rural towns as a result of the effect of dispensing doctors, and states that the public sector would appreciate the availability of pharmaceutical services in the towns mentioned. The aspects concerned might serve as motivation for both sectors;

- According to interviewee 20/2003 par. 324, the workload of public sector pharmacists may be alleviated and the quality and effectively of pharmaceutical services in the public sector may be improved;

- Interviewee 18/2003 par. 25 mentions such factors as, the inadequate infrastructure of the public sector, management of services, and insufficient funds of government, and a deficiency of human resources to serve 80% of the South African population;

- Interviewee 7/2002 par. 366 mentions the aspect of PPPs improving service delivery facilities by means of the process of PPP involvement:

  ... the potential gain there for the private sector is that ... if we are to develop or improve a facility, the private sector could come up with all the resources necessary, skills to develop the facility and then, at the end of the concession period for instance that facility can become a new facility. In that sense the public sector has gained a new and improved facility and also the public at large have access to the facility. Standards of care have improved because they received better services ... and ... on the other hand, the private sector is gaining more profits...

- Interviewee 21/2003 par. 37 mentions the additional benefit to the private sector when serving the public sector patients in pharmacies as "extra feet" coming into the private sector facilities. This may broaden the private sector clientele base.

- Interviewee 13/2002 par. 157 elaborates on the aspect of an increased economic base when the population base increase, as a result of a shift of service delivery from the traditional white or medical aid insured population, to the total public population, which were previously not considered a target population;

- The South African National Treasury's guidelines on PPPs set the table for PPP development and the aims thereof may be regarded as a motivational factor.

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Reasons to make use of PPPs were motivated as follows (South African National Treasury, 2001: B):

... The simplest forms of PPPs have been part of South Africa's procurement landscape for some time. More complex arrangements, in particular long-duration contracts that entail private finance, represent new ground. Limited experience with more complex PPPs to date has produced mixed results. Correctly structured, however, such partnerships are a useful service delivery option from both an operational and a strategic perspective. Operationally, the benefits of PPPs include efficiency gains; output focus; economies generated from integrating the design, building, financing and operation of assets; innovative use of assets; managerial expertise; and better project identification. These benefits can result in some combination of better and more services for the same price, and savings, which can be used for other services or for more investment elsewhere. Strategically, partnership contracts enhance accountability by clarifying responsibilities and focusing on the key deliverables of a service. A department's managerial efficiency can benefit significantly as existing departmental financial, human and management resources can be refocused on strategic functions.

9.1.4.1 Summary of motivating phenomena

The following is an abstract in summary of some of the above motivational factors:

- The quality and affectivity of service delivery may improve;
- Public sector infrastructure may improve;
- Management of services may be addressed more efficiently;
- Utilisation and access to private sector funds alleviate the state's financial burden;
- The human resource deficiency may be improved;
- The private sector clientele base may be broadened;
- A shift from previously over-serviced areas to more services in under-served areas;
- Long-duration contracts that entail private finance represent new ground;
- Better and more services for the same price, with savings in costs;
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- The enhancement of accountability by clarifying responsibilities and focusing on the key deliverables of services;
- Improved public departmental managerial efficiency may result.

9.2 PHENOMENA COUNTERACTING PPP DEVELOPMENT (CATEGORY 2)

Some phenomena were identified containing data that relates to negative aspects that may affect the prospects for PPPs in the pharmaceutical sector in the South African health care environment.

9.2.1 Threats in the public sector affecting PPP prospects

The aspects were abstracted and summarised as follows:

- Interviewee 11/2002 par. 167 mentions that the bad status of security within the public sector's domain poses a threat to the distribution of pharmaceuticals in the public sector;
- Interviewee 11/2002 par. 167 warns that the over-supply of medication (three month's supply in certain instances) poses an element of insufficient practice leading to great losses and poses a threat;
- Interviewee 11/2002 par. 274 claims that the public sector staff perceive the possibility of PPP involvement as a threat to their positions as employees;
- Interviewee 11/2002 par. 556 in this regard mentions that bad communication within the public sector offers a threat perceived by the public sector employees:

  ... the fear is being driven by this new legal framework that government is putting in place. The problem with government is that government has stopped talking to all the various stakeholders;

- Interviewee 17/2003 par. 24 elaborates on the aspect of fear for job loss in the public sector and that suspicion of the private sector taking over their jobs at regional and local levels of public service delivery makes out a threat;
- Interviewee 15/2002 par. 170 warns that a real threat is the total collapse of the health service delivery in South Africa as a result of services becoming too expensive in the private sector and the huge lack of capacity in the public sector;
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- According to interviewee 20/2003 par. 219, the critical shortage of pharmacists prompted the public sector to train pharmacy assistants. Thus human resources, and pharmacists leaving the country taking away the know-how of pharmacy practice pose a threat to the public sector. Interviewee 24/2003 par. 69 also elaborates on the threat of lack of human resources as a point of major concern;

- Interviewee 18/2003 par. 57 refers to the problem of shortage in capacity of the public sector to deliver an after-hours service as in the private sector and the fact that the public sector staff perceive the private sector doing this as a threat to their job employments;

- According to interviewee 10/2002 par. 223, the labour unions pose a threat to the public sector in that they might have the strength to oppose political decisions taken in order to promote productivity;

- Interviewee 10/2002 par. 265 identifies a financial threat in that South Africans have a very small income tax base representing the people liable for tax needed to finance the National Health Insurance Plan. According to the interviewee referred to, even Europe and Britain suffer from the same constraint;

- Interviewee 22/2003 par. 114 points out that the public sector's pharmaceutical service facilities pose a threat as they do not operate to the same standards as the private sector:

  \[...\text{they have poor facilities, not enough pharmacy staff, not enough waiting areas, not enough areas for counselling and they don't meet the GPP (Good Pharmacy Practice) requirements;}\]

- Interviewee 22/2003 par. 116 is another one to elaborate on the threat posed by the work overload taking place in public service pharmacy facilities, in that in some instances two pharmacists are serving 600 people on one day, resulting in no pharmacy counselling role at all;

- According to Interviewee 22/2003 par. 123, the shortage of pharmaceutical care and pharmacist consultation may result in ill health at public sector service points, posing a threat to public:

  \[...\text{there is a big percentage of people that don't take it (their medicine), don't complete their courses. So many times in the day hospitals or in the hospitals}\]
people after their parents or families have died with big carry bags, coming into pharmacy saying, 'oh here is some extra medicine they never took. I always say to them: "that is why those people died, because they never took their medicine";

- According to interviewee 32/2004 par. 87, two future threats facing the public sector service delivery are that will affect the prospects of PPPs in the pharmaceutical arena are "the managing of the contracts" and the lack of proper IT and computer dispensing systems;

- Interviewee 36/2004 par. 67 discerns a great deal of mistrust on both sides. An example is that pharmacist colleagues working in state hospitals felt threatened at one stage:

  ... that if the private sector was going to take over these particular functions there was a possibility of job decreases or job losses that could take place at departmental levels;

- According to interviewee 29/2004 par. 69, the incompetence of the public sector at the level of administration also poses a threat to the prospects of PPP development in the pharmaceutical sector. The private sector is not able to deliver claims to aid claim administrators in the normal format at the time of the interview. There is a lack of use of the standard IT communication formats.

9.2.2 Threats in the private sector affecting PPP prospects

The aspects were abstracted and summarised as follows:

- Interviewee 6/2002 par. 33 considered the possibility of the smaller pharmacy service provider not being able to establish a formal PPP arrangement with the public sector, a threat to the prospect of PPP development, if compared to the ease with which big service providers do so. This is because the former are not backed up by big capital and BEE-companies such as perceived developed in the hospital sector at the time of the interview;

- Interviewee 34/2004 par. 42 observes a longing on the part of the public sector to service private sector patients in public sector hospitals. Although this may be regarded as a threat to the private sector, it does not necessarily mean a threat to
the prospects of PPP development in the South African health care environment. Interviewee 25/2003 par. 81 corroborates this aspect:

... we are trying to create the mechanisms to provide chronic medication to our private clients because the way we see it, we have public clients and we have private clients and we are selling state tender drugs to pharmacies and trying to make a profit out of them.

- According to interviewee 11/2002 par. 566, the polarisation of the medical professions poses a threat in that government has stopped talking to the various stakeholders:

... they stop talking to the pharmacists, they stop talking to the doctors, and I don't know what is happening with the nurses, so as a result of that you have a polarisation;

- According to a circular from Gray (2005) the Medicines Act states that no one shall sell a medicine at any price other than the SEP to any purchaser other than the State. This allows the manufacturer to sell to the State at a different price. This might pose a threat to the private sector in terms of lack of competitiveness in the market place;

- Interviewee 35/2004 par. 83 also reports that private hospitals are claiming that this is extremely unfair, because state hospitals are now in a position to undercut private hospitals because they are using state drugs for which they pay less and they are not paying value added tax. Therefore they are able to compete on an uneven basis;

- Furthermore according to the circular by Gray (2005), demonstrating the ill effects of price disparities in the market place, it was reported in a Sunday newspaper, that new evidence was brought to the attention of the Pharmaceutical Society of South Africa. The information on the DOH’s website may indicate that the State is making exorbitant profits on medicines, exploiting patients. This was possible as a result of dispensaries in the public sector that are allowed to charge a remarkably higher price for the same medicine than private sector pharmacies;

- Gray (2005) explains the viewpoint of the PSSA in that the Society finds it astonishing that some medical schemes have chosen the State health sector as their designated service provider (DSP) for the supply of medicine. This might pose a threat to the private sector pharmacies in terms of a diminishing market share;
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- Interviewee 33/2004 par. 85 reports on a meeting with the private sector among doctors and pharmacists, community pharmacists as well as private practitioners which illustrated inter-profession competition for services delivery:

  ... there was a bit of a tug of war, ... doctors felt that they would be the best people to provide the service.

- Another threat is reported by interviewee 20/2003 par. 58 in that dispensing doctors caused a number of pharmacies to close down in rural towns and that no private sector infrastructure was left in these demographic areas;

- According to interviewee 20/2003 par. 58, pharmacists are considered in outsourcing pharmaceutical services to public sector clinics, but legislation currently confines the pharmacist to a single pharmacy. The interviewee mentions that pharmacists therefore tend to hem themselves into a cocoon (the inner side) of their own pharmacy;

- Interviewee 8/2002 par. 42 notes that the private sector would have to act as an inter-mediate as far as labour issues are concerned. The private sector might need to resolve issues between the labour union and the private sector (partial employer) and the public sector (other partial employer):

  ... therefore the public sector is ... (shaking off) ... that responsibility. That is a scary situation.

- Interviewee 18/2003 2003 par. 90 reports that the lack of accessibility to the minister's office and the minister's lack of cooperation with the PSSA poses a threat, in that the profession as a role-player, fails to access the minister's office for the necessary communications;

- Interviewee 10/2002 par. 258 warns of a threat to viability, in as much as the private sector only has access to 15 to 20% of the country's population (private sector insured with medical aids), and that the viability of the private sector would be hemmed in, if the public sector were not to allow the private sector to access the other 80 to 85% of the under-served population (under-served in terms of not insured with medical aid schemes).
9.2.3 Barriers and constraints affecting PPP prospects

Some of the following aspects were abstracted and summarised:

**Negative phenomena related to politics:**

- Interviewee 18/2003 par. 235 highlights a possible barrier that exists along the lines of political and racist dimensions, in as much as it was experienced that it depends on where you are, who the people involved are and who the people are that you know;

**Negative phenomena reflected in legislation:**

- Interviewee 25/2003 par. 142 regards certain aspects in the legislation might as a barrier in the public sector for PPP development. It was felt that there are processes that prescribed processes, and that legislation and bureaucracy and are regarded as barriers:

  ... if you look at a PPP's as such, there is legislation and there are specific policies. You cannot just go and sign on an agreement and buy what you want. You must actually go through the process.

- Interviewee 9/2002 par. 114 indicates legislation as a barrier in as much as it prohibits the pharmacist from working in a group practice with a general practitioner at the time of the interview;

- Interviewee 10/2002 par. 152, views strict legislation as a barrier impeding pharmacists from leaving their premises of practice at any time. The pharmacist is therefore captured and confined to single premises of practice, the so-called “four-wall syndrome”;

- Interviewee 32/2004 par. 122 stresses the point that legislation at the time of the interviewee binding the pharmacist to the inside of his pharmacy is perceived as the biggest barrier and should be addressed as the tendency is to have clinics supervised by a pharmacist not confined to a single pharmacy;

- Interviewee 10/2002 par. 79 is of the opinion that one of the barriers is the fact that the South African National Treasury regulations never permitted the use of medicine, procured by the public sector, for use in the private sector.
Interviewee 10/2002 par. 80 adds that the mere fact that two different pricing structures exist in the public and private sectors makes the workability of a PPP complex and almost impossible. A need therefore exists for a single uniform pricing mechanism. The interviewee stats that, at the time of the interview, the two-tier pricing system discriminated against the private sector;

Interviewee 12/2002 par. 64 perceives the fact that the public sector was functioning outside the legislation at the time of the interview, a barrier that complicates interaction and collaboration at the level of service provision between the public and private sector;

According to interviewee 36/2004 par. 33 a major stumbling block (barrier) is the South African National Treasury guidelines as those guidelines "are too stringent":

... it actually went into risk assessment, ... it talked to the kind of budgets that we needed for the particular project, ... there is just too much protocol attached to the development phase.

Negative phenomena related to mutual trust:

Interviewee 34/2004 par. 76 identifies the most critical issue as a lack of trust:

... The first question that they (public servant) asked was about who was going steal their stock and salary. And if you say to the private sector the government wants to talk to you, then it says "Yes, but I don't trust them. They just want and don't want to pay or they are going to pay me late";

Interviewee 15/2002 par. 467 also recognises that a lack of trust and also arrogance on the side of the public sector is perceived as a barrier, in as much as certain public sector servants (generally speaking) maintain that they could "do-it- themselves" with reference to health service delivery.

Negative phenomena reflecting bureaucracy:

Interviewee 15/2002 par. 457 views bureaucracy and a lack of infrastructure as the most important barriers in developing prospects for PPPs in the South African health care sector;

According to interviewee 3/2002 par. 19, a major stumbling block is perceived in that each province has its own mechanisms of buying pharmaceutical products at
different levels. In other words, they are using different ways and means of acquiring pharmaceuticals. They operate within a rough framework but there is no uniformity;

- Interviewee 8/2002 par. 69 further identifies a political barrier in as much as the public servants in the top provincial management positions can only make practical working recommendations; they do not have decision-making authority. The decision-making authority lay within the higher political level of public health management positions;

- According to interviewee 16/2002 par. 57, the basic barrier is the bureaucracy in the public sector, and the meaning thereof was explained to be the departmental red-tap-ism;

- Interviewee 10/2002 par. 134 points out a barrier in that pharmacists employed in the public sector are not allowed to play any significant role. According to the interviewee, these pharmacists are playing a role up to a certain level and from there onwards they have no participation in decision-making. Decisions are taken at a level on which pharmacists seldom participate;

- According to interviewee 12/2002 par. 216 the other important barriers were issues such as bureaucracy, funding constraints, staff shortages, unattractive conditions of service, unattractive working environments.

**Negative phenomena affecting communication:**

- Interviewee 34/2004 par. 78 notes that a possible barrier in the communication might be the observation that there is an expectation from the pharmacists' side that government will move first (on issues related to PPP development).

- Interviewee 34/2004 par. 84 explains that the sectorial dividers among community, hospital and public sector pharmacies are quite large, and may be regarded as a barrier in terms of inter sectorial interaction. Seen as a whole, community pharmacy has a lack of understanding of the way the public sector works;

- Interviewee 11/2002 par. 520 identifies a further barrier related to communication in that the problem with government is that they no longer communicate across the board;
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- Interviewee 17/2003 par. 24 further explains that no clear directives were sent out by government in terms of protocol required for this type of liaison at all the different levels:

> ... and once that instruction has gone through quite clearly then you’re going to make a certain amount of progress;

- According to interviewee 17/2003 par. 105 the biggest barrier is one of “communication” rather than content. The interviewee offers this solution:

> ... The answer is ... (the communication) must be rationalised at the top. It must be fed down to the provinces so that it is a very firm directive based on very definitive protocols and then down to your sub whoever they are in terms of local in terms of municipal etc. So that when you go in and the process has been identified and the pharmacist, community pharmacist, or private pharmacist is involved, you would not arrive at one of these designated places and have the door closed because they haven't been informed or they're feeling antagonistic or threatened about it. That is the primary thing that has to be resolved;

- According to interviewee 38/2004 par. 59 is of the opinion that the lack of proper service level agreements and standard operating procedures poses a barrier:

> ... you need a proper service level agreement. You’ve got the contract on the one side, that’s fine, ... but the contract on its own does not survive”.

- Interviewee 35/2004 par. 140 explains that the private sector does not know who and how to engage the public sector in order to initiate new opportunities on PPP developments:

> ... Is it regional, is it local, or is it district? Who are the decision-makers, whom do you speak to in government? So you don’t even know whom to speak to ... let’s use one word, we don’t know how to navigate the system ... I think the barrier is this complete lack of understanding is how to navigate the system.

- Interviewee 35/2004 par. 153 view as another barrier the fact that the private sector does not know the “needs” of the public sector:

> ... We all know about drugs, but we don’t know about PPPs. We don’t know whom to speak to and what their needs are. ... the state hasn’t defined what
THEY need and ... you only design products in life to what you need. So you've got to understand the needs;

- Interviewee 2/2002 par. 216 believes that the SAPC was not really clear of what the Council had to do or who should be doing it. The initiatives were eventually moved to the Council's Practice Committee. This might be an indication of the communication barrier that exists between the public and private sector even at a high level;

- According to interviewee 8/2002 par. 55 a political barrier was identified in that a problem lies in the interaction between provincial government and local government. The politics still remain since it is impossible for a provincial government to devolve services to local government if it is controlled by another political agenda;

- Interviewee 18/2003 par. 40 explains that a barrier exists with referral to the status of family planning at the time of the interview as an example. Conflicting messages are sent from the public sector, coming from different levels of government. The way it was explained indicates a communication problem and/or an interpretation problem of the status of family planning coming from local government and from the level of the political policy makers:

  ... in other words, the one person (with reference to the public sector) does not know what the next one is doing. ... things are not working, because the government (department or an minister) makes a policy and explains its function, it filters through the system, ... but then it depends on how the person at the bottom level of government is going to feel about it...

- According to interviewee 18/2003 par. 49 a barrier exists in that the perception of government, of what the pharmacist is doing is wrong, the reason or blame for this barrier was laid at the door of firstly the pharmacist himself, the SA Pharmacy Council, the PSSA for not communicating the case properly. It was mentioned moreover, that the Minister of Health was hesitant to meet with the PSSA at the time of the interview;

- According to interviewee 22/2003 par. 108 the individual pharmaceutical components in the public and private sectors are currently structured in a way that ensures that they hardly ever make contact with each other. This might be regarded a barrier in that communication amongst and between the sectors is limited:
... But I think what happened is that the public and the private sector remained separate and they don't collaborate in pharmacy unless they have to lend medicines from each other, or they need each other for very small projects;

- Interviewee 29/2004 par. 69 identified a barrier in as much as the public sector tends not to use standard communication codes such as nappy-codes or electronic unified pricing systems, resulting in the inability to submit electronic claims successfully to the private sector.

**Negative phenomena on ethos, attitude and motivation:**

- According to interviewee 30/2004 par. 97, a further barrier added to the above aspect is that public servants could not easily be removed from their current positions to another position and that they sometimes need to be absorbed somewhere else. This may deceive the economic objectives of the project as a whole;

- Interviewee 17/2003 par. 24 regards the big barrier in prospect improvement for PPP development as being the "lack of progress" on the issue as both sectors are "passing the buck". The claim is substantiated by the explanation that numerous meetings were held between both sectors in the past with relative small outcomes:

  ... the Springboks could take a lesson on how to pass the ball by watching government officials, how they pass their ball.

- Interviewee 30/2004 par. 96 describes a barrier in that a "resistance to change" is noticeable in the public sector in as much as servants are used to working in a certain way for many years and are sceptical of change to new models such as PPPs;

- Interviewee 18/2003 par. 25 explains that a lack of commitment on the sides of both the public and private sectors, seem to be a barrier and should be resolved. Commitment and trust were the two main barriers identified by the interviewee concerned;

- According to interviewee 22/2003 par. 255, a big barrier might be the general mindset of the average pharmacist. It is a barrier in that the pharmacists want to make pharmacy work only for the pharmacists, and not to make it work for the people and the country. The interviewee feels the mindset should be:
I want to make my profession work for the betterment of the country;

- According to interviewee 33/2004 par. 50, a barrier is perceived in terms of the different economic motives in the public and private sector where everything for the public sector is for the people and not profit-driven, whereas everything is profit-driven in the private sector;
  
  … the two parties (each) want to gain something totally different out of this whole thing;

- Interviewee 3/2002 par. 19 likewise perceives a barrier in the fact that the public and private sectors each hail from totally different ethos. The funding industry comes from a very aggressive private sector where the private sector itself understands speed of delivery, it understands managed care, it understands maximizing profits in a very short space of time and many related factors. However:
  
  … to try and get that same ethos out of the public sector is almost impossible.

- Interviewee 4/2002 par. 72 explains that a barrier exists in that the private sector acts as entrepreneurs at risk of losing money, whereas the public sector consists of people whose money is not at risk. The public sector is therefore motivated by a different set of drivers.

- Interviewee 23/2003 par. 81 perceives a barrier in the failure of the new pharmaceutical private sector to see the importance of the role that they can play, beyond the profit motive, by also delivering some sort of constructive contribution to national health:
  
  … they don't see themselves playing a very strategic role in contributing to the developments of health in the country, and one would want to see them making a shift from that kind of attitude;

- Interviewee 28/2004 par. 26 identifies a barrier in the observation that the government does not show great commitment towards the development of PPPs in the pharmaceutical sector. It is only "interest" according to the interviewee at the time of the interview;

- According to interviewee 12/2002 par. 195, the public sector is known to be a "slow payer" of services and this might pose a barrier in the development of new initiatives at the level of PPP formation in future;
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- Interviewee 32/2004 par. 135 explains a barrier to successful collaboration on the side of the private sector as being the tendency of the private sector to come to the government (public sector) as competitors rather than as a united force, which is considered a negative factor:

  … government would rather speak to their association (referring to the PSSA) so the principle would be more for a society and because society distributes their share to everybody;

- According to interviewee 29/2004 par. 89, a further barrier is described in that an element of inertia in the public sector inhibits progress in the unification or standardization of electronic computer systems in order to facilitate electronic interaction amongst the different sectors. The public sector seems to reflect an attitude of resistance to change, as a result of their bureaucratic working procedures.

  Negative phenomena related to capacity:

- According to interviewee 3/2002 par. 19 the public sector’s capacity of delivering the services is inadequate;

  … They can’t be of service for their own patients efficiently. So to try and create another system within the system to be able to service private sector patients efficiently I think is going to be very burdensome;

- Interviewee 23/2003 par. 80 identifies a barrier in low personal capacity to take leadership and also the capacity to participate in the management of relationships, as well as administrative capacity at provincial and national levels;

- According to interviewee 2/2002 par. 716, there is not necessarily enough expertise in the public sector to manage PPP developments;

- Interviewee 7/2002 par. 340 perceives a barrier in a shortage in capacity in the public sector and in that the concept is still very new and few people have got any experience in PPP development at provincial level;

- Interviewee 21/2003 par. 39 describes the shortage of manpower resulting in the neglect of using the available electronic data for the purposes of control and management as a barrier that has resulted in poor performance in the past;
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- According to interviewee 5/2002 par. 265 a barrier exist in that both the private and public sectors lack capacity in "change management" or facilitators that might manage or facilitate the process of PPP development;

- According to interviewee 32/2004 par. 97 a barrier exists in that people in the public sector who are non-pharmaceutical people (people with no pharmaceutical background) are used as experts to solve this complex situation;

- According to interviewee 24/2003 par. 118 a barrier exists in that the public sector has a big turnover of staff in the pharmaceutical personnel sector, which might create problems in the continuity of inter-sectoral collaborations.

Negative phenomena related to technology:

- According to interviewee 35/2004 par. 118 the non-existence of a capable IT-system to monitor the medicine usage poses a barrier in as much as it would be a prerequisite to enable control in a fragmented medicine delivery system;

- Interviewee 35/004 par. 145 also identifies a barrier in the lack of IT-systems to control the system, because the private sector IT-system has got to communicate to the public sector IT-systems. It will have to be controlled electronically;

- According to interviewee 26/2004 par. 105, an incompatibility between the IT-systems in use by the public sector was regarded as being a barrier and one which poses a problem with computer communication that might impede computer interaction between different sites of the public sector as well as the private sector at the time of the interview;

- According to interviewee 22/2003 par. 223 the past was marked by a constraint on IT-technology:

  ... as each province had some kind of an IT system, but the systems couldn't talk to anybody else but their own province, but they are always spending millions on these systems, so each of the nine 9 provinces had their system in place but few of them could talk to other provinces.

- According to interviewee 29/2004 par. 124 the private sector is using some of the best IT systems in the world but still the public sector imports "hard coded" computer systems from America which prove to be problematic to integrate with the private
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sector's standard "parameter-driven" systems. Trying to pinpoint the barrier the mentioned interviewee said, quote:

... they (the public sector) projects the feeling of "being South African is not good", because they always look abroad for systems. So the barrier is that they see themselves as unique and they will "re-invent the wheel", ... they won't accept the private sector have got an fantastic system that works and we are unique, ...SA is unique, we've got one system in SA that everybody in the private health sector is using.

Negative phenomena related to economics and sustainability:

- Interviewee 11/2002 par. 203 describes the difference in the price of medicines in the public and private sectors as a major barrier, in that the major stakeholders want the model to stay the same;

- Interviewee 30/2004 par. 64 identifies a barrier in that the salary structure for pharmacists differs considerably between the public and private sectors. This was seen as the reason why the public sector battle to keeping pharmacists employed in the public sector;

- Du Toit (2003) expresses his view that affordability and the feasibility to initiate and manage PPPs remains a barrier within the public sector;

- Interviewee 7/2002 par. 412 likewise perceives the lack of resources and the financial affordability as a barrier in PPP development;

- According to interviewee 12/2002 par. 117, budgetary constraints are always impeding progress on the development of PPP initiatives, as the public sector always seems to be positive as to the possibilities that might be explored but there is always the lack of funds to implement the ideas;

- Other barriers and constraints are identified by Du Toit (2003) such as the apparent lack of progress in improving the remuneration of pharmacists and pharmacy support personnel in the public sector; and the poor physical facilities and working environment of many pharmaceutical personnel members in the public sector. Pharmacy Services are under funded, under managed and inefficient. The writer further reports that there is a crisis; that the levels of wastage and shrinkage are high and that the quality of care leaves much to be desired. It must be noted that these
constraints are reported to be happening in the public sector’s working environment and that these constraints may alleviate the problem by means of PPP development;

- Interviewee 4/2002 par. 51 identifies a barrier in that PPPs are scrutinised purely from a financial cost point of view and that evaluation and/or individual policy makers do make judgments, resulting in possible unfounded or inaccurate results. Indirect costs and hidden costs, for example, are not taken into consideration;

- Interviewee 21/2003 par. 39 discerns a major barrier in experiences in previous partnership arrangements (e.g. the Impress System in the Free State) were the costs where excessive to both the public and also the private sectors;

- Interviewee 36/2004 par. 58 refers to the possible low remuneration (with reference to the envisaged HIV/Aids inter sectoral PPP probability) for private sector pharmacists taking part in a PPP as a possible barrier in future PPP developments;

- Interviewee 24/2003 par. 160 describes a barrier in that the private sector in the past approached the public sector offering services without properly elucidating the cost factors or implications to the public sector.

Other negative phenomena:

- Interviewee 34/2004 par. 27 is of the opinion that a barrier exists in terms of a lack of understanding by the private sector pharmacists of the meaning and importance of transfer of risk to the private sector, which might be a prerequisite for the formation of PPPs in SA;

- Interviewee 34/2004 par. 124 identifies a barrier that the private sector is weakened by its fragmentation. It is explained that when dealing with contracts it is much easier to deal with one representing body of greater capacity;

- Interviewee 30/2004 par. 31 believes a barrier exists in that public sector servants do not want to become part of a PPP as they prefer standing aside and policing the entity instead of being part of the project;

- Interviewee 33/2004 par. 53 further views the lack of control in the public sector, stating there is a potential for abuse in the private sector. According to the interviewee, the reason is that at present the South African National Treasury Department does not have any regulations that govern (or control) the use of state’s stock in the private sector;
- Interviewee 3/2002 par. 19 further perceives a barrier in that, from a funding point of view, it is difficult to compare costs in the pharmaceutical sector in comparison to the relatively easier way to compare costs in the hospital service delivery sector;

- Interviewee 2/2002 par. 679 points out that a barrier exists in the possibility that currently intellectual property, or the entrepreneur's good idea, time and/or money invested, might end up on tender and may land up with someone else when the tender is awarded. This is perceived as a risk and a barrier by instances considering the development of a PPP with the public sector;

- According to interviewee 18/2003 par. 132, a barrier is the concern that the pharmacist in terms of his capabilities and competencies in certain instances is not recognised to render clinical services, which they are capable of doing at the time of the interview:

    ... They (the public sector) always say, ... the private sector must help. Do they make it easier for the private sector to help? ... No! ... They try to tie your hands as much as possible;

- Interviewee 4/2002 par. 71 views the barriers mostly as perceptions that exist and that they should be changed by a new model that should be tested and in so doing so enable the change in perceptions;

- Furthermore, according to interviewee 28/2004 par. 92, the biggest barrier appears to be the observation that the pharmaceutical sector seems to be "over-stressed" at the time of the interview;

- According to interviewee 12/2002 par. 124, a barrier in progress exists in terms of the fact that the right people at the right levels have not so far been brought together in order to plan or workshop some proper PPP initiatives;

- Furthermore according to interviewee 22/2003 par. 125, a barrier is identified in that the government sector employs pharmacists, principal pharmacists, chief pharmacists head pharmacists etc., but that in actual fact not all of those pharmacists are brought into strategic planning;

- Interviewee 22/2003 par. 125 further observes that if the public sector runs a health care discussion, one will not find any health professionals attending:
... you will find a lot of activists there, a lot of community people, but you won’t find professionals. They (the health care professionals) think this is not their task.

- Interviewee 27/2004 par. 63 describes one barrier as being the fact that PPPs and PPIs at the time of the interview were not concentrating on the traditionally service deprived areas and are therefore experienced in a negative light by the politicians, as they generally operate in areas of little need for the service;

- Interviewee 31/2004 par. 51 regards the formal process of registering a PPP, which could take up to eighteen months, a barrier in the way of developing PPPs, as it is a time-consuming process;

- Interviewee 32/2004 par. 129 explains the barrier in that the decision-makers in the public sector are not pharmacists and considers this to be a major barrier:

  ... I went outside the box ... and was able to sell it (with reference to an idea) because we are a pharmacists selling pharmaceutical expertise to non-pharmacists. But the decision-makers are not pharmacists. Now how to sell it to them till they understand it? You must sell it in such a way that it is very loud ...;

- According to interviewee 13/2002 par. 35, the development structures with the public sector in order to develop PPPs are not clearly identified or accessible, which poses a barrier to the private sector in order to identify and/or to engage them;

- According to interviewee 13/2002 par. 135, the barrier was further explained in that the public sector's development structures, such as the Regional Councils, were not yet functioning in their role at the time of the interview;

- Interviewee 5/2002 par. 302 considers the fragmentation within the ranks of organised pharmacy of the private sector a barrier for successful collaboration with the public sector. Splinter groups and new role-players within the private sector might be seen as a negative factor for collaboration;

- Interviewee 29/2004 par. 177 describes a barrier in that the pharmaceutical private sector will need to collude in a grouping if a PPP on national basis is considered, which might contravene the aims of the Competition Commission. New legislation on ownership might address this barrier by opening up the possibilities, in that holding companies may now own a group of pharmacies and be allowed to write “footprint” group-contracts at corporate level;
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The Strategic Framework perception of the South African National Treasury Department (2001) refers to "public financial management" as a weakness to the public sector, a financial management constraint or even a threat to public management. The prospects for PPP development in the health care environment may be adversely affected. The possible constraints (barriers) were described as follows:

- According to the South African National Treasury (2001), unaffordable public-private partnerships and the lack of effective regulatory mechanisms creates the potential for departments to embark on PPPs that are not affordable. A framework is needed to balance priorities between sectors and to maintain prudent control over government's financial commitments. Such a framework would require departments to ensure that PPPs provide value for money, present an appropriate allocation of risks between the contracting parties, and are affordable in terms of current and projected budget provisions;

- According to the South African National Treasury (2001) unmandated guarantees and many projects, particularly local government and provincial ones that involve the collection of tariffs from the public, are accompanied by requests from private investors for guarantees or performance undertakings. National government has indicated that it will not underwrite provincial and local government guarantees. However, a belief persists in the market that the economic and political costs of not supporting sub-national institutions that default on their obligations would be too high for the government to ignore.

Summary on the refined category classification of barriers and constraints:

The barriers and constraints were grouped into more definable categories and were described as above. The categories identified by the researcher were the following:

- Phenomena related to negative political influence;
- Phenomena related to legislation and regulations;
- Phenomena reflecting the negative effects of insufficient mutual trust;
- Phenomena reflecting the negative effects of bureaucracy;
- Phenomena reflecting the negative effects of communication problems;
Phenomena describing the negative effects of existing ethos, attitudes and bad motivation;

- Phenomena reflecting shortfalls in capacity;
- Phenomena occurring due to the insufficiency of technology in the public sector;
- Phenomena reflecting negative economic and sustainability problems;
- Other phenomena were also identified that do not fit the categories above but also reflect negative aspects affecting the future prospects of PPP development in the pharmaceutical sector;

9.2.4 Past failures

The following phenomena were identified as failures of the past and were abstracted from the data. These failures may affect the future prospects for PPPs in the health care arena of SA.

The following aspects were abstracted and summarised:

Failure of the Impress System

The following phenomena were identified as failures typically related to the Impress System (outsourcing of the Free State provincial pharmaceutical services to retail pharmacies and district surgeons). These phenomena and perceptions possibly affect prospects for PPP development at this level in the future:

- According to interviewee 34/2004 par. 60, difficulties with the Impress System started at district surgeon level in that there was such corruption down the line that the system became problematic. It was also predominately a racially delineated system in that patients who got their prescriptions at pharmacies were the white old age pensioners while black old age pensioners had to go to the hospital. The system predominantly dealt with white clients and gave them a level of service that wasn't being given equitably across the whole of the Free State;

- Interviewee 34/2004 par. 61 further mentioned that the Free State Impress system was unaffordable, but questioned the validity of the possibility;
... the question was, whether it was the value of the medicines that was the problem or was it the fee that was being paid to pharmacies for doing the work on behalf of government? I am not sure which one of those...;

- According to interviewee 9/2002 par. 39, certain factors led to the impression that the Impress system failed due to the high cost of the system. The DOH only looked at direct costs, and the Department of Public Work looked at infrastructure via separate budgets. In terms of opportunity costs the costs were compared with unqualified pharmacists (qualified assistants). Factors (hidden costs and indirect costs) such as facilities, computer systems, distribution systems and stock management systems were not factored in. No accounts for stock losses and stock loss control were taken into consideration. The interviewee referred to the allegation that the Free State system was too expensive as the “urban legend”.

- Interview 7/2002 par. 397 questions the mere fact that the Impress System was labelled expensive in the view of the prices of the medicine used in the system where possible the lowest available, since they were purchased through State tender procedures;

- At the time of the termination of the Impress system, interviewee 21/2003 par. 182 describes the vast amounts of stock owing to the private sector by the public sector as a result of the private sector supplying those stocks in advance to the patients when the public sector was running short of stock, and debates were held over whether this debt should be refunded with public sector stock items or by means of monetary refunds. The negative monetary implications of this situation to the private sector are not up for discussion for the purposes of this study, but were incurred as a result of the vast difference in the retail prices paid for by the public sector via the tendering system, and the normal prices paid by the private sector at the time.

- According to interviewee 24/2003 par. 104, the Impress System failed due to the following reasons: the system was too expensive; Treasury had problems managing the system, the problem of public sector stock items within private sector facilities; abuse of the system; claims were made for services not rendered and because the system was misused;

- Interviewee 29/2004 par. 278 admits that the details of the Impress System's failure were not known, but the impression was:
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... why would it be too expensive for the State? The story I heard was that the people were looking at it and decided ... 'It was not designed by me!'

- According to interviewee 34/2004 par. 66, the Impress system failed because no risks were transferred from the private sector to the public sector, and it was explained that:

  ... It wasn't a partnership, ... the government just paid whatever it cost without any control and the pharmacist had a guaranteed income and bore no risk.

- Interviewee 3/2002 par. 27 reasons that the Impress System possibly failed after four to five years as a result of inefficiencies on the management side at the DOH, and also from conflicting internal requirements of the different provinces as a result of their effort to decentralize services, which complicated the programme:

  ... I think a lot of it is going to have to revolve back to a national level instead of this total devolution of power, because it's seemingly becoming difficult to manage.

- Interviewee 20/2003 par. 55 explains that the private sector promised to extend the services to the under serviced rural areas after initiating the services in the urban areas. A failure exists in that this did not happen;

- According to interviewee 21/2003 par. 40, the situation of the public sector running out of critical stock items at times was responsible for certain failures of the system, resulting in losses to the private sector and adversely affected both sectors;

- According to interviewee 21/2003 par. 151 the private sector had to supply stocks from sources other than public sector stock to patients when the public sector was out of stock, which could be regarded as an inherent failure in the system that had adverse effects on the private sector;

- According to interviewee 32/2004 par. 141, the original contract for the Impress System consisted of only two pages, actually a gentleman's agreement, indicating a failure as to management and control of the system;

- Interviewee 21/2003 par. 51 describes the devastating effect of the closure of community pharmacies after the termination of the Impress System as a failure in the Free State. Pharmacies mentioned were: Bethuli, Springfontein, Dewetsdorp, Wepener, Sterkspruit, Ficksburg, and Meloding in Virginia;
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- Interview 21/2003 par. 118 explains that much statistical and management IT-data on the Impress System were made available to the public sector for management purposes, but were never utilised;

- According to interviewee 21/2003 par. 127, magnetic tapes containing masses of IT-data were sent to the public sector but that the public sector IT-systems were incompatible with the data source and did not have the expertise to convert the data for the purposes of management;

- Interviewee 21/2003 par. 127 further explains that a shortage of human resources and skills in the public sector at the time contributed to the failure of the Impress System.

Failures of the family planning system

The following phenomena and perceptions were identified as failures related to the family planning collaboration between the public and private sector since 1992. These phenomena and perceptions possibly affect prospects for PPP development in the future:

According to interviewee 17/2003 par. 24, the following phenomena were regarded as failures of the family planning (the distribution of oral contraceptives) system:

- The so-called state patients and the target population were not clearly identified;

- The public sector were influenced and pressurised by medical doctors to downscale the system;

- The public sector had limited stock, and they could not supply all the pharmacies;

- Public sector clinic staff members felt threatened and opposed the system to an extent, as they were thinking of their jobs and of the private sector taking over;

- In conclusion the family planning partnership arrangement between the public and the private sector may be quoted as follows (interviewee 17/2004 par. 24):

  … today it's in a shambles, today it hasn't yet taken off.

- On the collaboration between the public and private sectors in the distribution of condoms (also for the purpose of family planning) the same tendency as for the oral contraceptives were experienced, and quoting interviewee 17/2004 par. 24 it was said:
... and in the end, they didn't get that (the distribution of condoms) off the ground either.

- According to interviewee 33/2004 par. 76, the family planning system was prone to failure because it was not an equitable service. The right people were not accessing the service. According to the interviewee, people who have medical aids and who could afford oral contraceptives were actually accessing the service, and not the people who really deserved it;

- In the outcome of a survey on provincial level interviewee 33/2004 par. 78 reports that several pharmacies were found that did not actually charge for the medication. However they did charge a nominal fee, but the problem was that the fee ranged somewhere between R5-00 and R30-00. No standard fee was charged, with variations from pharmacy to pharmacy. The interviewee identifies the possible failure to be the non-availability of official guidelines to the private sector:

  ... I think the reason for the variation in fee is the fact that there were no guidelines in the first place.

- According to interviewee 36/2004 par. 67 the element of mistrust developed as a failure when some private sector pharmacies sold some of the public sector stock items, which is basically theft of state stock. The interviewee mentions that unfortunately a few unscrupulous individuals had taken advantage of this particular position by the state’s inability to maintain proper records and to maintain proper documentation e.g. of where the stocks went;

- Interviewee 36/2004 par. 79 further explains the failure further in that not maintaining adequate registers and record keeping, was failure on the side of both the public and the private sector.

Cost comparing and monetary failures

- According to interviewee 11/2002 par. 387, public sector's/government's failure to relate the cost of outsourcing services to the private sector to the relevant cost comparators. According to the interviewee, costs such as the remuneration of the pharmacist, pension for the pharmacist, cost of infrastructure and the actual cost to the patient were ignored:
they compared it (the cost of medicine supply) to the cost what they thought was the cost for supplying that same item from the clinic or the hospital.

- According to interviewee 30/2004 par. 130, the system failure occurred in the past in that the public sector paid or remunerated the private sector partner according to volumes of medicine that were purchased by the private partner in stead of calculating remuneration on the actual volume of medicine delivered to the public sector. Cost comparison of the variations of these separate amounts could prevent malpractices in the past. These comparisons could also prevent the purchasing of wrong items that might favour the private party;

- Interviewee 30/2004 par. 136 explains that the non-existence of electronic stock holding systems lead to the failure to prevent occurrence of malpractice in the public sector, since no link was made between stock delivered, stock received and stock actually entered on the inventory;

- According to interviewee 38/2004 par. 53 the payment system failed to the extent that it gave way for monetary malpractice as the public sector paid the private sector partner (distributor) before the private sector partner in turn paid the primary suppliers of the medicine. This allowed the private sector partner an opportunity to gain an incentive by means of interest earned on the money before paying the primary medicine suppliers;

- According to interviewee 9/2002 par. 31, it is striking that in the public sector, with particular reference to Correctional Services, different budgets account for the cost on medicine supply and the cost of paying salaries or remuneration to pharmacists. Good economic collaboration and cost comparison under these circumstances might fail as a result of the inability to measure cost savings through the implementation of private (and even public) pharmaceutical services.

Failure of the Primary Care Drug Therapy system

- According to a circular (Gray 2005), in this country pharmacists embraced the idea of Primary Care Drug Therapy (PCDT). Many underwent training and gained access to higher scheduled medicines by means of a permit from the Director-General of Health (the 22A [12] permit, now renumbered in the Medicines Act as section 22A [15]). Government policy in this regard was never clearly articulated, and in time there seemed to be a shift away from supported widespread access to such permits.
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If it is accepted that the policy as outlined in the 1996 NDP was to separate prescribing and dispensing, then this could be seen as consistent with that policy - a dispensing doctor is fundamentally no different from a prescribing pharmacist (Gray, 2005). The 1997 Medicines Amendment Act did open the door, but not to pharmacists - it recognized as "authorised prescribers" a range of additional professional categories apart from medical practitioners and dentists (and veterinarians). Nurses and others registered with the Health Professions Council could be considered authorised to prescribe if their own councils considered them competent.

In turn, the medicines, which each category would be considered competent to prescribe, would be indicated in the Schedules. Even though that system came into effect in 2003 (with the promulgation of Act 90 of 1997 and Act 59 of 2002), no such listing has taken place. In fact, no profession has, as far as one knows, been clearly declared as competent to prescribe by its professional council (Gray, 2005);

- According to interviewee 17/2004 par. 49, the primary care drug therapy system has been left in mid air. The Section 22(a) 12 permits were a relevant part of the collaboration between the SA Pharmacy Council and government in terms of enabling pharmacists to deliver primary health care services. The private pharmaceutical sector wanted to deliver the service but was not successfully enabled by government to do it.

Failure in Compliance:

- A case was reported on where a collaborative outsourcing project (partnership type arrangement) on provincial level was terminated by the DOH in the past, after being in place for nine years due to non-compliance with a service level agreement (Herbert, 2004);

- According to interviewee 19/2003 par. 64, some elements of non-deliverability, mistrust, promises not fulfilled, stock not made available were reasons for failures in the past:

  ... An element of mistrust came through, ... (the public sector) can't deliver.
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- Interviewee 38/2004 par. 59 explains that the nature of the agreements in the past may have contributed to failures. The contracts were not supported by a service level agreement in order to spell out each party’s duties and responsibilities:

  ... There was no proper service agreement.

**General Failures**

Herbert (2004) states that several problems accounted for failures of the past, and summarises some problems as follows:

- A lack of knowledge by the private sector with regard to state policies and procedures;
- The difference in culture in the private sector to the “contract” of the public sector;
- The concepts of outsourcing were not work shopped beforehand with the role-players at all levels, with regard to the responsibilities, roles of each sector and mainly management issues;
- In the public sector service delivery was the priority, and in the private sector the priority was profit related;
- The budgets introduced by the DOH made working relationships difficult for both partners;
- A perception or concept of “blaming each other” existed rather than a perception or concept of “ownership by each other” existed at managerial level (Herbert, 2004);
- Interviewee 30/2004 par. 31 identifies the problem already mentioned that public servants previously preferred to stand on the sideline, policing the partnership rather than “buying into it” and taking co-ownership by means of collaboration;
- Interviewee 38/2004 par. 79 adds to the observation made by Herbert (2004) in that it was evident that the different sectors did not know how the other one worked:

  ... For things like this to work, ... (the private sector) need to understand public sector processes ... they don’t understand the public sector, then I don’t think the PPP will work. Because you can’t at all times say that the public sector has to adapt to the private sector. It’s not always possible.
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- According to interviewee 30/2004 par. 171, no effective stock control systems were in place when the public sector provided medicine to district surgeons in the past;

- Interviewee 23/2003 par. 130 also identifies the same factor as a failure, which has left quite a bad experience, viz. the abuse of the public sector resources. Public sector stock sometimes landed up in other places:

  ... the public sector obviously needs some control.

- Interviewee 38/2004 par. 32 mentions that the heads of pharmaceutical services should be exposed to pharmaceutical services at grass roots level. A lack of such exposure may have contributed to some failures of the past;

- According to interviewee 38/2004 par. 64, it was further necessary more over to continue deploying public staff members (administration people) within the venture in order to look after the public sector's interests. This was presumed to prove a failure of the partnership explained by the following question that was posed:

  ... then why do we still need to pay for filling these people in the depot? (Meaning that the public sector still needs to employ their own staff).

- Interviewee 38/2005 par. 74 explains that the contracts were possibly not given to the right companies in the past:

  ... The company that was awarded the tender had no previous experience of pharmaceutical procurement and distribution. What in fact happened right at the beginning was that we from the public sector had to go and assist them;

- Interviewee 38/2004 par. 178 believes that the lack of IT-systems supporting the public sector in controlling medication supply to patients may have contributed to failures in the past;

- Interviewee 20/2003 par. 21 is of the opinion that failures were experienced as a result of fraud, the miss-use of medicine and over-treatment of patients:

- Interviewee 20/2003 par. 21 suggests that a possible reason for failure may have been that pharmacists were remunerated for volume items dispensed in the past and which did not include any other managerial tasks. The incentive was volume-driven and could therefore contribute to the high cost of the system leading to failure;
According to interviewee 18/2003 par. 167 the fact that very little statistical data were available could contributed to the failures in the past;

Interviewee 18/2003 par. 216 asserts that though positive collaborations often took place it often failed as a result of the failure of decision-making by role-players in the public sector who engaged in the process but at the wrong level or hierarchy of the public sector;

According to interviewee 4/2002 par. 51 attributes failures to factors such as individual perceptions of policy and decision makers in the public sector, and also as a result of inadequate financial resources;

According to interviewee 26/2004 par. 86 the failure due to theft of stock might be the limited number of pharmacists employed by the private sector;

Interviewee 26/2004 par. 110 recognises the shortage of compatible IT-systems as a factor that contributed to the failure of collaboration in the past. Differences in software systems used in the public sector were the reason that IT-systems were not able to communicate with each other;

Interviewee 12/2002 par. 195 describes the scenario of a service provider waiting five months for payment of services and labels the event as a typical factor responsible for failure in public-private sector collaborations:

... the State is almost branded a slow payer of services by the private sector.

Interviewee 31/2004 par. 55 identifies a failure was identified in past occurrences of improper political pressure exerted on certain PPP projects in order to promote them:

... (There have been) a lot of allegations of 'fronting' in some of the past collaborations. Some of them are pushed by certain provincial politicians, maybe for their own benefit;

Interviewee 36/2004 par. 85 states that it was found that the failure arises when one partner suddenly stops or is not financially viable any longer, or when the viability or the sustainability of that particular partnership was eroded. The treasury then "jumped in", according to the interviewee;

Interviewee 13/2002 par. 35 identifies a failure is identified in that a case was reported where the private sector applied for a PPP per tender. The private sector
partner was informed of the new Treasury regulations and did not receive any response from the public sector over time. The case indicated a weakness or failure in that the public sector at provincial level did not know how to manage the application. Moreover, the interviewee wonders whether it may indicate that the structures to handle the PPP initiatives were not functioning correctly;

- Interviewee 24/2003 par. 213 explains why PPP initiatives failed in the past. The scenario was sketched that the representative bargaining groups of the private sector, such as the PSSA, never presented strong business plans together with their proposals. This possibly resulted in the failure of positive outcomes in many instances;

- According to interviewee 29/2004 par. 69, a failure is identified in that the public sector (public hospitals) lacks the ability to deliver electronic claims for services rendered. This is a result of the failure of public sector IT-systems to communicate successfully with the general nationally used private sector IT-software;

- Interviewee 29/2004 par. 177 explains an important stumbling block that may cause failure when a number of private sector pharmacies endeavour the formation of a bona fide PPP with the public sector on a national basis. The endeavour may fail as result of Competition Board regulations refusal to permit such a working agreement, where as other big corporate pharmacy owners may have success with the same application.

**9.3 PHENOMENA PROMOTING PPP DEVELOPMENT (CATEGORY 3)**

Some phenomena were identified as containing data that relates to positive and dynamic aspects that may affect the prospects for PPPs in the pharmaceutical sector in the South African health care environment.

**9.3.1 Open debates affecting PPP prospects**

Some themes were identified containing data that relates to aspects that may positively influence the prospects for PPPs in the pharmaceutical sector in the South African health care environment. The following aspects were identified in the theme named "Debates".
The aspects were abstracted and summarised as follows:

- Interviewee 35/2004 par. 71 elaborates on the debate that is taking place whether public sector medicines should be made available to private sector patients. The essence of the debate revolves around the pricing disparity between medicine prices in the public and private sectors. Public sector medicines bought on tender differ in price from those in the private sector. The dynamics of this debate, together with the new pricing regulations might close the gap on the price disparities and positively affect PPP development between the public and private sector. The interviewee argues against the price disparities, saying that public sector medicines should be reserved for the so called state patients only, quote:

  ... it is almost stealing from the poor, because those drugs are for the poor. They are not meant mend to be for people who can pay for their own;

- Interviewee 22/2003 par. 125 refers to the health summit that was held (in 2001) and explains that PPPs were one of the 4 themes at the summit. The congress was divided into four sectors and PPP’s were discussed. The registrar of the Medical Schemes Council chaired the session and attempts were made to get those present to think realistically about PPPs;

- Interviewee 2/2002 par. 51 reports on a workshop held by the Treasury Department open to all role-players in SA. The vision for PPPs in SA was debated at this forum;

- Interviewee 26/2004 par. 23 notes the "PPP Imbizo" that was scheduled for 19 May 2004 organized by the Gauteng Provincial Government that invited role-players in the public and private sector to discuss issues on PPP development in the Gauteng province. According to interviewee 31/2004 par. 122 the meaning of the word "imbizo" is "a coming together".

**Summary**

In summary it may be mentioned that open debates on PPP development do take place in the way of summits, workshops and planned forum meetings organized by the public sector’s Treasury and Provincial Health governing bodies. No private sector forums or debates, besides the pricing issue, were reported or discussed with interviewees during the period of interview.
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9.3.2 Interactions between the Public and Private Sectors

The following phenomena were identified as interactions between public and private sectors and were extracted from the data. These interactions may positively affect the future prospects for PPPs in the health care arena of SA. Some aspects were identified in the theme named “Interactions”. The following aspects were abstracted and summarised.

- The South African Cabinet has been presented with proposals for the supply of anti-retroviral (ARV) therapy to public sector patients. It is possible that the private sector may become directly involved, pending acceptance of certain proposals (Osman, 2003). According to Osman (2003) history was made when, for the first time, a joint submission from representatives of both medical practitioners and pharmacists was delivered to the Cabinet’s HIV Task Team. The PSSA collaborated with African Health Synergies and USAP to propose a method whereby ARV therapy may be provided to state patients by private sector health care professionals. African Health Synergies holds health care service delivery contracts with 4800 doctors on various levels of health care provision. The proposal is based on the principle that the private sector infrastructure is willing and able to roll out a treatment and drug delivery model. The PSSA is informing its members continuously of progress in this regard;

- According to interviewee 25/2003 par. 44, joint agreements between the DOH and medical aid schemes is termed a “Public-private Interaction” (PPI) and are not regarded as a Public-private Partnership as such.

- Moreover, according to interviewee 25/2003 par. 97 the phenomena of medical aid schemes becoming saturated, and the intended policy of the introduction of Social Health Insurance, which is intended to broaden the base on a National level for health care service delivery. The broader base in health care delivery may possibly mean more opportunities for PPP developments;

- Interviewee 8/2002 par. 80 indicates the necessity of an electronic database and/or IT-system that would be able to link a patient’s identity number with information from the public and the private sector pharmacies;

- Interviewee 8/2002 par. 124 explains that an audit was done for the Gauteng and local Government in terms of pharmacies as a supply chain. The PSSA have a role...
to play because the society represents pharmaceutical interests of the profession and the PSSA would like to see private sector involvement. A member of the PSSA served in the steering committee for that 18-month period. A major auditor firm was appointed to run the project alongside and eventually completed an entire audit. When the project came to the end at the end of the process recommendations were made on ways in which a pharmacy may be best structured to achieve maximum patient outcomes;

- According to interviewee 16/2002 par. 28, the public sector realised that certain criteria and the deadlines on providing patient information leaflets were impossible to meet, and therefore negotiated a PPP with an entity of the private sector to assist the public sector in meeting the criteria;

- Interviewee 4/2002 par. 64 explains that members of the PSSA, Gauteng and Southern Transvaal branches, attended many meetings with the public sector. The meetings were costly and lengthy discussions were held. The interviewee reports that no constructive results were obtained at the time and that no positive outcomes were obtained;

- Interviewee 28/2004 par. 22 explains that the past interactions of the PSSA with an ANC task group indicate that the public sector is looking at a macro level involvement in PPP development and is not interested in the small micro level pharmacies on an individual basis. The dynamic factor at stake may be the realisation of the PSSA to endeavour to participate in a macro level development plan in order to establish a PPP initiative that may include the micro level pharmacies if possible;

- Interviewee 26/2004 par. 49 explains that some established interactions (active PPP interactions) were already achieved in three provinces and that the public sector is considering an expansion of the PPP activities as pressure is mounting on service delivery;

- According to interviewee 31/2004 par. 47, the interaction that took place between the public sector and the private sector contractor did have the advantage that, for the first time, the public sector in a particular case managed to establish it’s own standard operating procedures together with the private sector and also, “many
other things". This last expression may indicate a positive or dynamic influence for the public sector as a result of this interaction;

- Interviewee 32/2004 par. 27 reports that provinces are supposed to have "private public forums" where the private sector and the public sector meet. The statement indicates that these meetings apparently are not taking place, but that such meetings taking place in the future may have a dynamic influence on the PPP development in the pharmaceutical sector of SA;

- Moreover interviewee 32/2004 par. 37 posits that the "top management guys" of health sector and public health sector and the "top guys" in the private health sector should come together. The interviewee indicates that the medical aid schemes and the private sector medical practitioners are talking to government on PPPs. The interviewee does not foresee that the doctors or the medical schemes will talk about pharmacy, which is not their domain, but feels that the pharmacy group (community as a whole) should be the one who drives this force together with the government. The interviewee indicates that a provincial pharmaceutical manager (the manager is advising top management on pharmaceuticals in the public sector), together with the pharmacy community as a whole, should be driving this interaction at strategic level in order to mobilise the private sector's resources. This type of interaction may have merit and be seen as a positive or dynamic action;

- Interviewee 13/2002 par. 122 reports that the MEC of Health in a particular province, at the time of the interview, was engaged in an interaction to establish the possibilities of a proposed PPP development. Certain structures, such as the Regional Council made up of Regional Councillors, were not yet in place at the time. It may be deduced that this interaction may have dynamic and positive outcomes for PPP development if the structures are in place;

- According to interviewee 13/2002 par. 135, some structures as for big hospital groupings were in place and were functioning in harmony with the work of the Industrial Development Corporation (ICD) with detrimental effects for PPP development on tertiary level in health. The interviewee explains that similar structures were not yet in place to benefit PPP development in health care at primary and secondary levels. The interviewee explains that unless some structure does come in place, pharmacy involvement at primary health care level would be excluded from these processes. A formal commercial structure in place for
pharmacy may play a dynamic and positive role towards PPP development in the private pharmaceutical sector at primary health care level;

- According to interviewee 24/2003 par. 64 a positive interaction is taking place at provincial level, in which the public sector engaged the private sector in a pilot project testing the workability of a PPP in the Western Cape province. The project involves pharmaceutical services to the State patients, patients belonging to external private sector medical aids, and private patients. If the outcome of the pilot project proves long-term viability and sustainability, it might be a positive step in PPP development in the pharmaceutical sector of SA. The interaction also investigates the viability of having a public sector service provider as a designated service provider for a medical aid, servicing its members by rendering dispensing services for acute and chronic medication;

- Interviewee 24/2003 par. 77 explains that the envisaged structures that were considered for the pilot projects entailed an interaction between a medical aid, the public sector and a single pharmacist in one case. In another case the interaction occurs between the public sector, the medical aid and a group of pharmacies;

- Interviewee 24/2003 par. 160 further refers to an interaction that took place between the public sector and the local branch of the Pharmaceutical Association of South Africa. The interaction failed as a result of neglect on the part of the PSSA branch to illustrate the cost implications of their services offered, to the public sector at the time. This type of interaction may result in dynamic and positive outcomes, provided the proposals are offered together with the necessary and properly prepared business plans in place;

- Interview 29/2004 par. 69 reports on the interaction between the public sector as a provider of services (to the private sector) and an organisation processing medical aid claims, a Pharmacy Benefit Management Organisation (PBM). This interaction is described as "... a wonderful service" to the private sector patients, but not as a dynamic or positive outcome in the since that the public sector was not able to submit its claims to the PBM, which was described as a "administration problem, ... and a big mess";

- Interview 29/2004 par. 160 further proposes a meaningful interaction between, leaders in the industry, members of the Board of Health Care Funders (BHF) and
members from the pharmaceutical sector with the proviso that the members of the pharmaceutical sector should not have any vested interests. Also included in this interaction should be members from the DOH, in particular members of the Medicines Control Council (MCC), and members of the Financial Department of the DOH. The interviewee is of the opinion that an interaction at this level and the structure as proposed should lead to a dynamic and/or positive outcome in PPP development in the pharmaceutical sector of SA.

9.3.3 Processes affecting PPP prospects

The following phenomena were identified as processes taking place in the public and private sector and were extracted from the data. These interactions may positively affect the future prospects for PPPs in the health care arena of SA.

The following aspects were abstracted and summarised:

Processes that involved health care and special types of partnerships:

- Interviewee 25/2003 par. 52 explains that PPP development follows a specific process as described by the Treasury Department in order to qualify as a public-private partnership. The formal process includes a quarterly published report on progress, and distinguishes these ventures clearly from other non-formal ventures named "public-private interactions" (PPIs);

- Interviewee 8/2002 par. 147 states that a process was described whereas the future of healthcare in SA was envisaged as a process of change to a social health care system. The interviewee believes that the promulgation of the National Health Bill is a precursor, and one which is setting a foundation for a certain health care system in SA;

Processes that involved the State tender system en procurement:

- Interviewee 30/2004 par. 89 refers to the tender processes for PPP development in the pharmaceutical sector of SA and indicates the necessity of entering into partnership with members of the private sector that do have the necessary experiences of the field of expertise involved;
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- Interviewee 15/2002 par. 118 elaborates on the tendering process and reports that the initial PPP projects that involved big corporate entities was not initiated via the normal tendering process, but evolved from negotiated initiatives and entrepreneurial initiatives between the private and public sectors;

- Interviewee 15/2002 par. 314 explains that a tender process is taking place in order to establish a new medical aid scheme for the employees of the public sector. The process involves a planning consultancy for a medical scheme catering for the state’s employees and their dependents. It was envisaged that the scheme would serve more than 800 000 public sector employees and their dependants amounting to a scheme with approximately 3 million members at the time of the interview;

- According to interviewee 25/2003 par. 87, the tender process for purchasing of public sector medication may be labelled as an open procurement tender system. The interviewee mentions the disparity in price for the procurement of medicine in the public and private sectors. It was mentioned that the public sector might still buy medicines at lower prices via the tendering system, provided that the suppliers do not collude;

- Interviewee 25/2003 par. 89 explains another possible process that might feature, in that suppliers abroad, such as suppliers in India, might supply medicine for procurement by means of parallel importing mechanisms. Quote:

  ... one can open up the process to an international process (the tender process) and invite our colleagues in India and Pakistan and wherever, to participating in the process. Which I believe can force the prices down dramatically, thus making them even lower than they are at the moment.

Processes that involved legislation in SA:

- Interviewee 15/2002 par. 492 further mentions the legal process catering for new probabilities opening up the opportunity for PPP establishments view new regulations in legislation. Regulations make provision for the public sector to outsource public and institutional pharmacies to the private sector. The regulatory process is aiming to extend this possibility to the provincial levels:
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- According to interviewee 11/2002 par. 566, processes are described that are driven by the new legal framework. A negative connotation is however, attached to the process, in as much as the interviewee generalises by mentioning that the government stopped talking to the various stakeholders. It is also mentioned that polarisation was taking place amongst the stakeholder groups and the government was to blame for it. Further it is mentioned that an emotion (fear) was fuelling the mentioned process at the time of the interview. Quote:

  ... the whole thing is being driven by fear, ... groups stop talking to each other, and the pharmacists stopped talking to the doctors, ... I don't know what is happening with the nurses, ... Instead of government bringing the groups together, they polarise them and now they are starting to throw legal documents to each other ...

The new legal framework of SA may be considered a positive phenomenon for PPP development if managed in a successful way.

Processes that involved the establishment of pilot projects:

- Interviewee 33/2004 par. 25 refers to the public sector process in the Western Cape Province involving the public sector establishing a specialised unit to engage the private sector in collaborative ventures such as PPP formations. Interviewee 33/2004 par. 27 mentions the process involves amongst others a special fund in order to cater for the National ARV rollout plan;

- Interviewee 33/2004 par. 70 describes a process of public sector engaging the private sector in the establishment of primary care clinics on campus at a tertiary educational institution, which involves the district pharmacist in the area to control the venture and inter alia to control the aspect of ensuring that the appropriate people are accessing the medication;

- According to interviewee 33/2004 par. 93 a pilot study on provincial level is considered formally to test guidelines, feasibility and control for the supply of family planning services by way of private sector pharmacies to public sector patients by means of a pilot study at the time of the interview. This process is aimed at convincing the public sector decision makers to engage in a PPP at this level in primary health care service delivery.
Processes that involved the HIV/AIDS pandemic:

- Interviewee 33/2004 par. 232 refers to the important process of the public sector planning the ARV rollout at national level. It is described as a lengthy process and at the time of the interview, no ARVs were yet secured for use on a national basis. The process was moved to provincial level at the time and it was mentioned that data was lacking in order to plan logistic procurement. It may be assumed that once data is proved reliable, the planning of PPP development in the pharmaceutical sector might be easier to achieve.

Processes that involved professional bodies and social structures:

- According to interviewee 34/2004 par. 78, professional bodies such as the Pharmaceutical Society of South Africa initiated an innovative process and some branch members of the Society, which aims towards a PPP development involving services such as needle exchange, tuberculosis and sexually transmitted Infections (STIs), care. The interviewee mentions that these initiatives were in a very early stage of development at the time of the interview;

- Interviewee 4/2002 par. 64 refers to a former process in which the public sector engaged with the private sector at the level of integrated PSSA branch level. These meetings were held without any significant outcomes at the time.

Processes that involved formal statutory bodies and structures:

- Interviewee 37/2004 par. 25 identifies the positive role the Treasury Department is playing in the process of PPP development in the health care arena. A Transaction Advisor within the Treasury Department, who provided guidance throughout the process, initiated the process. The process required National Treasury's approval, every step of the way;

- Interviewee 31/2004 par. 36 states that politicians drove the motivational process of PPP development in the particular province:
... we as technocrats only had to play along and make sure whatever requirements are in place, will work. But ... (the process) is more political;

- Interviewee 32/2004 par. 33 refers to the continuing process of promoting the idea of PPP development by the South African Pharmacy Council, which is also supported by the Pharmaceutical Society of South Africa;

- Interviewee 32/2004 par. 37 further refers to a process that started at the National Health Summit in 2001. On This occasion the Minister of Health called on the private sector and the public sector to collaborate on a process that would create a forum where the public and private sectors would meet. That was by means of the establishment of Public-private Forums at provincial level;

- According to interviewee 13/2002 par. 52, the Industrial Development Corporation of SA (IDC) was funded by the State (public sector) to promote a process of research on developmental structures, which might serve as vehicles for the State to collaborate with schemes on empowerment on primary and tertiary health care levels for the benefit of the public sector;

- According to interviewee 13/2002 par. 61, the process of designing a single medical aid for employees of the State creates an opportunity for PPP development within this structure, especially for the lowest option in the foreseen scheme;

- Interviewee 13/2002 par. 122 also refers to the process of establishing National-, Provincial- and District Health Councils in accordance with the National Health Bill. The final establishment of these councils was not yet completed at the time of the interview but was seen as a positive step in the direction to assisting the development of PPPs at the relevant levels of governance;

- Interviewee 5/2002 par. 27 explains the developmental process that should be kept in mind, reflecting the new South African tradition or culture. Consultation should not only be limited to professional organisational bodies but should include all the stakeholders such as the consumers of services, activists, and trade unions;

- In April 1997, the Cabinet approved the establishment of an interdepartmental task team (IDTT), chaired by the Department of Finance, to explore how PPPs could improve infrastructure and service delivery efficiency. The IDTT was mandated to develop a national public-private partnership programme, the key objectives of which were to identify the major constraints to the successful implementation of PPPs and
to develop a package of cross-sectoral and intergovernmental policy, and legislative and regulatory reform (South African National Treasury, 2001);

- Delivering public services through a process of PPP establishment is relatively new in SA. The health sector is nevertheless currently reviewing and refining its position for delivering core public health services through PPPs (South African National Treasury, 2001);

- The Treasury Department of SA describes the process of PPP development in SA as a strategic entity, by looking at the elements of the reform as a package that cannot all be introduced at the same time and that it will be necessary to pursue a phased approach. The formation of a PPP support unit is viewed as critical short-term goal. Legislative reform and a programme of sustained capacity building are, of necessity, more long-term objectives (South African National Treasury, 2001);

- The Treasury Department is engaged in a process of establishing a dedicated Public-Private Partnership Unit to promote PPPs effectively in conformity with some institutional principles. This will be a critical but temporary intervention to spearhead innovative infrastructure and services delivery through PPPs, aiming to implement successful projects and develop best practice templates in key infrastructure and service delivery sectors (South African National Treasury, 2001).

9.3.4 Progress affecting PPP prospects

The following phenomena were identified as phenomena reflecting progress in PPP development that were taking place in the public and private sector and were extracted from the data. These interactions may positively affect the future prospects for PPPs in the health care arena of South Africa.

The following aspects were identified in the theme named "Progress". The researcher had to consider the relevancy of each passage coded in the NVivo® version 2.2 data base and only reported on views and meaning of relevant qualitative data. The following aspects were abstracted and summarized.

Aspects with potential for progress but not utilized at the time of this study:

- According to interviewee 25/2003 par. 45, progress was perceived at the Health Summit of 2001, where the term "private interactions" was coined for all types of
intersectoral collaboration other than formal PPPs. Progress may be claimed in as much as greater clarity was achieved by distinguishing between formal and informal collaborative arrangements between the public and the private sectors;

- Interviewee 33/2004 par. 62 further reports some progress in that condoms distribution by the public sector in the fight against HIV/AIDS will be made available to doctors and pharmacists in the private sector. This may be seen as progress in public-private interaction and intersectoral collaboration but not as a formal PPP arrangement.

- Interviewee 33/2004 par. 42 explains that progress was made in considering the private sector pharmacist as part of the public sector on the HIV/AIDS programme in that the private sector pharmacist may assist in the mother to child anti-viral treatment as well a peri-natal treatment of newborns. At the time of the interview the progress reported was only in the planning stage;

- Interviewee 12/2002 par. 170 was involved in efforts to establish a partnership between the public and private sector at district hospital level at the time of the interview. The interviewee reports no marked progress at all in the area mentioned.

**Significant progress in the development of PPPs:**

- Interviewee 30/2004 par. 112 reports good progress on the development of an IT computer system that is used in a PPP development programme at provincial level. The system generates electronic orders between the hospital and the depot for pharmaceutical orders and thereby assists by replacing the administration that was previously done manually;

- According to interviewee 38/2004 par. 94, the bigger provinces made progress by entering into PPP arrangements for the distribution of medicines by way of the provincial depots. It was stated that some provinces were looking at the others to evaluate the sustainability of these endeavours, in waiting to follow by example.

- Interviewee 25/2003 par. 76 explains that progress in PPP development will be facilitated as a result of the current changes in legislation that make it easier for the public and private sector to collaborate and interact on provincial and national levels;

- According to interviewee 16/2002 par. 31, the Cluster of Medicine Regulatory Affairs of the DOH progressed in terms of engagement of a new PPP with the private
sector, by making use of a PPP in order to process medicine information leaflets in adherence of new legislation;

- Interviewee 16/2002 par. 63 further reports that the above progress is marked by the fact that a governmental department may now act as a "juristic person" as a result of the new legislation and that the relevant department may then legally generate funds by means of income forthcoming from the partnership venture;

- According to interviewee 37/2004 par. 39, economic development has progressed in an previously disadvantaged area as a result of a PPP initiative at provincial level by the establishment a main medicine distribution depot in the particular area of the province;

- Interviewee 24/2003 par. 45 mentions the groundbreaking progress in legislation enabling formal agreements between the public and private sectors. Various pieces of legislation progressed in allowing the partnerships mentioned but the Public Finance Management Act, 1999 (Act no. 1 of 1999), was regarded as the most significant piece of legislation allowing PPP developments in South Africa;

- Interviewee 24/2003 par. 77 mentions the progress that was made by running pilot projects in the province and evaluating the sustainability of the PPP concept in the particular province.

**Insignificant (slow) progress in the development of PPPs:**

- According to interviewee 34/2004 par. 73, little if any progress was made in the pharmaceutical sector besides the outsourcing of the provincial medicine depots which, apparently is not functioning without problems either;

- Interviewee 34/2007 par. 76 further describes the progress in terms of the mere fact that PPPs seems to be ‘a brand new idea’. One gets the idea that:

  ... if there is no movement you can't really see which way it is going, ... it's .... Jammed;

- According to interviewee 11/2002, the private sector is endeavouring to convince the public sector to run a model for a year in order to try and access the viability for PPP development. In essence the interview is reporting no progress on PPP development in the pharmaceutical sector of SA at the time of interview;
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According to Gray (2003) some efforts in order to make progress on PPP development were reported in a newsletter on the fact that, history was made when, for the first time, a joint submission from representatives of both medical practitioners and pharmacists was delivered to the Cabinet's HIV Task Team. The PSSA collaborated with African Health Synergies and USAP to propose a method whereby ARV therapy may be provided to state patients by private sector health care professionals (Gray, 2003). But again in essence no significant progress on the actual development of PPPs in the pharmaceutical health environment was reported.

9.3.5 Opportunities affecting PPP prospects

The following phenomena were identified as ones reflecting opportunities in PPP development that were identified in the health care arena of the public and private sector and were extracted from the data. These opportunities may affect the future prospects for PPPs in the health care arena of South Africa.

The following aspects were abstracted and summarised.

- Interviewee 6/2002 par. 200 refers to lost opportunities for the pharmaceutical profession in as much as pharmacists failed to obtain permits under article 22(A) 12 under Act 101 of 1965;

- Interviewee 34/2004 par. 28 refers to the opportunity of public-private collaboration in the public administration of vaccinations and a risk of epidemic disease. The interviewee also states that the public sector had limited capacity and that government has to provide additional vaccination services to actually meet the actual need of the public growth;

- Interviewee 34/2004 par. 88 further indicates that the envisaged enormous ARV-rollout programme was going to place tremendous pressure on the state's staffing capacity. This might be seen as an opportunity for PPP development between the public and private sector, not yet utilised by the government, at the time of the interview;

- Interviewee 34/2004 par. 92 points out the better opportunity for large corporate structures (bigger group or chain pharmacies) to comply with the requirements of PPP development. It is argued that these groups have better negotiating powers and capital resources in order to develop a PPP with the State;
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- According to interviewee 11/2002 par. 98, a meaningful PPP could very effectively have been rolled out in the urban areas to service in some form of national health scheme through retail pharmacies:

  ... if you take retail pharmacies and turn them into primary health care centres, and affirm a protocol for health care in terms of a multi disciplinary team, with a retail pharmacist and a nursing sister.

- According to interviewee 11/2002 par. 520, a great opportunity is to be unleashed if some ideas, as for instance a "national de-worming day" (pharmacies taking part in a de-worming campaign in the form of a PPI), could be effectively communicated to government;

- Interviewee 30/2004 par. 67 identifies the need and the possibility for PPPs to develop in the supply of chronic medication to public sector patients;

- Interviewee 30/2004 par. 156 regards the low capacity of human resources in the public an opportunity in that pharmacists may be contracted by means of agencies in order to render a pharmacist's service in places where the shortages exist;

- According to interviewee 15/2002 par. 99, opportunities may open up for the small pharmacies when the envisaged inter-provincial legislation comes into place. The mentioned legislation was still outstanding at the time of the interview. (A prerequisite was mentioned for this situation to pay off, in that the smaller pharmacy must have capacity and some financial backup);

- Interviewee 15/2002 par. 139 refers to a major opportunity for pharmaceutical benefit management by the so-called Pharmacy Benefit Management Organisations (PBMs);

- Interviewee 15/2002 par. 139 further refers to the delivery of primary health care by pharmacy by means of partnership in order to fulfil the aims of the State as at the time of the interview;

- Interviewee 15/2002 par. 324 identifies an partnership opportunity in the State's development of a medical aid for all its employees, in that the contents of the tender documents were called for the delivery of chronic medication to the members of the envisaged new scheme;
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- Interviewee 15/2002 par. 324 identifies further partnership opportunities in the field of pharmaceutical administration and IT-technology to serve the new envisaged scheme for the public sector employees;

- According to interviewee 38/2004 par. 112, certain possibilities were considered in that the public sector was considering certain models and is not only looking at a state-depots, but also at settings such as the private sector running the pharmacy within hospitals or within the clinics;

- Interviewee 38/2004 par. 115 describes the possibility of the opportunity to get private sector pharmacists to spend time in public sector clinics, but at the time of the interview legislation restricted private sector pharmacist from leaving their pharmacies;

- According to interviewee 3/2002 par. 208, an opportunity is identified for a partnership between the pharmaceutical manufacturing industry and the public sector as illustrated by the public-private interaction between a multi-national manufacturing company and the Medicines Control Council at the time of the interview. Collaboration was taking place on information gathering, quality control, prevention of fraud and the process of registration;

- Interviewee 35/2004 par. 38 believes there is a huge opportunity for the establishment of pharmacies in rural areas. The interviewee also believes that the capacity does exists and that it would also help pharmacies remain viable;

- Interviewee 35/2004 par. 42 further identifies the opportunity to link private community pharmacies in partnership with the public sector. The interviewee spoke on behalf of community pharmacists, as they are seen not only as doing their own job, which is to dispense medicines, but also performing other basic services such as blood pressure monitoring, cholesterol screening, blood glucose screening, weight determination of babies, and assistance to adults with obesity problems. Immunization and family planning, are amongst others the kind of things that extend the role of the community pharmacist:

  ... community pharmacies can turn into many clinics and I am not saying they should turn into doctors, but I think they could offer those (primary health care) kind of services;
Interviewee 14/2002 par. 241 believes an opportunity exists to transform the total dispensary of a public hospital into a PPP structure, in order to initiate private staff management, which might improve the efficiency of human resource management. The interviewee mentions the difficulties implicit in the dismissal of an employee after gross or inappropriate conduct, such as theft of medicines;

Interviewee 20/2003 par. 158 identifies the 'pre-packing' of medicine into 'patient-ready packs' for distribution via the depot on provincial level, as an opportunity for the public and private sector to engage in a partnership;

According to interviewee 8/2002 par. 87, an opportunity exists in collaboration between the public and private sectors in transferring data and electronic health care data between the sectors so that both sectors can service their patients. This would make the entire issue of accessibility transparent by improving accessibility through private sector health establishments;

According to interviewee 18/2003 par. 25, a great opportunity exists in that the public sector's capacity might almost be doubled in terms of the number of primary health care delivery points if the public sector collaborates with the public sector's community pharmacy outlets in a partnership relationship. The interviewee mentions that if the number of public sector clinics (approximately 2,300 clinics) is combined in partnership with the public sector hospitals (approximately 343 hospitals) and community pharmacy pharmacies (approximately 2,500 pharmacies) it would result in a total of approximately 2,500 primary health care contact points;

Interviewee 18/2003 par. 171 further indicates that an opportunity is contained in a new system that involves the dispensing of chronic medication to public patients by means of a Pharmacy Benefit Management Organisation in that electronic information will allow the State to access information on statistical data and stockholding at the "slip of a button";

According to interviewee 7/2002 par. 117, the opportunity exists that within the scope of the ARV rollout programme, a PPP might be a leading venture to distribute the ARV drug to people in the rural areas, so that they may be able to gain access to these drugs. The interviewee explains that the old tendency in the public sector to render all services on itself has changed:
... I think this is an old problem. ... The new way of thinking is that we need to engage the private sector ... in order to mobilise resources ... If some pharmaceutical (entity) could come up with some proposal of how to go about doing it properly, then it would be accepted; ... especially if it's ... structured correctly;

- According to interviewee 23/2003 par. 144 an significant chance is identified in the opportunity for the public sector to reduce a part of the health budget by collaborating with the private sector and making use of the "whole management process" of the private sector as regard to medicine supply management;

- Interviewee 28/2004 par. 80 states that an opportunity in pooling the resources of the public and private sector makes a lot of sense;

  ... The concept ... the principal is brilliant ... and pooling of resources makes so much sense;

- Interviewee 26/2004 par. 171 identifies the opportunity that community pharmacists in community pharmacies may be contracted via a PPP to deliver pharmaceutical services such as public health, counselling and medicine control services in public sector clinics where the public sector does not have employed pharmacists as a result of lack in capacity;

- According to interviewee 12/2002 par. 33, the possibility for consultant-pharmacists to collaborate and work with the public sector on an ad hoc locum basis for periods shorter than 12 months is an opportunity that might be considered. These services were referred to as, delivering pharmaceutical skills by way of doing ward rounds, the distribution of chronic medication on an individual patient basis, or other management related services. The procurement of medicine is excluded for this endeavour by the interviewee, since the public sector is unable to take part in the State tender system;

- According to interviewee 22/2003 par. 119, an opportunity is that the public sector calculate the costs of running a pharmacy service and improve the existing service in public sector hospitals by considering giving the service over to the local pharmacies or asking the pharmacies jointly to invest in the venture or allowing them a share in the public sector hospital pharmacy. They may somehow work out a fair system:
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"... in fact they all may have a share in the day (public) hospital pharmacy which could then be leased out to them";

- Interviewee 22/2003 par. 170 touches on the opportunity of having community pharmacies in the private sector collaborating by means of a PPP to provide pharmaceutical services to public sector patients. The advantage would be that these patients provide an opportunity for counselling in the case of acute medication, and an increased number of feet walking through the community pharmacy on a daily basis. In par. 201 the interview explained this opportunity as follows;

  ... So all those kinds of things to me ... are lost opportunities ... for everybody but particularly for the community to get better health care, ... but it must be in a form that is acceptable to everybody;

- Interviewee 31/2004 par. 85 explains that an opportunity exists in medicine distribution in that the public sector might collaborate with the private sector in that the public sector medicine depot may deliver procured medicine to private sector pharmacies and then the private sector pharmacies may pass the medicine on to the clinics;

- According to interviewee 32/2004 par. 28, an opportunity lies within the grasp of the public sector in making the decision whether:

  ... to develop a pharmaceutical service that will meet the needs of the people. Now the question is there are two options. Either you create your own pharmacies; you create your own systems; or your partner with the private sector, which has got systems already developed down the line that you can utilize;

- Interviewee 32/2004 par. 84 further explains that the management of the people (human resources) is possibly part of the opportunities in developing PPPs;

- According to interviewee 13/2002 par. 96 an opportunity may be that the private sector pharmacists may offer services to the public sector within a formulary arrangement and render a primary health care service based on the capitation system. This would imply that the public sector has the opportunity to calculate and budget it's expenditure in advance for a number of patients in a specific area, and transferring risk at the outset;
• Interviewee 13/2002 par. 104 further explained that the partnership arrangement between the public and private sector brings the opportunity for the empowerment of black pharmacists and the opportunity to further empower these pharmacists economically in that they would be financially supported by an umbrella organisation;

• A new opportunity may be envisaged in that the public sector may collaborate with consultants in the pharmaceutical sector as result of a guideline provided by the Treasury Department of South Africa. The South African National Treasury Department proposed that a Unit be established within the structures of the public service. In line with its monitoring and enforcement responsibilities under the Treasury Regulations, the Unit will logically be located in the national Treasury. However, in order to attract appropriately skilled personnel with considerable expertise in project finance, contract law and economics it will probably contract in rare disciplines from the private sector in an advisory capacity. The Unit is envisaged to be managed by a full-time managing director with senior management skills and experience in project finance (South African National Treasury, 2001);

• Interviewee 24/2003 par. 56 explains how an opportunity might be used to the private sector by rendering a dispensing service to the public sector on an agency basis, in that the agency make use of public sector infrastructure and public sector medication rendering the services as a locum-agent and they arrange the various distribution systems in place by themselves;

• Interviewee 24/2003 par. 207 further mentions that other opportunities also exist besides the distribution of medication as described above, in that other services such as screening tests, family planning services and pharmaceutical care may be rendered on an agency basis;

• In terms of opportunities interviewee 24/2003 par. 256 concludes by saying:

... it (the new legislation and the pricing system) opens the opportunity for pharmacy to revisit the old practices and it's (no longer) a case of "we have been there, and done that", ... no it's a matter of new circumstances and new opportunities;

According to interviewee 29/2004 par. 134, an opportunity exists in that South Africa has a unique IT-system currently developed in the Pharmacy Benefit Management
Organisation’s environment, which may be utilised by the public sector in partnership with the private sector.

Discussion:

Various opportunities were identified by the different interviewees and were described above. It is to be noted that these opportunities were identified by the interviewees but not necessarily utilised by the public sector at the time of this study.

9.3.6 Collaboration between the public and private sector

The following were identified as phenomena reflecting collaboration between the public and private sector of South Africa in PPP development in the health care arena. The information was extracted from the data. These collaborations may affect the future prospects for PPPs in the health care environment of South Africa. The following aspects were identified in the theme named “Collaborations”. The following aspects were abstracted and summarised:

- Interviewee 11/2002 par. 491 refers to the regular meetings that took place in collaboration with the administrative staff of the public sector in the time when the district surgeon’s work was still done on the basis of sourcing the dispensing side of the work to the private sector. It was posited that the Pharmaceutical Society could come in at this level of collaboration in order to control and monitor the quality of care through peer review in order to reach agreement on the standards of service delivery;

- Interviewee 17/2003 par. 49 reports on collaborative endeavours that took place between the PSSA and the national health consultative forum through regular meetings with this body, somewhere around 1999 or 2000. In dealing with this and with the issues of the role-players:

  ... Now is that not a practical way of doing it? ... Everything now has gone to bits and pieces. ... In my opinion it was a very well constructed consolidated coordinated process in dealing with all the different aspects.

- Interviewee 38/2004 par. 123 questions the nature of collaboration that took place between the South African National Treasury Department and all the possible role-players of the public and private sector when the South African National Treasury
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regulations were developed. The interviewee was concerned whether enough consultation had taken place:

... I don't know to what extend they have consulted in the PPP manual? Were people consulted or what?

- Interviewee 35/2004 par. 142 indicates that useful collaboration will only be meaningful if the pharmaceutical private sector know and understand the specific needs of the public sector. It may be deduced that collaboration in the past could not be executed optimally as the private sector neither knew nor understood the needs of the public sector:

... so even if we did know whom to speak to, I don't think we know what we should be speaking about, because we don't know ... we don't understand it.

- Interviewee 14/2002 par. 439 refers to that possible collaboration that can take place between the sectors at the level of the operational levels of the Hospital Boards. As members of the private sector also participate in public sector hospital management it may be considered a good forum where collaboration between the sector participants can take place;

- Interviewee 25/2003 par. 69 reports that most collaboration between the sectors was taking place between third party entities, such as medical aid schemes or managed care organisations, at the time of the interview. Collaboration directly with the private sector pharmaceutical sector was minimal:

... We have limited dealings directly with pharmaceutical parties, whether it be pharmaceutical manufacturers or in fact pharmacists of a professional body, it has always been via a third party from a payment perspective ..., It has generally been a third party involvement with the payers of the services;

- Interviewee 18/2003 par. 56 reports on incidents in which the pharmaceutical private sector attempted to collaborate with public sector officers, but that neither collaboration nor proper response was attained. It may therefore be deduced that collaboration between the sectors at certain levels of interaction was poor at the time of the interview;

- Interviewee 9/2002 par. 114 regards the improvement of collaboration between the pharmaceutical private sector and middle management (regional management) of
the public sector as problematic and as a stumbling block for meaningful joint venture development at the time of the interview;

- Interviewee 28/2004 par. 22 expresses the view that collaboration between the public sector and the micro-level of the pharmaceutical private sector did not seem to be viable at the time of the interview. The interviewee refers to the observation that the only viable collaborations that took place between the sectors appeared to be at macro-economic levels of the private sector;

- In the view of interviewee 28/2004 par. 22 the perception was formed moreover that the public sector demonstrated a lack of commitment on the party of government to any sort of public private partnership at the time of the interview:
  
  ... from my perception their idea of a partnership is: you give and we take.

- Interviewee 12/2002 par. 62 indicates that the pharmaceutical private sector has the know-how to render their services in a cost-effective way and how to operate within the legislative framework, but a feeling is expressed that the pharmaceutical private sector was not given the opportunity to enter into joint venture with the public sector as a result of the lack of collaboration at the time of the interview;

- Interviewee 21/2003 par. 156 regards the establishment of discussion forums as essential between the pharmaceutical private and public sectors, in order to promote collaboration between the sectors for the future;

- Interviewee 31/2004 advocates the necessity of, for instance, the provincial branches of the PSSA to enter into discussion forums with the public sector at the same level in order to promote collaboration between the public and private sector at provincial level;

- Interviewee 32/2004 par. 37 refers to the fact that according to development policy the different provinces are supposed to have private public forums where the private sector and the public sector need to meet and collaborate. These forums were not in place at the time of the interview;

- Furthermore, interviewee 32/2004 par. 37 refers to the prospects of collaboration by engaging the provincial managers of pharmaceutical services that "must be the facilitator" to act in a pivotal role at provincial strategic level where most of the power and the resources lie;
9.3.7 Visions of future prospects for PPP development in SA

The following phenomena were identified as phenomena reflecting visions on PPP developments that were identified in the health care environment of the public and private sectors were extracted from the data. These visions may affect or influence the future prospects for PPPs in the health care arena of SA. The following aspects were abstracted and summarised:

- Interviewee 34/2004 par. 71 refers to the outcomes of the Taylor Commission, which called for a more equitable health care system for South Africa and greater access to health care and also lower cost across the board to everybody. The interviewee viewed a national health insurance system for South Africa that will be closer to the Australian type of national health insurance;

- Furthermore interviewee 34/2004 par. 96 envisages that more managed care tools and capitation models where risk transfer is an implicit part of the system, will have to come into the future systems, rather than charging rates per procedure or service. Rates will then be charged per patient, instead of per procedure or service, in order to facilitate the necessary risk transfer within the health care system;

- Interviewee 11/2002 par. 98 suggests a futuristic view by looking at the service ability of the uninsured patients in the population and assuming that several of these people will be employed in the future. If we then take the employed uninsured, one could fairly effectively, roll out some form of national health scheme, based on the primary health care approach. Taking retail pharmacies and turning them into primary health care centres in terms of the multi disciplinary team approach and a retail pharmacist or a nursing sister as an integral part of it;

- It was further envisioned by interviewee 11/2002 par. 100 that eventually the above approach, if implemented correctly, is going to lead to some form of good practice at the future, where in a particular community doctors, pharmacists and the nursing sisters will actually work together, using the essential drug list as the basis for their practice;

- Interviewee 11/2002 par. 104 is of the opinion that if chronic medicine for public sector patients could be distributed through community pharmacies, it would be more efficient because:
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... you get one on one assessment by the particular pharmacist in the area where the person lives, instead of (the patients) having to spend most of their time actually running around collecting medicines.

The same vision was further elaborated on by interviewee 11/2002 par. 130:

...if you could simply take the chronic patients out of the system and have those chronic patients register as a chronic patient with their particular local pharmacist (of their choice). It might not be the pharmacy where they live; it might be the pharmacy where they work in the city centre, if the persons get their chronic medicine there, ... (at) lunch time and takes it back to work, it will make (an immediate) difference.

Moreover interviewee 11/2002 par. 163 has the vision that the pharmacist technicians are going to play a big role in places where the people from the community needs to speak to others in their own language to help them understand:

... You will find that if this wonderful system rolls out, that the pharmacist plays more of a management role and the actual work gets done by these pharmacy technicians, then you will overcome the issue of the transformation of the pharmaceutical care to these people in a language that they actually understand;

Another vision, mentioned by interviewee 11/2002 par. 163, concerns the technology used by the banking sector of integrating a smart card system with the joint venture on the level of health care delivery to public sector patients. It was visualized that it would be possible to link up with this card. When people are paid out, for instance on unemployment insurance fund, the money is loaded on there. It would be possible also to get a satellite pharmacy operating in the area where at the same time when they are in the queue patients would receive their monthly medicines. It in itself will be more efficient, because at the moment the public sector is giving more than one month’s medicine in advance, which leads to a lot of wastage. The banks could therefore be involved, using their infrastructure in terms of the control systems, and at the same time giving some form of advantage control over the supply of the medicines;

Interviewee 11/2002 par. 199 expresses the vision that the disparity in medicine prices between the public and private sector that exist at the moment are going to be exposed. At the time of the interview South Africa had a massive cross subsidisation
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The interviewee’s vision is that the price disparity will level out:

... The tendering system down here, ... the private sector up there. People are going to say: “Hang on! What is the difference in the drug? You call it aspirin. This guy calls it Bayer®-aspirin, what is the difference Mr. Pharmacist? There is no difference! ...Therefore I want the one that I can actually afford.”;

• Interviewee 11/2002 par. 502 comments on the vision that one should imagine that if the population is not healthy with some ten to fifteen per cent of the population being sick at any given moment. If that number could be reduced by five per cent, it would mean that another two-and-a-half to three million people would be working properly. The interviewee believes that this would lead to “a massive possible spin-off, and the public would benefit.”

• Interviewee 30/2004 par. 139 expresses the view that the public sector was paying too much towards employing personnel in the pharmaceutical sector in relation to the delivery of pharmaceutical services. The interviewee’s vision was that this situation was politically influenced (in that the State should deliver all services) and that it would change in future if the ratio of public sector payment in relation to the cost of personnel and service delivery were investigated. It was seen that joint ventures with the private sector would alleviate this problem in future;

• Interviewee 3/2002 par. 19 views the future possibility that an enormous number of small PPIs: “... will be popping up all over the place, probably to meet individual needs”. This vision is based on the observation made that generally PPPs only works with schemes operating within relatively well-defined demographic areas. To have a scheme that would cover the entire country was almost impossible to contemplate at the time of the interview;

• Another vision, is expressed by interviewee 2/2002 par. 33, predicts that cost effectiveness is going to drive PPP development in the future. It would depend on whether the private sector could offer the service more cost-efficiently than the public sector, or whether the private sector or the public sector can render the service more cost effectively for the private sector;

... So depending on which way it tilts will depend on whether or not that PPI or PPP will survive. I really think its all about money ... and I'm not certain either side
fully understands that maybe money really is not the end nor the end product, it's going to be around cost efficient service, I think;

- Interviewee 35/2004 par. 21 posits that in terms of delivering good pharmaceutical care in medicine management to the public a (????) can certainly do far better than the State is doing at the moment. The interviewee suggests that the public sector would benefit from the private sector's involvement, with special reference to medicine managed care service delivery;

  ... I think it is fair to say that the private sector is delivering some excellent things to the private sector.

- According to a communication by Du Toit (2003), the idea was suggested that a feasibility study done by a tertiary institution would indicate amongst others affordability to government and help to develop a model (template) in collaboration with one or more provincial health departments. Once such a template was finalised, provincial health departments could use such a template for a pilot project and tender purposes;

- Interviewee 16/2002 par. 88 describes any PPP developments as a huge advantage to South Africa for international image and recognition, as it would cast an image of unity of vision for health care delivery in both sectors of the new South Africa. It would represent a paradigm shift, as the State was regarded as the "bad world" of the past ruled by legislation and now the change to consolidation of health care aims for both the private and public sector working together;

- A philosophical view according to interviewee 18/2003 par. 25, represents the view that the public sector could not expect the private sector to deliver services through a PPI or a PPP without remuneration or at no cost, as the private sector is required to pay taxes and the delivery of free services by the private sector to the public sector would only be righteous if the private sector is not required to pay taxes to the State;

- Interviewee 10/2002 par. 265 also views certain aspects of the South African tax-base as a detrimental part of the vision of the future. It is reasoned that South Africa does not compare to Europe and England, which were referred to as "first world countries" with national health systems and yet are struggling financially to maintain the systems. South Africa is a country with a small first world component and a small
part of the population maintains the income tax basis. It was posited that the public sector "by no means" would be able to maintain a national health system for the whole population without the collaboration in a partnership with the private sector;

- Interviewee 26/2004 par. 171 suggests that the future pharmacist should be moving away from the attitude of merchandising and become more socialistically orientated. The interviewee's view was that one of the pharmacists of the private sector should provide a service to the public sector in areas where it is insufficient, concentrating more on services such as public health, counselling and medicine control;

- Furthermore, interviewee 26/2004 par. 215 views the future pharmacist being more involved at the social and political levels of society by taking part in public health forums, political issues and issues affecting the health of the community;

- Interviewee 21/2003 par. 145 views the future rural areas as an area of concern in that in the population in the rural areas, for economic reasons would become more dependent on services delivered by the public sector, because private health care services would become less affordable to these populations;

- Furthermore, interviewee 21/2003 par. 147 contends that it would be of value to the community to replace the pharmacist in the rural areas where they disappeared from in the past, for various reasons. It was viewed that a great deal more of value-added services would be supplied by returning the pharmacist back in the rural areas.

- The futuristic view of the South African National Treasury Department (2001) was that the department's focus would shift from managing the input side of public health financial aspect to managing the financial outcomes, i.e. become a contract manager rather than a resource manager;

- Interviewee 24/2003 par. 208 suggests that currently the delivery of pharmaceutical care was not featuring at all within the public sector and that future service delivery at this level of service would save the public sector considerable amounts in terms of monetary value, if these services could be delivered through joint ventures with the pharmaceutical private sector;

- Interviewee 29/2004 par. 29 foresees success in future joint ventures between the pharmaceutical public and private sector if only the public sector would realise the importance of the future integration of the public sector IT systems with the standard private sector system that is currently efficiently servicing the private sector on a
national basis. It was contended that the public sector was looking at IT systems used abroad in international countries, and that the public sector was trying to “reinvent the wheel” by doing that, at the time of the interview.

9.4 PRESSING PHENOMENA (CATEGORY 4)

Some phenomena were identified containing data that relates to pressing or urgent matters that may affect the prospects for PPPs in the pharmaceutical sector in the South African health care environment.

9.4.1 Phenomena on expectations for PPP as prospects for health care in SA

The following phenomena were identified as phenomena reflecting expectations for PPP development identified in the health care arena of the public and private sector and were extracted from the data. These expectations may affect the future development and prospects for PPPs in the health care arena of SA. The following aspects were identified in the theme named “Expectations”. The following aspects were abstracted and summarised:

- Interviewee 6/2002 par. 33 explains that in his view the PPP development prospects for SA are scoped for big affirmative action companies. The expectation was that big companies representing black economic empowerment capabilities would lead the way for these prospects in the pharmaceutical arena;

- Interviewee 6/2002 par. 35 further explains that the most pressing expectation by the public was a need for improved public health services. This includes an overall saving or lowering in terms of hospitalisation, rational medicine usage that would imply a reduction in lost man hours for the country;

- According to Herbert (2004), the main expectation seemed to be the driving force of management of the external customer; the client meaning the public sector patient;

- Interviewee 15/2002 par. 56 explains that the access to health care for all the inhabitants of SA is a major expectation in the national context. It was also mentioned that the expectation was that PPP developments would improve the quality and the efficiency of the health care services;

- Interviewee 38/2004 par. 119 (representing the public sector) upholds the hopeful expectation (at the time of the interview) to draw more human resources
(pharmacists) into the public sector so that the public sector may be able to deliver the service on their own and that they might not have to go forward to a PPP development as yet:

... please don't get me wrong, ... I am not saying that I am against PPP's... I am not against it. PPP's are workable provided that all the tools are in place.

- Interviewee 20/2003 par. 55 urges that a strong expectation in the public sector is to obtain the knowledge (skills) of the pharmacist in the rural areas. The interviewee reiterates that the pharmacist's skills are urgently needed in the rural areas of SA;

- Interviewee 25/2003 par. 58 hails the expectation that the private sector with its efficiencies can often provide better quality services for the same quantity of resources (better value for money). The public sector is providing non-core services and core-services, and they do not always get the best service for the amount of money that they are spending. The point is raised that it must be taken into consideration that the public sector is also spending money on maintenance of it's facilities;

- Interviewee 16/2002 par. 77 makes mention of the expectation by the public sector that PPP formation would relieve the shortage in human resources and also provide an expectancy of training possibilities in the public sector;

- According to interviewee 18/2003 par. 25, the average private sector citizen expects a service in exchange for tax paid. It is envisaged that within the PPP structure the private sector would be remunerated well in exchange for the tax that is being paid by the private sector. (The concept of free delivery of services to the public sector is argued against. The philanthropic driver underpinning the basic idea of public-private Interactions seems to be unacceptable);

- Interviewee 18/2003 par. 131 raised the point that the pharmacist in the private sector hopes that the State will allow the pharmacist to be able to fulfil all the skills in practice and play the roll that the pharmacist is qualified for;

- According to interviewee 9/2002 par. 114, the expectation is that the pharmacy profession will not continue to generate income in future on the same basis as in the past. A new pricing structure or fees for service is to be instituted in future:
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- Interviewee 37/2004 par. 39 makes mention of the expectation of the public sector that PPP development in future would benefit the previously disadvantaged communities, and advance economic development in the relevant areas;

- Interview 37/2004 par. 48 further mentions the expectation by the public sector that there will be an opportunity for skills transfer that would go hand in hand with a PPP development project;

- According to interviewee 37/2004 par. 55, a big saving on the expenditure on drugs is expected by the public sector, when a PPP development is successfully developed;

- Interviewee 21/2003 par. 61 explains that the private sector envisages a saving of money by the public sector if a PPP arrangement (such as the Impress system) were successfully managed in an urban area;

- Interviewee 13/2002 par. 72 expects the National Health Insurance Fund to be a massive scheme that would be in place in the near future, and that this scheme would offer opportunities for PPP development within the public and private sectors;

- Interviewee 34/2004 par. 78 urges that there is an expectation amongst the private sector pharmacists that the public sector will move first on the development of PPP in the health care environment.

9.4.2 Phenomena on critical key-issues

The following phenomena were identified as phenomena reflecting critical key issues affecting the prospects for PPP development in South Africa in the health care arena of the public and private sector and were extracted from the data. These expectations may affect the future development and prospects for PPPs in the health care arena of SA. The following aspects were identified in the theme named "Critical-Key Issues". The following aspects were abstracted and summarised:

- According to interviewee 34/2004 par. 82, a key issue is identified in that there are also very big differences in the understanding between the public and private sectors. Community pharmacy as a whole, lacks understanding of the way the public sector works;
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- Interviewee 36/2004 par. 72 explains that the level of trust between the public and private sectors became a critical factor to elevate the partnerships and was seen as a barrier towards a partnership relationship:

  ... there were some areas where you would find wonderful working relationships between the public and the private people because there was a good degree of trust, there was capacity building there. Therefore we found that those partnerships actually took off quite well (in the past);

- Interviewee 34/2004 par. 88 asserts that the HIV/AIDS pandemic immediately raise its head when it comes to critical issues. The public sector has to deal with the enormous ARV role-out programme. This immediately raises questions about staffing:

  ... the advert says we need 140 new pharmacists. Even if you cut the salaries you wont fill all those posts when you get to that at first;

- According to interviewee 31/2004 par. 93 the public sector were grossly under-spending the money on the provincial budgets for HIV/AIDS. The interviewee regards this as a key issue which may be a pointer to indicate the critical need for improved planning in health care at the time of the interview;

- Interviewee 24/2003 par. 188 identifies the shortage of pharmacists in the public sector as a critical issue, since most pharmacists are working in the private sector and thus classified to be "scarce skills" in terms of the human resource profile within the public sector;

- Interviewee 8/2002 par. 147 summarises a key factor of the future change in the healthcare arena of South Africa, which was spelt out in the new National Health Bill. The National Health Bill seems to propound a new health care structure which resembles a classic social health care system;

- Current legislation on black economic empowerment was promulgated on 6 January 2004 and will come into operation on a date to be determined by the President, by proclamation in the Government Gazette. Three critical key documents are:

  1. The Strategy for Broad-Based Black Economic Empowerment (Strategy) in March 2003;
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2. the Code of Good Practice (Code), which is an explanation of the approach to be adopted by government in the measurement of BEE compliance;

3. the Broad-Based Black Economic Empowerment Act 2003 (Act No. 53 of 2003) (the BEE Act) which was promulgated on 6 January 2004 and will come into operation on a date to be determined by the President, by proclamation in the Government Gazette.

The Strategy and Code are not legally binding documents but give a clear indication of government's current policy in relation to BEE. Achieving authentic BEE will require a re-assessment of traditional business models and corporate cultures. A real commitment to BEE is now an economic imperative (The Way to BEE, 2004);

- Organs of state and public entities, in exercising their discretion to award licenses, concessions or other authorisations, are required to review an applicant's BEE compliance credentials. This review will take the form of an assessment of the applicant's direct and indirect empowerment and human resource development on the basis of a BEE score card, constituted either in terms of the transformation charter applicable to the sector in which the applicant operates, or in terms of a code (The Way to BEE, 2004);

- A key issue of the black economic empowerment legislation is the crucial factor that ownership of envisaged entities refers strictly to economic interest in the relevant business or entities. Black people must be eligible to receive at least 50.1% of the profits. The term 'substantial management control' refers to membership of any board or similar governing body of that business. The quantitative measure placed upon the level of black ownership required in order for a business to be regarded as a black-owned enterprise is absolute. Should black ownership amount to anything less than 50.1% the business will not qualify as a black-owned enterprise (The Way to BEE, 2004);

- Investments made and customers to black-empowered enterprises are entitled to count their procurement from, and investment in, those enterprises towards their own BEE scorecards, effectively rendering those enterprises more desirable as suppliers, or as targets for investment. Three remaining enterprise definitions may be relevant in a number of contexts, including:
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- As pre-selection criteria in the award of public procurement contracts;
- As selection criteria for hold-over public procurement contracts (i.e. contracts reserved for particular categories of enterprise);
- As pre-selection criteria for certain government-initiated financing and support programmes for small and medium sized enterprises (The Way to BEE, 2004).

- The Code of Good Practice (Code), which is an explanation of the approach to be adopted by government in the measurement of BEE compliance and has influence over "the BEE Score card". The scorecard works on the basis of a weighted average. The scorecard proposed in the Code identifies seven criteria, each of which is given a weighting. Compliance targets for the seven criteria are set either by the applicable "transformation charter" or "code".

- Cognisance of the Strategy and Code documents in relation to BEE and the development of new entities such as future PPPs have to consider the crucial and key elements contained in the documents. While the Strategy and Code identify control as a corollary of ownership, the concept appears to have been inserted solely to deal with government's concern that passive ownership of assets (through pension and provident funds, unit trusts and other collective investment schemes) is not in itself sufficient to bring about a real transformation of the economy and may lead to a form of fronting. Control has the following meaning in the Strategy and Code:

  The right or the ability of a BEE shareholder to direct or otherwise control the majority of the votes attaching to the shares in a company;

  The right or ability to appoint or remove directors holding a majority of voting rights at meetings of the board of directors;

  The right to control the management of a business (The Way to BEE, 2004).

- Affirmative procurement may be regarded as another key issue. Affirmative procurement is defined as the percentage of total procurement that is sourced from suppliers that are BEE compliant. In the absence of a charter or code setting forth a BEE scorecard applicable to its sector, a supplier may rely upon its qualification as a black-owned or black-empowered enterprise under the enterprise definitions. The
report of the BEE Commission recommended that 30% of private sector procurement be sourced from black-owned and black-empowered enterprises. In the financial charter a hefty target of 50% of all procurement by 2008 and 70% of all procurement by 2014 has been established (The Way to BEE, 2004);

- Enterprise development may be regarded as another key issue. Enterprise development is defined in terms of the total investment by a company in other entities, which are BEE-compliant. In the absence of a charter or code setting forth a BEE scorecard applicable to the entity in which the investment is made, it may rely upon its qualification as a black-owned or black-empowered enterprise under the enterprise definitions. The Strategy and Code state that enterprise development may take a variety of forms including:

Direct investment in black-owned and black-empowered enterprises;

Joint ventures with black-owned and black-empowered enterprises that result in 'substantive' skills transfer (The Way to BEE, 2004);

- According to interviewee 11/2002 par. 547, the pricing system in SA may be regarded as a critical key issue. The interviewee refers to the transformation process, taking place in the form of new pricing regulations in South Africa at the time of the interview:

... The price amongst the various groups as stakeholders is absolutely at the bottom end of the curve;

- Interviewee 17/2003 par. 24 identifies a key issue in terms of the poor level of good communication between the public and private sector. It is proposed that at a national level there must be a very clear directive sent out by government in terms of protocols required for liaison at all the different levels of government:

... once that instruction has gone through quite clearly ... you're going to make progress.

- Interviewee 15/2002 par. 457 states that the elements of bureaucracy, distrust and arrogance among the public and private sectors may be regarded as a critical issue that needs to be corrected before significant advancement can be facilitated;

- According to interviewee 15/2002 par. 478, the shortage of capacity (number of pharmacists) may be regarded as a further critical key factor that will necessitate the
development of partnership and collaboration between the public and private sectors;

- Interviewee 14/2002 par. 83 stresses the point on critical issues by referring to the shortage of pharmacists in the public sector (numbers are quoted) and poor comparable remuneration packages for public sector pharmacists that do not compare favourably with those in the private sector. The capacity for pharmacist positions in the interviewee's setting was calculated to be 62.8% of the authorised capacity at the time of the interview;

- Interviewee 33/2004 par. 35 indicates that no proper guidelines exist for collaboration between the public and the private sector. This may be regarded as a key factor for the future development of PPPs in the health care arena;

- Interviewee 33/2004 par. 53 identifies another critical key issue in that the lack of good control over public sector medicine usage in the private sector settings creates the potential for abuse of public sector stock in the private sector. The non-existence of regulations covering the use of public sector stock in the private sector settings prevents the effective collaboration between the two sectors;

- Interviewee 35/2004 par. 142 discloses a key factor in that neither the public nor the private sector has the necessary expertise in developing PPPs:
  
  … I think there is a complete lack of understanding in how to navigate the system.

- Interviewee 35/2004 par. 142 further mentions a key factor is the fact that the private sector does not know the needs of the public sector and how to engage in successful collaborations:

  … It's very difficult to be pro-active because we don't know whom to deal with.

- Interviewee 20/2003 par. 58 states that the fact that pharmacies have closed down in the rural towns and that the availability of pharmacists has declined in those areas, may be regarded as a critical issue pertaining to the viability of sectorial collaboration and service delivery in those areas;

- Interviewee 20/2003 par. 126 further identifies a key issue in that the usage of public sector stock purchased by way of the tender system may per regulation not be sold in the private sector setting. Clarity on this issue is regarded necessary in order to promote successful collaboration and PPP development in South Africa;
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- According to interviewee 8/2002 par. 41, another critical factor may be the labour union's involvement with PPP development. A possible critical area may be the risk involved of conflict generation when the public sector would try to shift the labour risk directly out of government to the private sector and making the private sector responsible for job preservation. The labour unions were afraid that if a total restructure in the pharmaceutical supply chain in government took place, it would mean that human resources were going to change along with these structures, which meant that people could be retrenched;

- Interviewee 9/2002 par. 159 refers to the Impress System of the Free State and states that the public sector study outcome on the unaffordability of the joint venture is perceived to be the biggest stumbling block in the pharmaceutical profession in the way of progress to PPP development of pharmaceutical ventures in South Africa. It was argued that a third party role-player should revise the study in order to measure validity of the contestable outcome statements;

- Interviewee 21/2003 par. 39 refers to the outcomes of the Free State Impress System and identifies a key factor in that a study should be done on the relevant system's outcomes to ascertain what the costs for the private sector amounted to as a direct result of the public sector's logistic stock supply failures at the time. (Private sector pharmacies were buying stock at high prices from private sector wholesalers in order to contain the Impress System);

- Interviewee 32/2004 par. 98 accentuates the critical issue (problem at the time of the interview).

    … In other areas the supply is so slow it's a bottleneck; there are no stocks. We need a system that will respond and make sure that there are enough estimates, we budget enough, … the patients get their drugs in time, … the system (currently) is not moving;

- According to interviewee 7/2002 par. 340, the key issue was the inexperience of the public and private sector on developing PPPs as a result of the lack of knowledge of the procedures on doing it:

    … the capacity in the provinces to do these PPP's, is not there. Very few people have the ‘know-how’ of going about doing this...;
• Interviewee 23/2003 par. 73 points out the critical issue on the National Treasury Framework that Treasury has developed, and views it as not always being appropriate for the particular conditions that exist in the health sector:

... I think we need to look at that, and provide in health sector planning. So that it would be a priority. It needs to be adapted to suite the health sector.

• According to interviewee 23/2003 par. 109 a critical matter is the degree of lack in control over public sector stock that should be corrected for successful joint ventures in the futures;

• Interviewee 26/2004 par. 49 refers to a critical issue in that the public sector cannot accommodate further delay in PPP development as a result of the consequences of the suffering in public sector service delivery;

• Interviewee 26/2004 par. 227 explains that critical factor might be the situation in weak status of extra-territorial communication by pharmacists in practice as a result of legislation not allowing them to leave the registered premises of his pharmacy;

• According to interviewee 37/2004 par. 25 it is critical for National Treasury to be involved in any official PPP development. So the involvement of National Treasury ensures the guiding into the joint venture. It is also critical to obtain the backing of the Provincial Treasury. The public sector is going the PPP-route and is trying to get away from that bureaucratic binding of going for tenders;

• According to interviewee 12/2002 par. 117, the shortage of financial resources in the public sector is a critical key factor causing a stoppage in PPP development in that desired joint ventures with the private sector couldn't be paid for. The interviewee states a case of service delivery by the private sector and not having been paid for by the public sector over a period of five months;

• Interviewee 12/2002 par. 216 further mentions bad working environments for public sector pharmacists as a critical issue needing urgent attention in order to keep pharmacists employed, and moreover being able to attract more pharmacists;

• According to interviewee 22/2003 par. 170 a critical matter is the over-crowding of public sector pharmacy outlets causing various problems:
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... if you can get those scripts to a certain number of those people, you then don't have 600 people hanging around the hospital gates, moaning and groaning and causing all kinds of trouble;

- According to interviewee 22/2003 par. 284, it is important that the government must look ahead for twenty years of planning (long term planning). They have to know what they want to achieve and how they are going to achieve it, how they are going to monitor it, how they are going to get best value of it;

- Furthermore according to interviewee 22/2003 par. 284, the public sector also needs to take cognisance of the consumerism:

  ... people say it but they don't do it. They don't bring the community into their planning, in any substantial way. Medical aid environment is a good example. We all pay for these medical aids but somebody in an office decides this is what we are going to do and suddenly we find ourselves getting our medicines through the post;

- Interviewee 27/2004 par. 72, identifies a key factor in that the pharmaceutical private sector should orientate itself towards primary health care management (in the public sector the management should be done on local, regional and provincial level);

- However, interviewee 27/2004 par. 72 identifies a critical issue was identified in that the pharmacist should go out to the community and determine the needs of the community, in order to ascertain which part of the service may be rendered by the private sector community pharmacy;

- Interviewee 36/2004 par. 101 refers to the South African Batho Pele Project and explained that the project stands for the "people first" objective and regarded it as the critical issue at the time of the interview;

  ... for me the most important thing is that all these initiatives should revolve around the patient, ... making sure that the patient has access, has affordability, has a place to sustain, a facility that is viable all those then become critical factors and issues.

- Interviewee 13/2002 par. 135 identifies a key critical area in that structures on primary- and secondary-health care level are to be activated in order to establish a vehicle from which PPP development may be facilitated at these levels. Structures to
enable interaction with, for example, the IDC were required at the time of the interview;

- A critical key factor of timing is involved in the process of formal PPP development according to the South African National Treasury guidelines, which entails that the period between March and November of the year is critical to get proposed PPPs onto the budget for the next financial year and the forthcoming three-year Medium Term Expenditure Estimates (MTEF) period. This is essential for departments that want to receive Treasury authorization for their PPPs, as such projects will not be approved if they are not budgeted for (South African National Treasury, 2003);

- A further critical key issue is identified in the South African National Treasury guidelines with reference to the absence of a formal policy and regulatory framework for the financial management of PPPs. This needs to be addressed urgently by the public sector, in order to limit possible adverse budgetary implications. While PPPs can achieve greater efficiency in the use of public resources, they can also negatively affect public financial management if they are not properly conceived, structured, implemented and monitored (South African National Treasury, 2003);

- Moreover, according to the South African National Treasury, an effective and supportive institutional framework is necessary to catalyse the implementation of the PPP framework. Currently, individual line departments develop PPPs in an institutional vacuum. The roles and responsibilities of the Treasury, the Tender Board and the Department of public works have not been clarified, and the position and accountability of technical advisers are uncertain. As a result, departmental initiatives are fragmented and, in some instances, mutually contradictory. Consequently, policy coherence on fundamental issues such as regulation and risk allocation may have suffered (South African National Treasury, 2003);

- A lack of capacity in the public sector at governmental level was identified to be a key critical issue in that appropriate functional capacity will have to be developed by:

Preparing advisory guidelines to assist departments in following suitable practices to implement their PPP programmes;

Seeking complementary donor funding and assistance to support training and related capacity enhancement activities;
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Actively encouraging rotation of staff skilled in PPPs between departments and spheres of government (South African National Treasury, 2003);

- According to interviewee 24/2003 par. 188, a critical factor is the greater pressure exerted on human resources of the public sector as a result of legislation allowing the public sector to serve private sector patients in the capacity of contracted service providers to medical aids;

- Interviewee 29/2004 par. 160 identifies a critical issue in the need of establishing a working committee among the public and private sectors to drive PPP establishments in an effort of collaboration;

- Interviewee 31/2002 par. 167 identifies a critical key issue in the outcome of the interaction that took place between the two sectors in the past in which the private and public sectors clearly demonstrated a complete lack of understanding of each other, which should be addressed:

  ... a complete lack of understanding as to whether in fact the government was a regulator ... or whether it was a purchaser of service or whether it was a seller of services ... There was huge confusion in the private sectors mind. How do we use the dept of Health and all that goes with it?

CONTEXT ELEMENTS (3RD THEMATIC-CATEGORY STRUCTURE)

The context thematic-category structure was deductively structured and is described by some criteria (categories) to illustrate the context of the environment in which PPPs are developing. (See par. 6.5, p. 228 for the diagrammatic illustration).

10.1 DEFINITIONS:

The following definitions were gathered in the theme named "Definitions". Some definitions were extracted from the source documents in order to summarise them within the context of this research. The following definitions were abstracted and summarised in a table in order to conceptualise the defined entities in the context of this research:
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Public-private partnership

According to interviewee 19/2003 par. 33 the definition of a PPP was conceptualised as:

... it means that you enter into an understanding or agreement official to both parties of either the department of health and privately owned pharmacies.

Interviewee 3/2002 par. 2 defined a PPP as a partnership; an overarching entity of the fundamental integration of services among the public and the private sector with resultant contractual consequences.

Interviewee 25/2003 par. 43 warns against the misconceptions currently occurring with regard to the meaning of PPPs and PPIs:

... In the past, any form of agreement was regarded as public-private partnerships in terms. But if you talk about PPPs in the South African National Treasury sense, that means its specific agreement normally for a period normally longer than 10 years, where a specific function that has normally been performed by the public sector is being handed over to the private sector to perform in exchange for a fee. So, in this context one must realise everything we tend to regard as PPPs is not necessarily a PPP.

Interviewee 25/2003 par. 48 explains that a PPP, according to the rules, is a very strictly defined entity:

... something is either a PPP or NOT a PPP in terms of words; so you must apply to National Treasury Task Team to get your project registered as a PPP.

However the PPP-definition was further enlightened as:

A contractual arrangement between a public sector and a private sector entity whereby the private sector performs a departmental function in accordance with an output-based specification for a specified period of time in return for a benefit, normally in the form of financial remuneration. It involves a substantial transfer of all forms of project life cycle risk to the private sector. The public sector retains a significant role in the partnership project either as the main purchaser of the services provided or as the main enabler of the project (Dachs, 2001).
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The official definition and description of the South African Treasury's strategic framework document elucidates the definition:

A PPP is a contractual arrangement whereby a private party performs part of a department’s service delivery or administrative functions and assumes the associated risks. In return, the private party receives a fee according to predefined performance criteria, which may be:

- Entirely from service tariffs or user charges;
- Entirely from a departmental or other budget;
- A combination of the above (South African National Treasury, 2001);

Public-private interactions

Interviewee 3/2002 par. 189 defines PPIs as entities that have to go through the South African National Treasury:

... and have to get a contractual arrangement. It has to be approved. It's not just a loose arrangement.

Interviewee 25/2003 par. 45 explained the understanding of how the term PPIs should be defined at the time of the interview:

... at the National department’s summit at the end of 2001...the term “public private interaction” was in fact coined and from that point forward it was easier to communicate about all other forms of interaction... for instance: Joint ventures and agreements between ourselves and medical schemes. Friends in the streets like to talk about PPP’s that they thought they would have with Provincial Government, but in fact it’s not the PPPs but it’s "public private interactions”.

Driver

Interviewee 35/2004 par. 187 defines a 'driver' as follows:

... a driver is a person who has the ability to get something off the ground. They are not necessarily getting to do the analysis, they will get the analysis
from somebody else, but they have the ability or those strengths to drive a process.

Pharmaceutical services

Pharmaceutical services in the public sector involve four basic functions, viz. selection, procurement, distribution and use of medicine (often referred to as the drug management cycle). Each function builds on the previous function and leads to the next. Overarching these functions is an administrative support system necessary to achieve and support the public commitment to essential drug supply, viz. organising, financing, personnel provision and utilisation, the development of work procedures and the exercising of control measures. The administrative support system depends on an enabling policy and legal framework. (Du Toit 2003).

Affordability

Affordability means that the cost over the whole project life can be accommodated in the budget of the relevant department, given its existing commitments. This is different from value-for-money, which means that private provision of a government function/service results in a net benefit to government. A PPP contract may thus be unaffordable, even though it provides “value for money”. If a project is unaffordable, it jeopardizes the Government’s ability to deliver other services. Unless Government’s overall priorities change, the project should thus not be pursued, even if there is a possibility that it may meet “value for money” criteria (South African National Treasury, 2001).

Black people

This means Africans, Coloureds and Indians (Broad-based Black Economic Empowerment Act (53/2003).

Broad-based black economic empowerment

This means the economic empowerment of all black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to:

- Increasing the number of black people that manage, own and control enterprises and productive assets;
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- Facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises;
- Human resource and skills development;
- Achieving equitable representation in all occupational categories and levels in the workforce;
- Preferential procurement;
- Investment in enterprises that are owned or managed by black people in terms of the Broad-based Black Economic Empowerment Act (53/2003).

Public entity

This means a public entity listed in Schedule 2 or 3 to the Public Finance Management Act, 1999 (Act No. 1 of 1999) as defined in the Broad-based Black Economic Empowerment Act (53/2003).

An organ of state

Means:

- A national or provincial department as defined in the Public Finance Management Act, 1999 (Act No. 1 of 1999);
- A municipality as contemplated in the Constitution;
- Parliament;
- A provincial legislature;
- A constitutional institution listed in Schedule 1 to the Public Finance Management Act, 1999 (Act No. 1 of 1999);
- Empowering rural and local communities by enabling access to economic activities, land, infrastructure, ownership and skills;
- Promoting access to finance for black economic empowerment in terms of the Broad-based Black Economic Empowerment Act (53/2003).

The BEE score card

The BEE scorecard is used to measure the progress towards BEE of businesses that are subject to a transformation charter or a code. The BEE scorecard is also
relevant to any enterprise making application for a license, a concession or other authorisation to an organ of state, or bidding for public procurement contracts.

**Batho Pele**

According to the policy framework of the DOH general principle of a public-private partnership in health service (Bathos Pele) is that it should result in benefit to the public sector and thus to the community (Du Toit, 2003).

**Health establishment**

Defined as the whole or part of a public or private institution, facility, building or place, whether for profit or not, that is operated or designed to provide in-patient or out-patient treatment, diagnostic or therapeutic interventions, nursing, rehabilitative, palliative, convalescent, preventative or other health services in terms of the National Health Bill (2003).

**Health services**

The meaning is defined as:

- Health care services, including reproductive health care and emergency;
- Basic nutrition and basic health care services contemplated in section 28(l)(c) establishments; services; or related substances; and medical treatment, contemplated in section 27 of the Constitution; 60 of the Constitution;
- Medical treatment contemplated in section 35(2)(e) of the Constitution; and Municipal health services in terms of the National Health Bill (2003).

**Health worker**

The meaning is defined as any person who is involved in the provision of health services to a user, but does not include a health care provider in terms of the National Health Bill (2003).

**National health system**

The meaning is defined as the system within the Republic, whether within the public or private sector, in which the individual components are concerned with the financing, provision or delivery of health services in terms of the National Health Bill (2003).
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Primary health care services

Means such health services as may be prescribed by the Minister to be primary health care services in terms of the National Health Bill (2003).

Private health establishment

Means a health establishment that is not owned or controlled by an organ of state in terms of the National Health Bill (2003).

Public health establishment

Means a health establishment that is owned or controlled by an organ of state; in terms of the National Health Bill (2003).

Provincial department

Means any provincial department responsible for health in terms of the National Health Bill (2003).

National Health Council

Means the Council established by section 22(1); in terms of the National Health Bill (2003).

Provincial Health Council

Means a Council established by section 26(1); in terms of the National Health Bill (2003).

Statutory health professional council

Means:

- The Health Professions Council of SA;
- The South African Nursing Council;
- The South African Pharmacy Council;
- The Allied Health Professions Council of SA;
- The South African Dental Technicians Council or any such a council as the Minister may prescribe; in terms of the National Health Bill (2003).
10.1.1 Legislation (Category 1)

The context reports on the following documents should be read in conjunction with this thematic-structure as they were already reported on in the first thematic-category structure named, “Causal Elements”: (Refer to Appendix 5, p. 290).


10.1.2 Perceptions and Context (Category 2)

The following perceptions and some background to these perceptions were identified as perceptions reflecting the perceptions held by the different sectors (public and private) of each other affecting the prospects for PPP development in SA and were extracted from the data. These perceptions of each other may affect the future development and prospects for PPPs in the health care arena of SA.

10.1.2.1 Perceptions held by the Private-sector of the Public Sector

The following aspects were identified in the theme named “Perceptions held by the Private-sector of the Public Sector”. The following aspects were abstracted and summarised:

- Interviewee 6/2002 par. 35 describes the perception that the Public Sector was only looking towards big affirmative action and BEE type of establishments to engage with in PPP developments;
- Interviewee 6/2002 par. 35 further describes the perception that the community pharmacist was not considered at all to become a partner in future PPP developments, despite the fact that the community pharmacist was considered the ideal partner by the interviewee concerned;
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- According to interviewee 34/2004 par. 42, what is actually happening is that the public sector is endeavouring to take the private sector's patients away by putting private patients into government hospitals in their service delivery as preferred providers to medical aid schemes:

  ... who is actually stealing whose patients?

- Interviewee 6/2002 par. 76 describes the perception of mistrust and suspicion in saying that the public sectors fear theft of their stock and envisages its salaries to be in jeopardy when the sectors initiate any contact in search of collaboration:

  ... the first question that they asked is about who is going steal my stock and salary?

- According to interviewee 11/2002 par. 434, the public sector servants are "far away" from the realities, as they are over-occupied with their staffing problems (shortage in human resources) and their individual sectorial budgets;

- Interviewee 6/2002 par. 457 describes the perception that the public sector perceives the idea of fulfilling delivery of services all on its own and has wonderful ideas on service delivery but the idea is not shared by the private sector:

  ... I don't think they have the administrative or management expertise to do that and I think that they should stick to their area which is public sector policy making, and that they should hand it over to the people in the private sector to implement it and run it properly for them...;

- Interviewee 6/2002 par. 463 explains that a perception exists in government and amongst public sector employees that the private sector is "only in it for the money" and no other reason at all;

- Further to the above, interviewee 6/2002 par. 469 elaborates on this perception by saying that the private sector is poorly positioned in the minds of the public sector:

  ... they are rip-off artists and they are just trying to make a fast buck;

- According to interviewee 11/2002 par. 592 the perception is that public sector is driven by fear, to such a extent that they have adopted a "larger mentality":

  ... they (the public and the private sector) have gone into a larger-mentality, ... they have actually moved away from one another instead of towards one another;
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- Interviewee 19/2003 par. 64 describes the "mistrust" perception of the public sector as a result of failures to deliver stock in the past:

  ... now they can't deliver.

- According to interviewee 17/2003 par. 3, suspicion prevails as the public sector fears the public sector's encroaching on their jobs. Also the fact that collaborations in the past have failed has made the public sector lose faith in the workability of PPPs in the future:

  ... Today it's in a shambles. Today it hasn't taken off, so I'm already a little bit suspicious about this whole PPP story.

- Interviewee 17/2003 par. 40 points out that there is a perception that the public sector is surrendering its obligations to the private sector by collaborating with the private sector, which is misleading in a political sense:

  ... There is a perception by certain state people of failure to word the electorate if the state relinquishes its responsibility-political. We've got to get away from that.

- Interviewee 15/2002 par. 457 mentions two perceptions of the public sector as a result of public sector encounters with the private sector to date. The perceptions are prescribed as those of distrust and arrogance;

- Interviewee 3/2002 par. 167 refers to the perception experienced by of the private sector seeing the public sector as a very good purchaser of services, but very bad at selling services. The interviewee asserts that there was a level of frustration on both sides; a level of distrust and an inability; and that neither of the two sectors could really come to grips with the core issues. It was summarised as lack of trust and the lack of a mechanism to be able to interact:

  ... I mean they (the public sector) were clueless at how to sell to the private sector...and whatever those core issues were... there is a lack of understanding;

- According to interviewee 35/2004 par. 83, a perspective exists among the private sector, which perceives the public sector as a competitor for services. The perception arose as a result of the public sector's use of state medicine when serving private sector patients in their capacity of preferred providers for medical aid schemes:
... the state hospital is now able to undercut them, because they are using state
drugs for which they pay less and which are not subject to VAT (value added tax).
(The private sector) is saying: How can they (we) in the private sector even begin
to compete on an uneven basis?"

- Interviewee 8/2002 par. 114 mentions a misperception in that the public sector
member or employee is perceived to be incompetent:

  ... We are in the private sector and they are in the public sector and they don't
know this because they are the government. So that is a misperception that exists
and that influences a lot of the thinking...

- Interviewee 18/2003 par. 25 spells out a perception in that it was perceived that the
public sector were not able to handle or control what they had at the time of the
interview. It is also perceived that the public sector does not have the infrastructure,
human resources or the money to handle and control services to an approximate
80% of the South African population.

- Interviewee 18/2003 par. 48 explains the perception that the public sector
(government) is perceived as a threat, in that the private sector is paying taxes and
not receiving the health care or hospital services in return;

- According to interviewee 18/2003 par. 225, a further perception is reported to be that
no decision-makers exist in the public sector. It was mentioned that all public sector
servants merely secure their own comfort zone and passes the message on to the
extent that it suits them;

- Interviewee 10/2002 par. 131 explains the perception that the public sector might
have hidden agendas, and that a pharmacist employed in the public sector does not
have access to the decision making process at higher levels;

- Interviewee 10/2002 par. 269 explains the perception that chaos prevails in the
public sector, with specific reference to the long queues awaiting services at clinics;

- Interviewee 9/2002 par. 31 mentions the perception that the public sector's
budgeting system is malfunctioning in that its infrastructure does not support a
system able to calculate the real costs involved in the delivery of services;

- Interviewee 28/2004 par. 22 names a perception that the government has a lack of
commitment. It is perceived that after an interaction with the ANC task group that
government made it clear that they were not interested in the smaller pharmacy groupings to take part in the roll out of ARVs:

... because ... their idea of a partnership is: 'you give and we take'. That's my perception: I think they are looking on macro level and I am looking on a micro level ... And I don't see any commitment (from governmental side) ... it is only interest ... they pay too much lip-service...

- Interviewee 28/2004 par. 77 explains that a mutual perception exists between the private and public sector, which was a common feeling of 'mistrust':

... The state doesn't trust the private sector ... and the private sector doesn't trust the public sector.

- Interviewee 12/2002 par. 195 mentions the general perception in the private sector of seeing the public sector as a bad/slow payer of debtors:

... I think it put off a lot of (people) outside, because outside the state is almost branded as a bad payer;

- Interviewee 12/2002 par. 216 elaborates on the perception that the public sector is seen as a sector that wants to do much, but fails as a result of too much red tape, too many constraints and a shortage of funds and human resources. The public sector creates posts for pharmacists but fails to fill them as a result of the working;

- Interviewee 12/2002 par. 219 reports an opposite view on the perception of 'mistrust' in saying that 'mistrust' was not experienced as such, but that the sectors never had the opportunity to work together in order to gain the trust that is necessary;

- According to interviewee 22/2003 par. 125, a perception exists that the public sector is trapped in a net of resistance to change:

... because in the public sector things have been going like this forever and just keep going like that, and nobody is prepared to rock the boat, because they might be scared of coming out of their comfort zone."

- Interviewee 21/2003 par. 65 airs the personal perception that the public sector has forgotten about the pharmacist, and motivates the perception by referring to the situation of the public sector employing pharmacy assistants in order to reduce the costs involved in medicine distribution;
Interviewee 21/2003 par. 186 further to the above elaborates on the perception in saying that the public sector does not have a great regard for the "prestige" (status or significance) of the pharmacist.

Interview 21/2003 par. 186 also has the perception that the public sector does not see the pharmacist as a professional person and part of the health care team, as only the junior pharmacists were being sent to take part in conferences at the time of the interview.

10.1.2.2 Perceptions held by the Public Sector of the Private-sector

The following aspects were identified in the theme named "Perceptions held by the Public Sector of the Private-sector". The following aspects were abstracted and summarised:

- Interviewee 34/200 par. 42 explains that the public sector brings medical aid patients into the public sector, which was seen to indicate that the public sector sees itself as being in competition with the private sector, and not as a purchaser of their services. It may thus be concluded that the public sector perceives the private sector as being a competitor for services in this area, at the time of the interview;

- Interviewee 11/2002 par. 463 further explains that a perception of suspicion is perceived on the side of the public sector in respect of the private sector and the Pharmaceutical Society of South Africa as a result of past history:

  ... We have spoken to government as well, because they look at the society with suspicion and ... because of the history and the past, there is still a lot of misunderstanding between government and the private sector.

- Interviewee 11/2002 par. 469 explains that the public sector is perceiving the private sector as a sector without a sense of responsibility towards the public at large, ant that they have only financial interests at heart:

  ... the private sector should start positioning itself where it talks more about social responsibility and less about making money at the end of the day and they should talk about fulfilling needs and not translate that into fancy motorcars ...

- Interviewee 11/2002 par. 475 notes that a general perception of the public sector of a private sector pharmacy normally comprises the idea that ones talk about a
pharmacy as being situated in the urban area, and possibly may not even think in terms of the pharmacies situated in rural areas in a vastly different environment:

... the perception again when you talk to them about the private sector, they think about the fancy pharmacy in a nice shopping centre, ...;

- Interviewee 36/2004 par. 25 also refers to the perception that the private sector is only interested in profiteering by saying:

  ... for too long the public sector has been saying that the private sector is only out to make money and actually maximize or maximize the profits.

- Interviewee 29/2004 par. 74 explains that in some instances the public sector perceived the private sector as incompetent to render certain public sector services as a result of lack of knowledge. This was, however, an isolated case pertaining to an outsourcing contract that involved a company that was contracted to do distribution of medicines and no core pharmaceutical dispensing services nor pharmaceutical care were involved:

  ... the tender (was awarded to a company that) had no previous experience on pharmaceutical procurements in distribution. What in fact happened right at the beginning was that we from the public sector had to go and assist them. And a simple thing like: they don't know how to pack vaccines...

- Interviewee 29/2004 par. 168 further elaborates on a similar instance and it may be seen that the public sector in some cases does perceive the private sector as not fulfilling the needs to the full expectations of the public sector. The underlying reasons for this were not mentioned in detail and might be explored further:

  ... I totally agree with them at this point that ... (the private sector) do have expertise. But again if I may say so, they don't deliver the way you want them to deliver.

- Interviewee 14/2002 par. 365 names the perception that the public sector's systems are well in place and that they have the opportunity or the advantage of being able to choose what systems they need to be able to perform their work efficiently;

- Interviewee 14/2002 par. 390 further elaborated on the perception that the private sector's financial control is superior, as they know where their money is going.
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- Interviewee 20/2003 par. 58 has a perception of the private sector pharmacist's unwillingness of not going out into the community, as they are seated in their practices "woven into a cocoon". According to the interviewee, the pharmacist is not willing to go out doing services in public sector clinics;

- Interviewee 16/2002 par. 82 opposes some of the negative views in saying that both sectors perceived each other as professional, although the public sector was not always able to keep up with the latest development in the profession;

- Interviewee 18/2003 par. 48 explains the perception of the public sector that the private sector is out of line when claiming fees for rendering family planning services. These nominal fees charged were perceived (by the public sector) as 'the selling of public sector stock items';

- Interviewee 18/2003 par. 70 claims that the public sector had a wrong perception in that services were not rendered by white-owned pharmacies in spite of the fact that some of the pharmacies were serving a black client-base of 85% in certain instances;

- Further to the above, interviewee 18/2003 par. 90 explains that the public sector were getting the wrong perception of the private sector pharmacy as a result of the private sector professional bodies not communicating the right messages (not promoting themselves) to the public sector;

- Interviewee 18/2003 par. 90 par. 108 speculates that part of the current perception of the public sector towards pharmacy is a result of a situation of the past. The black communities were not majorly exposed to pharmaceutical services in the past and were served mainly from dispensing doctors. This may partly be the reason for their failure to value pharmaceutical services at a higher level;

- Interviewee 23/2003 par. 82 comments that the public sector amongst inter alia has a perception that the private sector does not see itself playing a very strategic role in contributing to the developments of health in the country, but that the public sector would wish to see the private sector taking part on a strategic level:

  ... one would want to see them making a shift from a kind of a sector providing charity and handouts on a small scale, to in fact engaging on a more strategic level;
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- Interviewee 26/2004 par. 184 airs the views that the public sector perceives the private sector pharmacist as one lacking in initiative:

  ... Because, the pharmacist waits and does not take the initiative, and when he does, he is afraid to step forward ... He is not prepared to stick his neck out.

- Interviewee 22/2003 par. 107 explains a perception as part of the problem that private sector pharmacists in practice become business people and they do not get involved in the public health care sector outside the confines of their private businesses:

  ... start out as a pharmacists and become businessmen and then they act like businessmen, not like health care providers;

- Interviewee 22/2003 par. 107 also further explains another aspect of the perception in that the private sector pharmacists tends not easily to share their expertise with other colleagues or other clientele groupings:

  ... they then do well in their businesses, keep whatever secrets they have, to themselves and they don't share it with people that are struggling. They don't help other people;

- Interviewee 22/2003 par. 146 indicates that private sector health care professionals do not take part in discussions of the public sector on public health care:

  ... if one looks at all the different role-players, then that sense of community development is absent. You don't find people thinking they are obligated actually to take part in lengthily discussions of health care;

- Interviewee 22/2003 par. 209 further refers to the perception that private sector pharmacists are not involved or interested in developing public health as such:

  ... I think not all pharmacists are interested in health care, a lot of pharmacists are interested in pharmacy, making money, running a business ... but they are not primarily in it to improve health care.

10.1.2.3 Contextual background of the Public Sector and Private-sector

The following aspects were gathered in the theme named "Background". Information was extracted from the source documents in order to analyse the context supporting the phenomena for PPP development in the health care arena of South Africa. This
information was identified and coded to a theme in order to gain perspective on the context of PPP development in South Africa by considering the background to the prospects of PPP development. The following aspects were abstracted and summarised:

- The National Health Bill of SA (2003 / B 320-28033) provides a framework for a structured uniform health system within the Republic. The objectives of the bill are to regulate national health and to provide uniformity in respect of health services across the nation by establishing a national health system which encompasses public and private providers of health services;

- Further, according to the National Health Bill of SA (2003 / B 320-28033), a particular relationship between public and private health establishments is described. The Minister must prescribe mechanisms to enable a co-ordinated relationship between private and public health establishments in the delivery of health services;

- Also further to the National Health Bill of SA (2003 / B 320-28033), the national department, any provincial department or any municipality may enter into an agreement with any private practitioner, private health establishment or non-governmental organisation in order to achieve any object of this Act. An agreement contemplated in subsection (2) must comply with the Public Finance Management Act, 1999 (Act No. 1 of 1999), or any municipal finance management legislation, as the case may be;

- Interviewee 29/2004 par. 59 explains the context in which the legislation at the time of the interview, affected PPP development, in that three pieces of legislation came into play during the late nineties and were finally promulgated on 1 May 2003. First the legislation pertaining to “prescribed minimum benefits” was aimed at keeping private sector patients out of the public sector hospitals; their benefits in the private medical aid schemes were therefore protected. Secondly the Pharmacy Act opened up lay-ownership of pharmacies aiming at better disbursement of pharmacy service-points to the public. Thirdly the Medicine Control Act, which ensured generic substitution resulted in the allowance for parallel importation of medicine to SA:

... the whole focus of the legislation was to promote a more affordable framework for health care delivery in SA.
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- According to interviewee 11/2002 par. 94, statistics at the time of the interview in terms of the population, indicate that approximately, 60% of the people living in the cities and 40% living in the rural areas represent the South African population. Retail pharmacy consists of 2500 odd pharmacies:

  ... (The pharmacies) have a fairly broad "footprint" which means that they have access to what we estimate to be about 70% of the population so in other words the retail pharmacy sector or community pharmacy sector can get to that ... so that leaves you approximately 30-35% left who are people living in rural areas and which I believe to be the responsibility of government and for which we pay tax ...;

- Further according to interviewee 11/2002 par. 94 if one looks at community pharmacy at the moment, quote:

  ... you have approximately 6 million principal members in the medical schemes and the ratio of principal members to the rest is 2.6 or 2.7 to, 1 so you have approximately 15 million people that are covered by some form of medical insurance and the rest (if we take the total population, to be around about 45 million the other 30 million) are not being serviced by any form of insurance, but are picked up by the government ....

- According to interviewee 36/2004 par. 105, in South Africa many times it is found that 60% of a person's wages actually ends up in transport, because of the effects of the previous apartheid system. There was a tendency to push the work force far away from the places of work. Today we are paying the price for that; we are finding congestion on the highways; lack of proper public transport that enable people to get to their place of work. So there are problems in terms of patients getting to their health facilities to seek medical attention:

  ... Why not allow a partnership to develop where, ... if you have a community pharmacy in the area, say Sebokeng, that is closer to a patient then it's clinic is, then obviously the patient can actually get -the initial (475) medical treatment at a pharmacy, ... closer to them...

- Interviewee 17/2003 explains the context of the current situation in that medical schemes are becoming less affordable. Many people can no longer afford medical scheme rates. Out of some seven million people who are currently under medical schemes, many are going to go to the state:
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They're going to be employed, but they will be uninsured. So who's responsible? The state. Can the state afford it? No they can't.

- According to interviewee 13/2002 par. 52, the State was considering two major categories for health care at the time of the interview; one category for tertiary medical care and the other for primary health care. At the time, approximately 300 to 400 State employees did not belong to any medical aid scheme, as they could not afford it. The primary health care category was to consist out of three funds according to what the member could afford and depending on the member's choice.

- Interviewee 13/2002 par. 61 explains that in 1994, three separate schemes, namely Bonitas (for mainly the black population), Medihelp (serving white people) and Prosana (serving the Coloured and Indian population) were available for the public sector employees. As a result of the influence of labour after 1994 towards the freedom of choice, the employees of the public sector (almost one and a half million members) had been grouped into almost 58 different medical aids, at the time of the interview;

- Further more according to interviewee 13/2002 par. 52, the State did make a significant amount of money available to the IDC in order to develop workable structures by means of empowerment (BEE) for the delivery of primary and tertiary health services to all the employees of the State;

- Interviewee 11/2002 par. 199 explains the context of the current status of the price of medicine in SA. It is pointed out that a major disparity existed in the price of medicine in the public and private sectors, at the time of the interview:

  ... at the moment you have a massive cross-subsidisation. You've got the tendering system down here, and you've got the private sector up there.

- Interviewee 11/2002 par. 193 mentions the fact that the health care model current at the time of the interview resembled an old medical care model:

  ... Very much of the hard core first world and forgotten about the other 30 million plus people that we had to work with, so I think there is going to be a little bit of give and take ... ;
Moreover according to interviewee 11/2002 par. 293, a major portion of the monetary income from health care delivery was going to a 'middle man'. This was adding to the cost burden of health care in SA:

... The major players in health care-, and this is the fundamental point must be the professional people versus the doctor and the pharmacist and must try to get rid of as many as possible of all the middlemen. Because these are the people that are sucking on the health care and are delivering nothing in the end...;

According to interviewee 22/2003 par. 230, one of the things that have to be taken cognisance of is that people are using a lot of money in the country for medicine. The private sector spends ten billion Rand and the public sector about two or two and a half billion Rand a year;

According to interviewee 13/2002 par. 76 the State (public sector) is spending approximately 60 milliard Rand in total health care in order to serve approximately 34 million people in South Africa then do not belong to Medical Aid Schemes at the time of the interview.

Interviewee 11/2002 par. 333 explains the context regarding health care delivery in the private sector at the time of the interview. It may be summarised as follows:

- The HIV/AIDS pandemic inflated the risk-profile of patients belonging to medical aid schemes;

- The "prescribed minimum benefits" as per government legislation were meant to protect people from losing benefits, but, according to the interviewee, resulted in a large number of people leaving the medical aid schemes as they could no longer afford to belong to the schemes;

- The phenomenon of people leaving medical aid schemes was followed by a negative growth in medical aid membership at the time of the interview;

The interviewee noted that members were changing scheme membership:

... People were falling off faster than they were joining. What was actually happening was: people were 'jumping' schemes and that in itself was costing a lot of administration money, because people suddenly left one scheme one day and joined another the next and as a result of that, admin costs ran out of control.
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The medical schemes had realised by 2001 that it was not possible to keep the existing models going, as 87% of all medical schemes were insolvent. The medical aid schemes started to maintain cost control by intensely focusing on the managed health care approach;

- According to the South African Government’s Parliamentary Cabinet (2003) a comprehensive plan for the care and treatment of people living with HIV and AIDS was formulated as well as a comprehensive strategy based on a partnership of all sectors of society, because HIV and AIDS represent a big challenge to all. The partnership was formalized in October 1998 in a national launch by the Deputy President Thabo Mbeki, and is now represented by the South African National Aids Council (SANAC);

- Moreover, according to the South African Government’s Parliamentary Cabinet (2003), in July 2002, Government established a joint Health/Treasury task team to investigate issues relating to the financing of an enhanced response to HIV and AIDS, including Anti-retroviral Treatment. On 8 August 2003 Cabinet received the team’s report, which provided options for introducing anti-retroviral therapy. The Minister of Health was requested to present a detailed operational plan in this regard. An Implementation Task Team was set up, made up of South African experts and advisors working with the Clinton AIDS Foundation. A summary of the plan is available on Internet at SA Government On Line www.gov.za;

- Moreover; the South African Government’s Parliamentary Cabinet (2003), announced in a statement that in July 2002 a cooperative relationship among all sectors, particularly in the implementation of this element of the comprehensive strategy, the spirit of ‘letsema’ (meaning a spirit of collaboration) and ‘vuk’uzenzele’ (meaning taking the responsibility on one’s own), a message of hope and responsibility as well as constructive engagement in the realm of practical work would ensure that South Africa advances even more decisively in this endeavour, which is described as: “literally a matter of life and death”;

- At the time of this research provincial governments in South Africa were to be charged by government with rolling out the ARV-plan, including ensuring that at least one treatment centre is in operation in every local health district within a year, extending to one in every municipality in the next five (Gray, 2003. Nov.);
The role of the pharmacist has deepened considerably since the introduction of the new legislation. This is empowerment and the pharmacist should use it in the interests of the pharmacist profession and most of all the patients they serve. The pharmaceutical sector has moved from a paternalistic to a consensual health care model. The pharmacist is an active player in delivering affordable health care to all (Gray, 2003. Aug.);

Some relevant international background was reported on in a South African circular on drug information. The American government would set the standards for electronic records and error-surveillance systems but would not tell hospitals and clinics what to buy. (http://www.washingtonpost.com/wp-dyn/articles/A1742-2003Nov20.html) The authors of the Washington Post Staff, information scientists and health policy experts, said they proposed a "public-private partnership." The government's role would be to speed up and improve efficiency; something that many medical systems are desperately trying to do:

... thereby drag(ging) themselves out of the Dark Ages of unreadable and untraceable paper records and into a future of information-at-a-keystroke (Gray, 2003. Nov.);

Insight into the context of the international background was reported in that trade ministries from the World Trade Organisation's (WTO's) 144 member states are presently deciding which public services they propose to open to foreign competition under the complex liberalization rules of the general agreement on trade in services (GATS).

(http://www.thelancet.com/journal/vol362/iss9389/full/llan.362.9389)

The largely secret negotiations, which started two years ago, have fuelled the continuing controversy about the introduction of market forces in health, social services, and public utilities such as water. In an attempt to answer critics' complaints that WTO negotiations erode national control over crucial services and deny citizens a democratic voice in major decisions about their welfare, and regional and state governments have published summaries and mounted public consultation exercises (Gray, 2003. Des.);

Privatisation is one of the most hotly contested issues to emerge in the debate about GATS and national autonomy. Defenders of WTO agreements have repeatedly rejected claims that GATS requires privatisation of public services. However, a
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condition of membership of the WTO is that market forces operate more widely after accession. For example, Eastern Bloc countries' access to the WTO entails a programme of privatisation under access agreements, and WTO members must be kept informed about the process of privatisation. Furthermore, the WTO's trade policy review mechanism or peer-group assessments, undertaken jointly by member governments and the WTO secretariat, show that structural reform and privatisation rates are monitored after access. Although no GATS provisions address the issue of ownership per se, there are several restrictions on public monopolies such as health and education services. Article 16 of GATS makes clear that public monopolies are inconsistent with market access commitments. A full market access commitment indirectly obliges a WTO member to dismantle special or exclusive rights granted in its country to any provider of health services for the supply of these services. Moreover, the complicated and crosscutting nature of GATS makes it difficult to predict its capacity to force privatisation. Privatisation takes several forms ranging from contracting out, through management contracts, to full divestiture of new assets under 30-year concession agreements, sometimes known as public-private partnerships (PPPs). The effect of the GATS obligations on this range of policies is not well researched, even though PPPs are increasingly an important component of health-reform efforts worldwide (Gray, 2003. Dec.);

- There was compelling evidence to show that GATS and the WTO involve national governments in trading some of their sovereignty for the putative economic gains of liberalisation. In the process, governments lose rights to regulate and to protect non-economic values and the principles that shape provision of public services. The claim that governments can completely protect the services they want to render, is undermined by the crosscutting pressures of GATS and uncertainty about the exemptions, limitations, and discretion the treaty permits. The trade-off between policy autonomy and economic growth raises urgent public health and public policy questions. The first question concerns the relative weight given to trade and non-trade objectives when policy control is ceded to the WTO. The example of the WTO's agreement on trade-related aspects of intellectual property rights (TRIPS) provided disturbing evidence. Despite agreement at Doha to reform the treaty, TRIPS continued to be a tool available to those wishing to curtail the discretion of governments pursuing access to medicines for all (Gray, 2003. Des.).
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- An international health care market-related question was relevant at the time of this research in that it was asked how to establish autonomous, enforceable public health standards separate from the standards of trade law and where these standards should be settled. The need for global standards set by a dedicated health body grew pressing at the time of this research. The WHO has an unrivalled reputation in setting of global standards. It remains the most credible international health standard setter, which rests in part on its governance system, of near universal coverage. Accordingly, the WHO should take the lead in these main issues confronting policymakers. The first was concerns of data on the outcomes of trade liberalisation, including the privatisation of essential services, and on equity in health and human rights. The second was the need for an international body with a public health mandate that is a counterweight to the WTO's trade mandate. Finally, with a real shift to internationalism in health, there was a need to consider powers of enforcement for the WHO (Gray, 2003. Des);

- The South African health care sector is also ruled by the Competition Act (89/1998), which provides for the establishment of a Competition Commission responsible for the investigation, control and evaluation of restrictive practices, abuse of a dominant position, mergers, for the establishment of a Competition Tribunal responsible to adjudicate such matters; and for the establishment of a Competition Appeal Court; and related matters;

- Further to the preamble of the Competition Act (89/1998), it was stated that the people of SA recognise that apartheid and other discriminatory laws and practices of the past resulted in excessive concentrations of ownership and control within the national economy, weak enforcement of anti-competitive trade practices, and unjust restrictions on full and free participation in the economy by all South Africans. The economy must be open to greater ownership by a greater number of South Africans. The credible competition law and effective structures to administer that law are necessary for an efficiently functioning economy, an efficient, competitive economic environment, which will balance the interests of workers, owners and consumers and focus on development. It is stated that these elements will benefit all South Africans;
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- New legislation in SA binds the State. The minister of Health is the responsible person under all the health legislation, but the Competition Act (89/1998) implicates the Minister of Trade and Industry;

- According to interviewee 17/2003 par. 24, the first initiative in order to develop a PPP between the public and private sectors was the family planning programme, which was explored in the nineties. Contraceptives were distributed on behalf of the state. The medical doctors initially opposed the initiative, but eventually everybody agreed to the venture. Courses were set up whereby the pharmacists had to qualify to become family planning pharmacists:

  ... They got certificates and that was nearly nine or ten years ago. And what was the objective? The objective was a PPP and we're providing a tremendous service;

- Furthermore according to interviewee 17/2003 par. 49, the policy of the Community Pharmacy Sector of the PSSA is that it fully endorses and actively supports any equitable initiatives of the public sector or any equitable initiative in assisting the State in providing adequate pharmaceutical services, in particular to any previously disadvantaged communities:

  ... That is our focus that is our mainstay.

- Moreover, according to interviewee 17/2003 par. 49, the Community Pharmacy Sector of the PSSA took part in the national health consultative forum with the Public sector and was meeting regularly. The last meeting took place around 1999 or 2000. This forum was dealing with the issues of all the role-players; this came to a dead end:

  ... This came to a dead end. Where are we now? We're nowhere. Because everything is done in bits and pieces.

- Furthermore, according to interviewee 17/2003 par. 49, the Community Pharmacy Sector of the PSSA took part in meetings with the Johannesburg district surgeons and other relevant role-players. A project called "Project Molemo" was initiated, which was going to enable the pharmaceutical sector to provide services in terms of the national drug policy. It would ensure an adequate supply of effective and safe drugs of good quality to all the people in South Africa, in this case to all the people in Southern Gauteng. This aim would be achieved by promoting cost-effectiveness in
the public sector, and to promote cost-effectiveness by utilising private sector facilities wherever appropriate;

- Interviewee 17/2003 par. 65 mentions the disparity in pricing of medicine in the private sector, at the time of the interview. It is mentioned that the South African situation was not tolerated in other countries but does exist in SA. According to the interviewee, the international manufacturers were responsible for this huge, enormous differentiation in pricing to different professions in the private sector:

  ... we accept this huge, enormous differentiation in pricing ... whereby they would give to doctors at half (price) ... It's so bad that at some stage, now, even now, pharmacies are buying goods from the doctors. Isn't it ludicrous?

- According to interviewee 38/2004 par. 97-99, the public and private sectors did venture into partnerships for some time. It was mentioned that The Limpopo Province has been collaborating in a partnership for eight years, Mpumalanga had also been in partnership in excess of 5 years and North West Province had also probably been in partnership for 5 years, at the time of the interview;

- Interviewee 35/2004 par. 25 explains that the private sector was practicing services like disease-management that do not exist in the public sector:

  ... So we know that the private sector is pretty well looked after...the range of drugs available to them (the public sector) is restricted and the appropriate use of those drugs is not necessarily managed, and there are certainly patients that have to travel long distances and wait in long queues to access these;

- Further according to interviewee 35/2004 par. 27, the huge scope for PPPs existed at the time of the interview, as the State need to some extent have load taken off their very stretched resources. The private sector is battling right now as their market is saturated:

  ... they can't make particularly pharmacies and they can't make any more money out of the current people...I think it would surely help them survive in this environment. So I think both parties would stand to benefit.

- According to interviewee 35/2004 par. 34 a recent study was being conducted at the time of the interview, which suggested that the situation in community pharmacy was intolerable;
... The biggest study that has ever been done in this country. We see that the average community pharmacy is making 3.7% net profit. You could do better if you put your money in the bank. We have seen that the number of pharmacies has declined in the last 10 years;

- Interviewee 20/2003 par. 219 bears witness to pharmacies that closed down in the rural areas at the time of the interview. Many pharmacists were leaving the country as a result of the uncompetitive practice opportunities for pharmacists in SA;

- Du Toit (2003) writes that the Constitution of the Republic of SA [1996, section 27(10)(a)] states: "everyone has the right to have access to health care services, including reproductive health care". Furthermore, in terms of section 27(2) of the Constitution, 1996: "the State must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of each of these rights". Public health is thus concerned with using all available resources to achieve maximum health improvements for the population;

- Du Toit (2003) also writes that concerns have been expressed at various meetings of inter alia the South African Pharmacy Council and the Heads of Pharmaceutical Services (HOPS) over the past couple of years regarding the situation in pharmaceutical services in the public sector. Particular reference was made to:

  - The apparent increase in the number of dispensing errors made in this sector;
  - The fact that a large number of pharmacist posts (30% - 40%) in the public sector are being utilised to accommodate pharmacists performing pharmaceutical community service, and that although community service has provided benefits to pharmaceutical services, the persons doing community service do not have enough experience and could not be expected to carry the services;
  - The need to fast-track public/private partnerships, which were seen as an important strategy to improve pharmaceutical services;
  - The apparent lack of progress in improving the remuneration of pharmacists and pharmacy support personnel in the public sector;
  - The poor physical facilities and working environment of many pharmaceutical personnel in the public sector.
• Du Toit (2003) states that in terms of the regulations relating to the ownership and licensing of pharmacies (R.553) published on 2 May 2003, "any person may, subject to certain conditions, own or have a beneficial interest in an institutional pharmacy in a public health facility in the Republic". Furthermore: “the State may enter into arrangements with the private sector for the management of an institutional pharmacy in a public health facility."

• Further Du Toit (2003) states that most provinces have been unable to comply with the staffing norms developed by the SAPC. It is not foreseen that the conditions of service of pharmacists in the public sector will improve to such an extent that more pharmacists could be recruited to this sector to ensure compliance with these staffing norms. The proposed opening up of the ownership of pharmacies could also result in more pharmacists being recruited from the public sector by lay-owners of pharmacies;

• According to interviewee 37/2004 par. 23, the closest the pharmaceutical sector in South Africa came to PPPs was in the matter of outsourcing certain services such as the pharmaceutical medicine depots to the private sector. However this was done without major success:

  ... and we have struggled as the public sector to try to provide a service in the pharmaceutical context ... but we have obviously not done a good job ... so this (outsourcing) is the next best thing that you can have;

• Interviewee 36/2004 par. 118 poses the view, that the PPP concept did not develop in the private sector, it developed in the public sector, through a new National Health Plan:

  ... A National Health Plan in a new health system is the vision of Africa. People are recognising their weaknesses and shortcomings and therefore have entertained the possibility of a Public Private Mix. In some settings you will find PPPs and in other areas PPIs. And these are all aimed ... to maximise the efficiency of a sector.

• According to interviewee 13/2002 par. 135, the Industrial Development Corporation (of South Africa) (IDC) has a dilemma at the time of the interview in that at tertiary level big hospital groupings are firmly structured in place in the private sector, but at
primary and secondary health care level, almost no big capital structures seem to have been established.

10.1.3 Strengths and weaknesses of the public and private sectors (Category 3)

The second last category (3rd category) was named "Strengths and Weaknesses of the public and private sectors" and consists of the following two themes:

- Strengths and weaknesses of the Private sector;
- Strengths and weaknesses of the Public sector.

The themes were analysed and the information were placed in a table format in order to simplify the information of the analysis.

10.1.4 Strengths and weaknesses of the Private sector

The following aspects were gathered in the theme named "Private Sector Strengths and Weaknesses". Information was extracted from the source documents in order to analyse the strengths and weaknesses of the private sector in context that support the phenomena for PPP development in the health care arena of South Africa. This information was identified and coded to a theme in order to gain perspective on the strengths and weaknesses of the Private sector as part of PPP development in South Africa. The following aspects were abstracted and summarised in a table in order to conceptualise the elements:

Private sector strengths

The following strong points were identified:
### TABLE 10.1 STRENGTHS OF THE PRIVATE SECTOR.

<table>
<thead>
<tr>
<th>INTERVIEWEE:</th>
<th>STRENGTHS:</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Reference and paragraph)</td>
<td></td>
</tr>
<tr>
<td>Interviewee 6/2002 par. 35</td>
<td>Exceptionally good service delivery in general;</td>
</tr>
<tr>
<td>Interviewee 6/2002 par. 35</td>
<td>Ability to drive business on a sound economic basis;</td>
</tr>
<tr>
<td>Interviewee 34/2004 par. 50</td>
<td>IT infrastructure;</td>
</tr>
<tr>
<td>Interviewee 30/2004 par. 79</td>
<td>Good infrastructure for delivery and distribution of medicine;</td>
</tr>
<tr>
<td>Interviewee 15/2002 par. 245</td>
<td>The private sector has the expertise, resources and funds available;</td>
</tr>
<tr>
<td>Interviewee 18/2003 par. 56</td>
<td>Service hours exceed the normal and include after-hours and weekends;</td>
</tr>
<tr>
<td>Interviewee 10/2002 par. 170</td>
<td>In a better position to obtain a budget or estimate of the real qualitative monetary costs of patient care;</td>
</tr>
<tr>
<td>Interviewee 5/2002 par. 421</td>
<td>The private sector pharmacist offers a service that testifies to good human rights in practice;</td>
</tr>
<tr>
<td>Interviewee 29/2004 par. 177</td>
<td>Pharmacy (private sector corporate) is particularly stronger as a result of they being represented as a corporate entity and therefore not prone to contravening the regulations of the Competition Act, (89/1998).</td>
</tr>
</tbody>
</table>

**Private sector weaknesses**

The following were weak points identified:

(See the next page)
## TABLE 10.2 WEAKNESSES OF THE PRIVATE SECTOR.

<table>
<thead>
<tr>
<th>INTERVIEWEE: (Reference and paragraph)</th>
<th>WEAKNESSES:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviewee 6/2002 par. 35</td>
<td>The private sector pharmacist was ignored (isolated) in his practice;</td>
</tr>
<tr>
<td>Interviewee 6/2002 par. 35</td>
<td>Weak power base from where individual pharmacists could negotiate;</td>
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<tr>
<td>Interviewee 34/2004 par. 53</td>
<td>The inability to absorb risk by the individual pharmacist;</td>
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<tr>
<td>Interviewee 34/2004 par. 53</td>
<td>The private sector pharmacist expects immediate profitability;</td>
</tr>
<tr>
<td>Interviewee 34/2004 par. 55</td>
<td>Individuals <em>not</em> being able to meet the public sector’s economic and legal requirements as described by the SA Treasury Department;</td>
</tr>
<tr>
<td>Interviewee 15/2002 par. 235</td>
<td>The fact that it was/is not viable for private sector to open pharmacies in rural or remote areas;</td>
</tr>
<tr>
<td>Interviewee 15/2002 par. 235</td>
<td>The private sector pharmacist had weak political influence;</td>
</tr>
<tr>
<td>Interviewee 2/2002 par. 111</td>
<td>The inability of pharmacists of developing a joint venture amongst each other without power struggle among themselves;</td>
</tr>
<tr>
<td>Interviewee 2/2002 par. 560</td>
<td>The private sector would not be able to cope with the volume prescriptions if the dispensing doctors and mail-order pharmacies were counted out. (Thus a possible weakness in capacity was foreseen);</td>
</tr>
<tr>
<td>Interviewee 23/2003 par. 96</td>
<td>It is impossible for an individual pharmacist to enter into strategic efforts;</td>
</tr>
<tr>
<td>Interviewee 12/2002 par. 124</td>
<td>The pharmacist in the private sector did not take part in strategic planning at the right level at the time of the interview;</td>
</tr>
<tr>
<td>Interviewee 5/2002 par. 446</td>
<td>The private sector did not open up its ranks in order to give a good reflection of the new SA in its hierarchy at organised profession level, at the time of the interview;</td>
</tr>
<tr>
<td>Interviewee 5/2002 par. 446</td>
<td>Small pharmacies in the private sector did not have the required big business perspectives, at the time of the interview;</td>
</tr>
<tr>
<td>Interviewee 5/2002 par. 446</td>
<td>Private sector pharmacist are observed to be short-sighted in their outlook on big business;</td>
</tr>
</tbody>
</table>
| Interview 5/2002 par. 446             | It was a perception that the role-players in the private sector appear
Appendix

| Interviewee 29/2004 par. 170 | to be weak at the macro level of the profession's activity; Vested interests in the private sector manifest a weakness as they prevent the private pharmaceutical sector from reaching fast decisions during collaborative efforts; |
| Interviewee 29/2004 par. 177 | Community pharmacy (private sector sole owners) is particularly prone to weakness as a result of individuals who cannot collude horizontally for a single agreement without contravening the regulations of the Competition Act, (89/1998). |

10.1.5 Public Sector strengths and weaknesses

The following aspects were gathered in the theme named "Public Sector Strengths and Weaknesses". Information was extracted from the source documents in order to analyse the strengths and weaknesses of the Public Sector in context that support the phenomena for PPP development in the health care arena of SA. This information was identified and coded to a theme in order to gain perspectives of the strengths and weaknesses of the Public Sector as part of PPP development in SA. The following aspects were abstracted and summarised in a table in order to conceptualise the elements:

(See the next page)
TABLE 10.3 STRENGTHS OF THE PUBLIC SECTOR.

<table>
<thead>
<tr>
<th>CATEGORY:</th>
<th>Strengths and weaknesses of the public and private sectors (Category 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>THEME (NVIVO® FREE NODE):</td>
<td>Strengths and weaknesses of the public sector</td>
</tr>
<tr>
<td>INTERVIEWEE:</td>
<td>STRENGTHS:</td>
</tr>
<tr>
<td>(Reference and paragraph)</td>
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</tr>
<tr>
<td>Interviewee 6/2002 par. 35</td>
<td>Current government policy strengthens the public sector's drive towards PPP development as it is vested in the policy;</td>
</tr>
<tr>
<td>Interviewee 6/2002 par. 35</td>
<td>The State tender-system is a strengthening factor in that it provides a strong platform or basis for negotiation;</td>
</tr>
<tr>
<td>Interviewee 11/2002 par. 235</td>
<td>The inherent political power of the public sector was seen as a major strong point;</td>
</tr>
<tr>
<td>Interviewee 3/2002 par. 27</td>
<td>One of the provinces was working pro-actively, making use of an efficient management team: &quot;...so they've been very pro-active and much more efficient than the rest of the country at this stage&quot;;</td>
</tr>
<tr>
<td>Interviewee 3/2002 par. 43</td>
<td>Pro-active change was taking place in the public sector: &quot;...I really do believe there's a huge change around in management within the public sector. There's a huge focus on becoming ... more efficient; on becoming ... more pro-active; on becoming ... more business-like in all it's operations&quot;;</td>
</tr>
<tr>
<td>Interviewee 14/2002 par. 283</td>
<td>The public sector's movement towards a corporate governmental system was regarded as being a strong point in that financially the sector was becoming budget orientated;</td>
</tr>
<tr>
<td>Interviewee 16/2002 par. 62</td>
<td>The fact that new legislation allows the public sector to act as a &quot;juristic person&quot; in terms of joint ventures is a strong point for PPP development;</td>
</tr>
<tr>
<td>Interviewee 5/2002 par. 458</td>
<td>A strong point for the public sector was that is was privileged in having a modern National Constitution compared internationally, which adds a great deal of strength to the public sector;</td>
</tr>
<tr>
<td>Interviewee 5/2002 par. 458</td>
<td>Strength was recognised in that SA was implementing a worldwide-recognised primary health care system and was in the position to learn from other countries' mistakes;</td>
</tr>
<tr>
<td>South African National Treasury, 2001.</td>
<td>Functional capacity for engaging in partnerships has been strengthened by the South African National Treasury at the local government level. The Department of Provincial and Local Government (DPLG) is coordinating several technical assistance projects to provide appropriate training and related capacity enhancement activities for local government officials.</td>
</tr>
</tbody>
</table>
TABLE 10.4 WEAKNESSES OF THE PUBLIC SECTOR.

<table>
<thead>
<tr>
<th>INTERVIEWEE:</th>
<th>WEAKNESSES:</th>
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</thead>
<tbody>
<tr>
<td>Interviewee 6/2002 par. 35</td>
<td>The elements of bureaucracy were noted to be a weakness in decision making in the public sector;</td>
</tr>
<tr>
<td>Interviewee 16/2002 par. 57</td>
<td>Bureaucracy especially at departmental level was identified to be a weakness in terms of the ability of decision-making;</td>
</tr>
<tr>
<td>Interviewee 6/2002 par. 35</td>
<td>The phenomenon of &quot;resistance to change&quot; was singled out as a weakness;</td>
</tr>
<tr>
<td>Interviewee 22/2003 par. 128</td>
<td>The &quot;resistance to change&quot; attitude was also commented on by this interviewee and described as follows: &quot;...I think this happens in the public sector. You find that the role-players in the public sector ... almost hesitate, actually to get involved in developing the sector&quot;;</td>
</tr>
<tr>
<td>Interviewee 6/2002 par. 35</td>
<td>The shortage of funds was identified as a general weakness;</td>
</tr>
<tr>
<td>Interviewee 18/2003 par. 25</td>
<td>Also according to this view, the public sector lacked infrastructure and funds and was unable to manage it's part of service provision;</td>
</tr>
<tr>
<td>Interviewee 6/2002 par. 35</td>
<td>It was a perception that the public sector was not interested in employing pharmacists;</td>
</tr>
<tr>
<td>Interviewee 34/2004 par. 46</td>
<td>The inability of the public sector to monitor performance on the (outsourcing) contracts, at the time of the interview;</td>
</tr>
<tr>
<td>Interviewee 34/2004 par. 48</td>
<td>The ability of the public sector to design proper contracts was also limited at the time of the interview;</td>
</tr>
<tr>
<td>Interviewee 11/2002 par. 110</td>
<td>The over-supply of medication (six months supply in certain instances) for chronic patients was seen as a weakness;</td>
</tr>
<tr>
<td>Interviewee 11/2002 par. 443</td>
<td>Public sector seems to be out of touch with the ground-root situation: &quot;...these guys in the public sector ... are so far (removed) from some of these things ...&quot;;</td>
</tr>
<tr>
<td>Interviewee 11/2002 par. 443</td>
<td>Separate budgets were managed by different sectors segments of the public system: &quot;...they all working with their own little budgets and doing what the are doing ...&quot;;</td>
</tr>
<tr>
<td>Interviewee 11/2002 par. 443</td>
<td>Different norms and standards regarding staffing the health care system in the public sector. Quote: &quot;...I don't think there are any two provinces in this country with the same sort of scales and norms of staffing the public sector's medical...&quot;;</td>
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<tr>
<td>Interviewee</td>
<td>Date</td>
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<tr>
<td>14/2002 par. 47</td>
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<tr>
<td>11/2002 par. 446</td>
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<tr>
<td>26/2004 par. 86</td>
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<tr>
<td>11/2002 par. 457</td>
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<td>30/2004 par. 79</td>
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<td>30/2004 par. 79</td>
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<td>30/2004 par. 85</td>
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<td>15/2002 par. 171</td>
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<td>23/2003 par. 31</td>
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<td>15/2002 par. 171</td>
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<td>33/2004 par. 156</td>
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<td>33/2004 par. 219</td>
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<td>33/2004 par. 219</td>
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<tr>
<td>3/2002 par. 19</td>
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<tr>
<td>Interviewee 14/2002 par. 241</td>
<td>A weakness was identified in that the public sector was burdened by theft of stock items and the interviewee stated that it was difficult to rid the public service of its culprits;</td>
</tr>
<tr>
<td>Interviewee 14/2002 par. 356</td>
<td>The working culture was regarded as a weakness in that public sector in that public sector workers did not recognise the wrong in pilferage of stock items;</td>
</tr>
<tr>
<td>Interview 26/2004 par. 86</td>
<td>It was mentioned that syndicates were actively involved in theft of public sector stock and consisted of people from both the private and public sector;</td>
</tr>
<tr>
<td>Interviewee 25/2003 par. 107</td>
<td>On the notion of cost recovery, a weakness was described in an effort to recover costs. The public sector was quite poor in billing or in drawing up a billing system: &quot;...We had a poor accounts qualification system. That has been jacked up now. Our information system has improved...&quot;;</td>
</tr>
<tr>
<td>Interviewee 8/2002 par. 103</td>
<td>A weakness was identified in that the public sector at the time of the interview was over-politicising the administrative processes: &quot;...There isn't that clear distinction between politics and administration&quot;;</td>
</tr>
<tr>
<td>Interviewee 8/2002 par. 103</td>
<td>A number of individuals have been brought into public sector: &quot;...That is a human resource issue. It is a training issue. It's a skills developing matter, but I am not saying that the public sector is completely incompetent&quot;;</td>
</tr>
<tr>
<td>Interviewee 18/2003 par. 56</td>
<td>At the time of the interview the public sector was not providing an after-hour service in the interviewee's area of practice, which was considered a weak point of the public health sector;</td>
</tr>
<tr>
<td>Interviewee 10/2002 par. 170</td>
<td>The interviewee explained that the public sector's method of cost compilation did not allow enabling the public sector to calculate the cost for patient care in real terms, which was considered a weakness in cost analyses;</td>
</tr>
<tr>
<td>Interviewee 10/2002 par. 206</td>
<td>It was explained that the public sector was employing excessive human resources and not able to rectify the situation in certain instances;</td>
</tr>
<tr>
<td>Interviewee 9/2002 par. 39</td>
<td>The inefficiency due to the lack of IT-controlled computer systems for stock monitoring and dispensing was considered a major weak point in the public sector;</td>
</tr>
<tr>
<td>Interviewee 29/2004 par. 69</td>
<td>A weakness that may influence joint venturing between the public and private sectors was identified in that the public sector failed to use the IT-tariff codes generally used by the private health sector on a National basis in SA;</td>
</tr>
<tr>
<td>Interviewee 9/2002 par. 53</td>
<td>This interviewee mentioned that the physical facilities were insufficient to comply with the demand for pharmaceutical services required in the public sector;</td>
</tr>
<tr>
<td>Interviewee 23/2003 par. 96</td>
<td>A possible weakness was identified in the view that it was impossible for an individual to enter in strategic efforts;</td>
</tr>
<tr>
<td>Interviewee 22/2003 par. 114</td>
<td>A weakness was mentioned in that the public sector was not complying with the official guidelines for Good Pharmacy</td>
</tr>
</tbody>
</table>
Appendix

<table>
<thead>
<tr>
<th>Practice at the time of the interview: &quot;...Essentially these pharmacies could be closed down, because they have poor facilities, not enough pharmacy staff, not enough waiting areas, not enough areas for counselling&quot;;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviewee 22/2003 par. 125</td>
</tr>
<tr>
<td>South African National Treasury, 2001.</td>
</tr>
</tbody>
</table>

10.1.6 Sustainability of Public-private partnerships (Category 4)

The last category (4th category) was named "Sustainability of Public-private partnerships" and consists of the following two themes:

- Economics in context;
- Viability in context.

10.1.6.1 Economics in context

The following aspects were gathered in the theme named "Economics". Information was extracted from the source documents in order to analyse the phenomena in the context for PPP development in the health care arena of SA. This information was identified and coded to a theme in order to gain perspective on the economical context of PPP development in SA by considering some economical aspects mentioned by the interviewees.

The following aspects were abstracted and summarised:

- Interviewee 11/2002 par. 128 theorises on the economic advances that might be of relevance if the chronic patients were carved out of the public sector system and assigned to localised pharmacies by means of a joint venture. Economic advantages may be implicit to the public sector as well as the patients in this case;
- Interviewee 11/2002 par. 35 refers to the economic savings that might be affected if the number of pharmacists and pharmaceutical care services were increased in the public sector. Cost savings could be expected in terms of overall savings on a
reduced hospitalisation rate, improved rational drug use and a decrease of cost as a result of a decreased loss on valuable man-hours in the labour system of SA;

- Interviewee 11/2002 par. 244 reports on a case of economic cost reduction of drugs used in a particular public sector clinic where the pharmacist was managing drug supply as compared to nursing staff and medical doctors;

- Interviewee 11/2002 par. 203 claims that the economic saving in the pharmacy sectors would be significant when the "middle man" was to be eliminated in the medical aid scheme system:

  ... we must try to get rid of as many as possible of all the middlemen. Because these ... are sucking on the health care and that are delivering nothing ... because ... they are controlling a system where the controls are costing more than the stuff that's going missing!

- Further interviewee 11/2002 par. 317 points out that the new legislation on medical aids were looking after certain medical aid interests while failing to address the real issues, such as the economic ones, administration costs and the multiplicity of medical aids. The economic consequences were referred to:

  ... I heard that certain medical aids, the in-house types of medical aids...their administrative costs were 12% to 18%. Private medical aids up to 30%...

- Interviewee 11/2002 par. 394 also claims that the public sector was not calculating the cost of dispensing according to economic sound principles, as in the case of the Free State's Impress System. The real cost of the supply of medicine should also include indirect costs, not only to the government but also to the patient and the patient's employers;

- Du Toit (2003) expresses his view that expenditure relating to human resources, equipment, facilities, IT systems, as well as other administrative costs to comply with statutory requirements is not normally included in the cost of providing a pharmaceutical service;

- Another economic issue worthy of debate in the South African health care arena were claims of "subsidisation" of those paying lower prices by those paying higher prices (Gray, 2005. Jan.). It was reasoned that the same is often claimed in relation to SA private sector versus State tender prices. The sub-text is that this is somehow
"unfair", that there is "freeloading" going on. There is another way of looking at this. It is merely a case of market segmentation, of charging what the market will bear and setting a target return from the whole market at a certain point. Private sector prices in this country may have been set more in relation to the prices of comparable or competitor products in the same market than as an attempt to recoup "losses" incurred in the public sector. That is not to say that conditions of perfect competition exist - the possibilities for collusive price setting are very real. The same could occur in the tender market. Claims of subsidisation are based on the assumption that a certain level of return exists as some sort of "right" or "due", and that what is given up somewhere has to be made up elsewhere:

... there is certainly a minimum return that ensures survival, but even the tender market can be very profitable. At the very least, it can ensure large volume throughputs.

- Interviewee 17/2003 par. 32 points out an important economic factor in that the current situation was that membership of medical schemes was becoming unaffordable:

  ... People can't afford medical scheme rates any more. So that percentage of 7 million people who are currently under medical schemes, a lot of them are going to go into state. They (will) be employed, but they will be uninsured;

- Interviewee 17/2003 par. 57 notes certain economic tendencies as part of the South African scenario, by saying:

  ... You know, it's so skewed (distorted) ... SA is ... the only country in the world that has such a skewed (distorted) arrangement whereby we know that 80% of your expenditure goes to 20% of the population. 80% of your expenditure is expended by 20% of the population in the private sector. So by the same token, 20% of the population, if you're looking at the fiscal story are probably financing the 80% of the remainder of your population. It's so skewed (distorted) that it's impossible. You take a place like ... Sweden, with the best national health, and it's taken out of everybody's taxes, but you've got a very balanced tax base. Everybody pays taxes there and there's no big, huge difference ...;

- Interviewee 25/2003 par. 87 explains the economical dynamics in relation to the price of medicine bought by means of the public sector tender system. The tender
process is an open procurement process. Companies put in offers to the tender system. The companies are providing it to the public sector at a rate at which they are still making a profit. However the profit is lower but with the bulk they sell, they still get the volume profit that they would like to have even though per item profit its lower. The interviewee does not see how the system would change, unless the companies collude:

... That would be collusion I don't know how the competition commission would respond to that?

- Interviewee 8/2002 par. 104 explains the economics involved when considering the choice between a "capitation" system and the "traditional" (fee for service) system. The interviewee is of the opinion that health care costs will escalate too fast if the "traditional" system were considered for PPP development in the pharmaceutical environment;

- Interviewee 13/2002 par. 157 explains that BEE also had a major role to play in the economics of PPP development in the pharmaceutical sector of SA at the time of the interview.

10.1.6.2 Viability in context

The following aspects were gathered in the theme named "Viability". Information was extracted from the source documents in order to analyse the aspects on viability in context supporting the phenomena for PPP development in the health care arena of SA. The following aspects were abstracted and summarised:

- Interviewee 6/2002 par. 33 observes that PPPs seemed to be viable exclusively for big companies, particularly those that projected an image of promoting "affirmative action" (BEE-orientation). The interviewee was of the opinion that the small one-man owned pharmacy does not stand a chance to participate in PPPs of that nature;

- Interviewee 6/2002 par. 35 refers to the fact that the general viability for pharmacies would improve if they participate in joint ventures with the public sector. Private sector pharmacies classified as marginal pharmacies in general teams might become viable with spin-offs in terms of more pharmacists working for the public sector decreasing the pressure for service delivery and pharmaceutical services becoming more accessible;
Interviewee 10/2002 par. 601 stresses the necessity that whatever model is to be considered for PPPs in the pharmaceutical sector it needs to be sustainable. The interviewee states:

... Surprisingly enough (people who) are most clued up on this aspect were (medical doctors) ... They have (established) extremely good systems ... to monitor the cost of clinical and drug care in this country;

Interviewee 30/2004 par. 106 explains that the joint venture that was still operating in the particular province at the time of the interview, was sustainable because it showed a significantly low cost on expenditure when compared to the other provinces in South Africa;

Interviewee 17/2003 par. 40 notes the importance of sustainability and viability in that responsibility for the provision of the service was with the public sector and it should be delivered in the most appropriate and cost-effective way:

... and at the moment it's not.

Interviewee 17/2003 par. 49 refers to a study conducted by the private pharmaceutical sector in collaboration with the public sector in order to investigate the viability and the sustainability of joint venture before the time of the interview:

... this thing called “project Molemo”, which was going to enable us to provide in terms of national drug policy that we would ensure an adequate supply of effective and safe drugs of good quality to all the people in South Africa in this case to all the people in Southern Gauteng. This aim would be achieved by promoting cost-effectiveness in the public sector. We had to promote that cost-effectiveness by utilising private sector facilities whenever appropriate. That was the basis, which we took out of national drug policy and this whole document is based on that “project Molemo”.

Interviewee 17/2003 par. 65 provides important background in order to conceptualise the viability of PPPs in the South African context regarding the demographic data realising the necessity for the careful planning of PPP development:

... Where on earth are the finances going to come from? So it's got to be an insurance type scheme. It's got to be financed by your employers that only cover...
the employed who are insured. I keep stressing that because there's a big
difference. You've got employed insured. ... It's about 7 million people. Then
you've got employed uninsured (who comprise) about 18 to 20 million. So the
remainder of the population, another say 16/17 million, are your so-called state
patients. They're unemployed, uninsured so government has to provide for them.
But currently only the top 7 million are being provided for privately. The remainder
are battling and that remainder is growing ... bigger and bigger because, that 7
million is dropping rapidly and whatever it drops to, if it drops to 5 million, and
another 2 million are going into that employed, uninsured. How are they going to
be provided for? Now your national health insurance cannot possibly just take the
income from that 5 million, which it will probably be in 3/4 years time, going down,
not up, in order to finance the balance it is not possible.

- Interviewee 15/2002 par. 150 refers to two criteria regarded as necessary to ensure
viability in PPP development. The one proved to be the ability to absorb risk and the
other was to have the political backing. The interviewee mentioned that these criteria
were met more easily met by the larger chain group pharmacies and bigger
Corporate entities;

- Interviewee 15/2002 par. 441 takes the point of view that the total South African
medical care system was becoming unsustainable at the time of the interview, as a
result of the affordability of health care in both the private sector (medical scheme
membership becoming unaffordable) and the public sector (the government not able
to afford service delivery);

- Furthermore according to interviewee 15.2992 par. 161, another factor adding to the
unsustainability of the current health care system, at the time of the interview was
the mortality rate and the profile of diseases in South Africa (the HIV/AIDS pandemic
being one of them);

- Interviewee 15.2992 par. 480, however, is of the opinion that the opportunities and
viability for PPP development in SA were enormous;

- Interviewee 3/2002 par. 167 reports on a situation affecting the viability of PPP
development in SA in that the public sector was planning to “compete” with the
private sector for service delivery in the health care arena;
... and in our view that was a very stupid thing to begin, because the private sector is already saturated already not coping.

- Further interviewee 3/2002 par. 167 is of the opinion that the public sector had to look at the above situation in a different way, and produce a product that in fact is going to create a new market in the private sector or in their own sector (the public sector):

  ... to compete with current existing markets that are already beginning to break under the strain is not going to work.

- The same aspect is referred to by interviewee 35/2004 who says that PPP developments should be beneficial to both the state and to the private sector, because the state would to some extend have load taken off their very stretched resources and the private sector is battling right at the time of the interview as now their market has become saturated:

  ... so I think both parties would stand to benefit;

- Interviewee 35/2004 par. 34 explains that the viability of the private sector pharmacies at the time of the interview were in jeopardy. A recent study, ("the biggest study that has ever been done in this country by the PSSA"), showed that the situation in the community pharmacy perilous. It was found that the average community pharmacy is making 3.7% net profit, and that the number of pharmacies has declined in the last ten years, because they are not profitable:

  ... I know the government keeps on accusing private sector community pharmacist of profiteering. But the figures are statistics and our studies don't bear that out. It's an incorrect perception. They are struggling to exist;

- However, interviewee 35/2004 par. 34 explains that reasons for private sector community pharmacies were the result not only of the saturated market place, but also of competition for service delivery from other services providers:

  ... They have their business basically removed from under their noses by the activities of dispensing doctors and courier pharmacists.

- Interviewee 35/2004 par. 38 mentions some aspects of viability of community pharmacy in the rural and remote areas, as there were 2500 pharmacies at the time of the interview whereas a senior public sector officer at the PSSA annual general
meeting of 2005 announced a need for 5000 pharmacies. It was mentioned that community pharmacies were not financially viable in the areas concerned:

... We don't have pharmacies in the areas that they could be in, and no person in their right mind will go and set up a pharmacy in a rural area, because the clientele, the market place, ... they can't afford to pay. Those people can't afford to pay for their drugs and they need access to drugs;

- Interviewee 35/2004 par. 38 speculates that the capacity to fill the need for pharmacies in rural areas does exist, and that if government would co-operate in making it viable much benefit could result:

... I believe it would help pharmacy remain viable and it would create opportunity for pharmacists. People wouldn't leave the country if they knew that they could earn a living here ... what you want to do is to earn a living;

- According to National Treasury, a PPI can only be feasible to government if such a partnership can demonstrate affordability for the public sector and give an initial indication of how value-for-money will be achieved through appropriate risk transfer (Du Toit, 2003);

- Furthermore Du Toit, (2003) expresses his opinion about the viability improvement in both sectors by proposing a combination of two of these categories, viz. outsourcing and joint ventures as a workable/feasible partnership for providing certain pharmaceutical services, which will not only reduce cost, but also increase access and quality of care;

- Another aspect that would ensure viability of PPP in the South African context was the criteria that were prescribed by the policy framework of the public sector's DOH in that "the first general principle of a public-private partnership health service is that it should result in benefit to the public sector and, thus, to the community". The second principle is that "partnerships must not limit the government's ability to guarantee public access to health care". This means that government would not "wish to lose control of clinical services for public patients, since these are the core services" (Du Toit, 2003);

- Interviewee 18/2003 par. 84 stresses the point that the 'viability' of a venture in pharmacy determines whether or not the venture will provide the required service. According to the interviewee, this phenomenon possibly explains why the big
corporate pharmacy groups were not opening outlets in the rural areas at the time of the interview. (It was explained that these pharmacies were placed in store outlets only to attract customers in order to do other profitable business in the store and not for profit in the pharmacy);

- Moreover interviewee 18/2003 par. 84 proposes that in order to facilitate the opening of pharmacy joint ventures in the rural areas, the government should assist in making such ventures viable by means of subsidies and/or tax benefits or possibly providing medicines bought via the Comed system;

- Interviewee 10/2002 par. 181 indicates that the government had to render services via viable joint ventures between the public- and private sectors in order to apply the aims of the National Drug Policy (NDP). The reason is that the aims of the NDP were that pharmacists need to supply and administrate medicine to all the people of the country regardless to which sector the patient belongs, and the fact is that the public sector does not have the human resources for doing that;

- Interviewee 10/2002 par. 258 explains that the private pharmaceutical sector needs to obtain some access to the 80% of the population, who comprised the responsibility of the public sector at the time of the interview. The viability of the private sector community pharmacy was low, due the fact that they were only servicing 20% of the population at the time and needed the broader client base in order to regain viability;

- Interviewee 21/2003 par. 65 touches on the fact that the public sector employed more pharmacy assistants and dispensing nurses as a viable option. The services of the pharmacy assistants and nursing personnel were acquired more cheaply.

- Interviewee 32/2004 par. 167 explains that the consideration for a joint venture in the public sector would hinge on evidence showing to the public sector that a certain saving could be reached in comparison to what was already spent on the service in order to make it viable for the public sector. (In other words, proof of cost-efficiency and viability is a pre-requisite);

- Interviewee 36/2004 par. 85 explains that one of the reasons for the failure of past joint ventures between the public and private sectors, was that these services were expected to be delivered free of charge, and they then actually became unviable to be delivered by the private sector:
managers in good faith on both sides tried to do something, ... the failure arises when one partner suddenly stops or is no longer financially viable to be able to do that for example, and it was then that the viability or the sustainability of that particular partnership was eroded;

- Interviewee 36/2004 par. 101 further explains that in order to ensure that the patient has access to affordability, and a sustainable place to obtain his pharmaceutical services, from a facility that is viable. Viability then becomes a critical factor or issue;

- Interviewee 24/2003 par. 63 elaborates on the possibility to ensure viability of PPP type joint ventures by first exposing or testing these ventures in pilot projects in order to ascertain the viability in practice and sustainability in the long term. Some pilot projects were already in progress at the time of the interview;

- Interviewee 24/2003 par. 63 further explains another initiative in the public sector to increase viability by embarking on "revenue generation" projects. The public sector hereby qualified as a 'designated service provider' in terms of 'service provider agreements' that were being entered into with the private sector Medical Aid Schemes at the time of the interview;

- Interviewee 24/2003 par. 199 refers to the 'flat rate' and the 'fee per item' that was normally charged by the private sector to the public sector for the delivery of services in joint ventures. The interviewee claims that it was becoming unsustainable and became problematic;

- Interviewee 29/2004 par. 262 explains that the private sector was struggling to ensure the viability of 'low cost options' in the private medical aid industry, as these options came to R450 or R500 per month, which were also regarded as unaffordable by the uninsured employed section of the population. The interview then refers to the possibility of engaging the public sector in viable options if access to Comed medicine (medicine at minimal cost) could be obtained through viable joint ventures between the two sectors;

- Lamprecht (1995) completed a previous study in 1995, investigating the viability of a pharmaceutical care service to certain low-income groups of the Virginia area in the Free State. Among other aims, the study also focused on the assessment of the viability of rendering such a service through retail pharmacy. The viability of a pharmaceutical primary health care service was found to be favourable if a certain

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share (15%) of the target market made use of such a service. Nevertheless certain
limitations need to be considered; such as the necessity of a minimum turnover and
partnership formation with local government or the State.

**STRATEGY ELEMENTS (4TH THEMATIC-CATEGORY STRUCTURE)**

The information of these will be reported on in this section. The above structure was
inductively synthesised to construct and theorise the thematic-category structure named
"Strategy Elements Thematic-category structure" and is illustrated in Table 6.6, p. 227.

11.1.1 Strategic Aims (Category 1)

The following commonalities of interest or policy were identified as strategic aims by the
different sectors (public and private). These were identified as embedded strategic
elements affecting the prospects for PPP development in South Africa and were
extracted from the data. These elements may affect the future development and
prospects for PPPs in the health care arena of South Africa.

11.1.1.1 Common ground

The following aspects were gathered in the theme named "Common ground". Information was extracted from the source documents in order to analyse some strategic elements of common interest to both the public and private sector in the context of PPP development. This information was identified and coded to a theme in order to gain perspective on mutual interests via the development of PPPs in SA by considering some aspects mentioned by the interviewees. Only three basic aspects on commonalities were abstracted and summarised:

- Interviewee 17/2003 par. 49 mentions that the policy of the Community Pharmacy Sector (CPS) of the PSSA was that it fully endorses and actively supports any equitable initiatives in the delivery of health care, in assisting the state in providing adequate pharmaceutical services, in particular to any previously disadvantaged communities:
... the CPS ... fully endorses and actively supports any equitable initiatives, and arrangements in assisting the state in providing adequate pharmaceutical services, in particular to any previously disadvantaged communities. That is our focus; that is our mainstay.

- The objects of the South African National Health Bill (2003) are to regulate national health and to provide uniformity in respect of health services across the nation by establishing a national health system which encompasses public and private providers of health services, and provides health services in an equitable manner to the population of the Republic;

- Interviewee 4/2002 par. 36 indicates that both sectors engaged in deliberations in the past in order to understand one another, but according to the interviewee both sectors realised a sense of the indifference or uniqueness of the other party. The experience in the realisation of the differentiation by both sectors could therefore be regarded as a common awareness.

11.1.1.2 Strategic elements in the public sector

The following aspects were gathered in the theme named “Strategy Public”. Information was extracted from the source documents in order to identify some strategies in the public sector for the development of PPPs in SA. The following strategic elements were reported on and were summarised as follows:

- According to interviewee 34/2004 par. 139 what we lack in this country (South Africa) is a consumer driven process aimed at an improvement in the quality of health care. The strategy of using a consumer-driven approach in improving healthcare through PPP developments may be considered:

  ... Health journalism has got better, but health consumerism is particularly weak;

- In terms of the BEE Act (2003:11) the Minister (of Health), must issue a strategy for broad-based black economic empowerment that must provide for an integrated co-coordinated and uniform approach to broad-based black economic empowerment by all organs of state, public entities, the private sector, non-governmental organisations, local communities and other stakeholders. It may serve as a strategy to promote the development of PPPs in the public health care sector;
• Interviewee 11/2002 par. 372 mentions a possible strategy for local government in that PPP models could strategically be assessed after a trial period of one year after the running of a pilot project making use of the PPP approach;

• Interview 14/2002 par. 426 explains that the public hospital boards at the time of the interview had powers and that these should be strategically employed to develop PPPs;

• According to interviewee 2/2002 par. 543 the legislation in the pharmaceutical sector provided for lay ownership of pharmaceutical enterprises and that the public sector may consider ownership or partial ownership in partnership with the private sector of manufacturing pharmaceutical factories;

• Interviewee 16/2002 par. 62 refers to a strategic important aspect for the public sector in that the public sector now may in terms of new legislation act as a juristic person and is therefore able to generate monetary income through the delivery of services;

• Moreover, interviewee 16/2002 par. 82 explains that the usage of expertise in the private sector would be a good strategy as the public sector could not stay in pace with the fast changing world outside;

• Interviewee 10/2002 par. 241 describes a strategy for privatising a health care entity whilst obtaining the human resource structure intact, through contractual agreement with the private sector. The strategic element of this venture lies within the implication that the employees remain in their positions but are taken over by the private sector. Negotiated agreements are required;

• According to interviewee 22/2003 par. 120, a possible strategy could entail the public sector's establishing the actual costs of the service delivery for a particular entity and then putting the entity on tender to the private sector to bid for the tender, by offering the delivery of that service at a lower cost;

• Interviewee 22/2003 par. 125 mentions the strategy of involving all pharmacists employed by the public sector in their strategic planning events. According to the interviewee, not all pharmacists were involved at this level of planning at the time of the interview;
Further to the above, interviewee 22/2003 par. 266 states that the public sector should be employing the "right kind of pharmacists" in order to establish new PPP joint ventures with the private sector. It was intended that pharmacists with specialised skills would be required to be involved in the strategic planning for ventures of this nature;

Interviewee 22/2003 par. 286 suggests that the public sector should strategically plan joint ventures (PPPs) over a longer time period of up to twenty years. Part of the strategic planning should be on how the value for money was to be obtained and what control measures were going to be established, in order to monitor the venture and to ensure success;

Moreover interviewee 22/2003 par. 286 suggests that the community should be involved in a sustainable way. The interviewee suggests this was different from medical aid schemes at the time of the interview, in that decisions should not be taken without the community's consent;

Interviewee 31/2004 par. 122 also suggests the strategy of holding an "imbizo" (meaning a "coming together" of all the stakeholders) prior to the development of PPPs in order to ensure success:

... because I cannot submit a proposal to the government without having had a feeling of the (people involved). I want to know what they say, what are their problems and if they are going to play along;

Interviewee 32/2004 par. 37 mentions that provinces are: "supposed to have private public forums where the private sector and the public sector meet". The interviewee regards these forums as a strategy for collaboration between the public and private sector;

Moreover, interviewee 32/2004 par. 37 suggests that the provincial managers of pharmaceutical services should facilitate the PPP developments as they are advising top management in the public sector at strategic level;

According to interviewee 13/2002 par. 52, the public sector should strategically engage the Industrial Development Corporation (IDC) in developing PPPs as the government has given the corporation substantial monetary resources in order to investigate possible structures for the empowerment of strategic entities that would promote the government's National Health Insurance medical aid scheme;
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- Interviewee 13/2002 par. 104 refers to a strategic possibility of empowering black pharmacists in that they are employed or managed by an umbrella organisation (PPP) that delivers pharmaceutical services to the public sector;

- Furthermore, interviewee 13/2002 par. 104 refers to regional councils that were not in place on a regional basis at the time of the interview. These councils and the regional councillors representing them may play an important strategic role in PPP development;

- The impact of the South African National Treasury’s strategic framework may be regarded as a powerful strategic instrument of the public sector. It proposes a strategic framework for making public-private partnerships (PPPs) a more viable service delivery option for government departments. The framework aims to support national and provincial government departments in identifying, procuring and implementing PPPs. It provides a parallel framework to that of the Municipal Service Partnerships Policy, which supports service partnerships in the local government sphere (South African National Treasury, 2001);

- Interviewee 29/2004 par. 167 discusses a plan whereby the leaders of industry, the BHFs benefit and risk committee, people from the Department of medicine control, the IT people of the DOH and the financial people of the DOH are grouped as a task team. The strategy should be for them to come up with a plan that thereafter may be tested by using a pilot project. The implementation thereof may strategically hinge on the outcome of the sustainability and success of a pilot project of such a nature;

- Interviewee 29/2004 par. 329 suggests the tasking of the Director General of Health in the public sector to construct a plan that could be tested in a pilot study so that the PPP development may become visible.

11.1.1.3 Strategic elements in the private sector

The following aspects were gathered in the theme named “Strategy Private”. Information was extracted from the source documents in order to identify some strategies in the public sector for the development of PPPs in South Africa. The following strategic elements were reported on and were summarized as follows:

- As for the public sector the same strategy may apply to the private sector in that consumerism can be used to act as a driving force in the development of PPP joint
ventures instrumental to improving better health services to the people. Interviewee 24/2004 par. 139 posits;

... Very interestingly! What we lack in this country is a consumer driven process aimed at improvement in the quality of care.

- Interviewee 11/2002 par. 104 explains that a large portion of the population cannot afford to pay for pharmaceutical services in the urban (and metropolitan) areas, which implicates that it is of strategic importance not only to concentrate on the rural population. A strategic approach by the private sector should therefore be to consider the PPP approach in order to promote rational drug use and improve the quality of care in urban areas as well;

- Furthermore interviewee 11/2002 par. 372 proposes that local government in urban areas should also be strategically approached and convinced to consider a joint venture with the public sector and run a pilot model for a period of time so that it may be accessed prior to final implementation;

- Interviewee 11/2002 par. strongly suggests the strategic importance of negotiating the joint ventures with the public sector at a level where the public sector is represented by officials who can make decisions:

  ... I only talk to people that can make decisions, I am not interested in people who can't. So wherever I work, I work with the top people in the country, because I know when I walk out if that room I have struck a deal. It can actually happen;

- Interviewee 17/2003 par. 24 reports that government officials at regional and local level feels "a little threatened" when they engage the private sector in the consideration of joint ventures, and feel it is of strategic importance rather to engage with the public sector at national level;

- Interviewee 15/2002 par. 245 mentions the strategy of positioning a PPP endeavour in such a way that it would be financed though foreign monetary resources such as funds made available from donors by the World Bank and similar instances;

- Interviewee 15/2002 par. 498 offers a strategic approach for the private sector by advising the sector to become actively involved by pursuing PPP endeavours, to participate in the planning, to preserve the sector's resources, to protest where the
planning deviates in the wrong direction, to protect the sector's interests and to be prepared for major changes;

- Interviewee 35/2004 par. 35 suggests a strategy of identifying a section or sections of pharmaceutical service delivery in the public sector that may be described as a service that (the public sector) "are not coping with". This type of strategic approach was termed as "carving out" (isolating a unique service for the purpose of something) and planning a joint venture around it.

- Interviewee 20/2003 par. 185 is of the opinion that the strategy to develop PPPs should include an effort by a large grouping of pharmacists in order jointly to have a voice that must be heard. The joint venture should target areas where a service is needed;

- Furthermore, interviewee 20/2003 par. 221 suggests a strategy that may involve the legal implications on the public sector as laid down by a new law that public sector services should meet the same criteria and standards as the private sector two years after the time of the interview. The new legal requirements may act as a driving force towards joint ventures between the public and the private sector;

- Moreover, interviewee 20/2003 par. 263 says that a cost-affectivity investigation should be done prior to the proposal of new joint ventures in order to offer a study result convincing the public sector decision-makers of the value for money;

- Interviewee 8/2002 par. 76 points out the importance of working with a "full time lobbyist". It was suggested the private sector strategically engages at ministerial committee level and with political heads of parties or chief whips or similar influential structures in order to gain the necessary influence;

- Interviewee 18/2003 par. 280 describes a strategy to go through the policies of the public sector at all levels of governance in order to justify the development of PPP ventures at the particular levels;

- Interviewee 18/2003 par. 282 moreover suggests that the pharmaceutical public sector should invest in statistical research in order to obtain the required information needed to share with the public sector in order to promote joint ventures;

- A strategic argument, according to interviewee 10/2002 par. 70, is that the drive towards a PPP development should be routed in a particular pathway as far as the...
levels of governance are concerned. The main thrust should be directed towards the national level of governance in order to pass the Treasury Department and then be passed down to the lower levels of governance;

- According to interviewee 28/2004 par. 28, the strategy should on the other hand be to direct the thrust of the drive towards the provincial or local governmental level, because:

  ... my logic tells me that it should be done at provincial level. That it is more likely where all of it happens....because at national level they talk nice policy and that is where my perception comes in. We hear the words, but there is no action. Maybe that is why there is a problem;

- Furthermore interviewee, 10/2002 par. 145 suggests that all the available political influence should be used in order to exert some positive influence at the national political level. The main thrust of influence should be aimed at the politicians participating in health committees in the government sector;

- Moreover interviewee 10/2002 par. 170 reasons that a strategic effort should be considered that the real cost of health care per patient should be researched in the public sector. The actual cost per patient seems to be unknown and is difficult to calculate as a result of a fragmented accounting system in the public sector;

- Interviewee 7/2002 par. 164 mentions that “the new way of thinking” was what is required in order to promote the strategic development of PPPs in South Africa, meaning that the promotion or drive on PPPs should be driven under the hospice of political transformation;

- According to interviewee 23/2003 par. 95, a basic aspect of any strategy to promote PPPs was to realise that it is better for groups or organisations to work with government instead of individuals;

- Interviewee 28/2004 par. 22 explains the same aspect stating that PPP proposals from the pharmaceutical private sector should come from a macro level, with macro implementation proposals instead of at the micro level. The interviewee believes that small or single pharmacies in the private sector do not stand a good chance of engaging in joint ventures with the public sector;
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- Interviewee 27/2004 par. 72 suggests that research should be done on primary health care services needs in the community, in order to access and evaluate the community's primary health care needs, as a strategic step towards PPP development in South Africa;

- According to interviewee 22/2003 par. 101, the organised pharmaceutical private sector should strategically engage with the government's PPP-committee that was established in order to promote PPP development in South Africa;

- According to interviewee 22/2003 par. 220, an important strategy would be to gather the most influential group of people in the private and public sector to engage with each other in an attempt to look for a new model of PPP developments in South Africa. These people were identified to be the PSSA, the SAPC, the heads of pharmaceutical services in the government's Department of Health and the provincial Directors of Pharmaceutical Services;

- Furthermore, interviewee 5/2002 par. 133 also considers the engagement of role-players as an important strategic factor. It was suggested that it should include the Association of Medical Practitioners; the statutory body of the nursing profession, central government, the Competition Commission, the Consumer Board and a hearing should be conducted with various activist groupings;

- Interviewee 24/2003 par. 167 mentions other active role-players in the public sector that should be engaged, such as public business managers, directors of support services, directors of business managers or similar new posts that were established in the public sector at the time of the interview;

- Interviewee 29/2004 par. 160 identifies more of the role-players also fitting the strategic approach, which was proposed by other interviewees, such as industrial leaders, the Board of Health Care Funders, the Medicines Control Council, the Department of Trade and Industry and most importantly the South African National Treasury Department;

- Interviewee 32/2004 par. 37 recommends a strategic approach in that the public and private sector should be engaging in public-private forums that need to be established by the provincial;
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- Interviewee 13/2002 par. 106 referred to the strategy of developing “a network” of private sector pharmacies that do not necessarily have a major shareholding in the joint venture. It was suggested that the network then work within a medicines formulary and negotiate with medical aid schemes, targeting certain populations in order to provide pharmaceutical health care services;

- Interviewee 13/2002 par. 135 suggests the setting up of a strategic entity that may serve as a vehicle to accommodate the engagement with structures such as the IDC that have substantial government capital resources earmarked for the development of joint ventures between the public and the private sector. The entity should be the equivalent of large hospital groupings as these were actively involved in the tertiary health environment of South Africa at the time of the interview;

- Interviewee 24/2003 par. 256 suggests that a new way of looking at a strategy to engage in collaborations with the public sector is to concentrate on the establishment of cost measurement in terms of the delivery of professional pharmaceutical services and not in terms of profit on medicine. This is a possible new approach as the new pricing regulations that is coming into legislation offers an unique opportunity:

  ... it's no longer a matter of 'we have been there, done that,... It's a new opportunity.

- Interviewee 29/2004 par. 177 explains the strategic importance of the establishment of a central management structure for a network of pharmaceutical entities. The public sector then has a single point of negotiation in the preferred provider environment and lesser obstacles may be engaged in terms of the views of the Competition Commission;

- Furthermore interviewee 29/2004 par. 206 proposes a system of accreditation for pharmacists within the private sector, strategically to allow these pharmacists to have joint venture-type contracts signed up with the public sector in their personal capacities;

- Moreover, interviewee 29/2004 par. 329 suggests a strategy of proposing pilot joint ventures in order to test them over a period of three months in collaboration with the Department of Health’s Director General.
11.1.2 Possible strategic outcomes (Category 2)

The following strategic elements were identified as possible strategic outcomes of the process of PPP development in SA. These outcomes were identified as elements affecting the prospects for PPP development in SA and were extracted from the data. These elements may affect the future development and prospects for PPPs in the health care arena of SA.

11.1.2.1 Possible PPPs

The following aspects were gathered in the theme named "Possible PPPs". Information was extracted from the source documents in order to analyse the possibility of the development of PPPs in SA. This information was identified and coded to a theme in order to gain perspective and to identify some PPP developments considering some aspects mentioned by the interviewees. The following possibilities were reported on and abstracted and summarised from the data:

- A national workshop on electronic health records was conducted and a national electronic health record (EHR) concept was approved. The aim was to produce a document for discussion as a white paper and for inclusion in the Health Bill. A task team was formed to consider *inter alia*, the possibility of consulting widely with stakeholders in the community (private and public) to identify key components of EHR. It was recommended that provinces (public sector) and other organisations work towards meeting requirements in 'internal' systems to allow for linking with national system as a phased process and to establish pilot implementations in public and private sectors (Gray, 2003:Nov.). A possibility of a PPP developing between the public and private sector was envisaged;

- According to interviewee 35/2004 par. 44 the family planning PPI was still a possible PPP development that could be considered in supplying medication such as contraceptives to the indigent people of South Africa:

  ... *you need to have good distribution systems and control systems*;

- Interviewee 35/2004 par. 90 says that the PSSA in Gauteng South Africa, considered a possible PPP with the public sector in supplying chronic medication in collaboration with the public sector;
Furthermore, interviewee 35/2004 par. 115 suggests a possible PPP by "carving out" certain services such as family planning or HIV/Aids or sexual transmitted diseases (STDs) with a capitation grant on the basis of a joint venture;

Interviewee 16/2002 par. 36 refers to a possible PPP between a tertiary institution such as the North-West University's School of Pharmacy and the public sector in delivering a service on quality control of medicine to the government's Department of Health;

Interviewee 18/2003 par. 25 suggests the possibility of a PPP development to service the low-income group of country people that are employed but that cannot afford a medical aid scheme. The delivery of chronic medication in a joint venture with the public sector is also a possibility. The possibility of the distribution of chronic medication to the public sector by concurrently managing the venture with a sophisticated stock control electronic system was envisaged;

Interviewee 26/2004 par. 171 envisages a possible PPP where the public sector contracts single pharmacists, paying them an hourly fee and have them working for the public sector on a part-time basis delivering services such as medicine control, counselling and public health;

According to interviewee 21/2003 par. 61 a possibility exists of developing PPPs that would bring advantages and add value to the public sector if joint ventures were considered in rural areas of the Free State in South Africa. The argument is based on the assumption that the public sector priorly performs a cost analysis of the real costs for delivering a pharmaceutical service in these rural areas;

Interviewee 31/2004 par. 87 explains the possibility of establishing a unique joint venture between the public and private sector pharmacy in places where people were queuing for social grants at month-end, and suggests these people collect the essential chronic medication at the same time and service point;

Interviewee 36/2004 par. 37 refers to a possible PPP for packaging and re-packaging of medicines for the state. It was suggested that these services could be rendered by joint ventures after the services were put out on tender by the public sector, and a requirement would be that the private companies that do put forward a tender should declare or express all vested interests prior to the time that the tender is rewarded;
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- Interviewee 36/2004 par. 48 discusses the prospect that a medical aid would negotiate the possibility to contract a network of pharmacies into a joint venture, with the public sector in order to serve a segment of the public sector;

- Furthermore, interviewee 36/2004 par. 96 refers to the possibility of developing a PPP of scale at national level. A policy driven process controlled by the Department of Treasury would then pass the joint venture down the different levels of government to the provincial, and eventually the local government:

  ... So there are smaller partnerships that take place at provincial and local level and those are the meaningful partnerships, for example the ARV-roll out. And for example the TB-treatment ... and the chronic medicine’s distribution;

- Interviewee 13/2002 par. 52 referred to the public sector’s priority of establishing a PPP venture to accommodate a segment of the public service employees who are employed by the state, but do not belong to a medical aid, as they cannot afford to join one. It was mentioned that this venture bore the best prospects of becoming a fast track reality.

11.1.2.2 Capacity building

The following aspects were gathered in the theme named “Capacity building”. Information was extracted from the source documents in order to analyse and investigate the prospects of also developing capacity in SA, through the development of PPPs. This information was identified and coded to a theme in order to gain perspective and to identify the possibility of building capacity. The following aspects on capacity building were reported, abstracted and summarised from the data:

- Chapter seven of the South African Health Bill (2003) deals with the development and provision of human resources in the national health system, in order to maximise services of health care providers. It also deals with the Forum of Statutory Health Professional Councils and the establishment of academic health complexes. The bill may therefore be seen as a major driving force in capacity building in both the public and private sector;

- Moreover, Chapter seven 7 of the South African Health Bill (2003) contains provisions relating to human resources planning and academic health complexes. Various obligations are imposed upon the National Health Council with regard to
human resources planning and there is provision for the determination of guidelines for the appropriate distribution of health care providers within provinces. A Forum of Statutory Health Professional Councils is established to deal with issues that cut across the individual statutory health professional councils. The Minister is given the power to establish academic health complexes in consultation with the Minister of Education;

- According to the National Health Bill, the National Health Council must develop policy and guidelines for, and monitor, the provision, distribution, development, management and utilisation of human resources within the national health system. The policy and guidelines contemplated in subsection (1) of the Bill inter alia lead to the facilitation and advancement of the adequate distribution of human resources. They must also lead to the provision of appropriately trained staff at all levels of the national health system to meet the population's health care needs; and the effective and efficient utilisation, functioning, management and support of human resources within the national health system;

- Furthermore, the Bill deals with the issue of maximising services of health care providers. The Minister, with the concurrence of the National Health Council, must determine guidelines to enable the provincial departments and district health councils to implement programmes for the appropriate distribution of health care providers and health workers;

- The South African National Treasury (2001), posits its view on the needs in capacity as follows:

  ... Ensuring effective service delivery through PPP arrangements typically requires additional functional capacity in financial, technical and managerial areas that are not normally associated with the operations of a government department. ...

  At present, there are no corresponding national or provincial government initiatives for capacity enhancement in PPP projects;

- Furthermore, the South African National Treasury (2001) describes the needs for capacity in the governmental departments as follows:

  ... Capacity building is critically important to a sound PPP programme. Appropriate functional capacity will have to be developed by:
Preparation advisory guidelines to assist departments in following suitable practices to implement their PPP programmes;

- seeking complementary donor funding and assistance to support training and related capacity enhancement activities;

- actively encouraging rotation of staff skilled in PPPs between departments and spheres of government.

Moreover the South African National Treasury (2001) establishes a PPP Unit within the South African National Department of Treasury with the aim of enhancing capacity on the development of PPP in South Africa. The aims towards capacity building of this units is described as follows:

... It is proposed that the Unit be established within the structures of the public service. ... The Unit will be managed by a full-time managing director with senior management skills and experience in project finance. To ensure ongoing strategic links with departments, and especially to facilitate ongoing policy review and development, the interdepartmental task team (IDTT) on PPPs will continue to function, specifically mandated to work in close liaison with the Unit. ... A dedicated Unit, located in the Treasury, seems the most appropriate for South Africa, as PPPs are still in their relative infancy and potentially threaten responsible public financial management. The Unit provides an opportunity to concentrate key resources on a few priority projects for a specific time. It allows quicker identification and dissemination of the capacity, implementation and enforcement issues in the South African context;

- According to interviewee 6/2002 par. 1, the major impact of PPP development would be the capacity building in primary health care delivery and medicine distribution of the country (SA) as a whole. Pharmacies operating on a marginal viability level would be able to raise income and become viable while the public sector under serviced population might benefit from the revival of service as a result of the increased capacity in the private sector;

- According to interviewee 34/2004 par. 92 the Department of Finance is going to transfer some of its skills into the DOH as a result of the process of PPP establishment in that area. Furthermore some, large private sector players outside of
the big hospital groups and the large wholesaler groups may also become involved and thereby further promote capacity building in both the public and private sectors;

- According to interviewee 11/2002 par. 189, the banking sector would significantly increase capacity in the health care sector of South Africa if they get involved as they do have the potential to contribute towards the available technology that they have and introducing it to the health care arena;

- Furthermore interviewee 11/2002 par. 592 indicates that the necessary training that will be involved in order to equip health care personnel in the envisaged joint ventures would increase capacity in terms of human resource development to a significant extent;

- As a direct result of the need for increased capacity, the Cabinet proposed that the ARV rollout plan for South Africa would be introduced in stages (South Africa, 2003). The plan calls for significant additional capacity in the national health system, in particular in terms of strengthening human resource capacity and providing incentives to recruit and retain thousands of health professionals in historically under-serviced areas. Over the next four and a half years, over R750 million is proposed for upgrading systems in the health care infrastructure in areas such as drug distribution, patient information systems and monitoring of reaction to the drugs;

- According to Gray (2005), in this country pharmacists embrace the idea of Primary Care Drug therapy (PCDT). Many underwent training and gained accessed to higher scheduled medicines by means of a permit from the Director-General of Health [the 22A(12) permit, now renumbered in the Medicines Act as 22A(15)]. Government policy in this regard was never clearly articulated, and in time there seemed to be a shift away from supported widespread access to such permits (Gray, 2005:March). Nevertheless it may be argued that the possibility of enacting the potential capacity of increased primary care service delivery through joint ventures with the state could result in a significant increase in the capacity, through the mobilisation of the private pharmaceutical sector;

- Interviewee 20/2003 par. 303 also refers to the problem of low capacity in the public sector in that a limited amount of computer systems are lacking, particularly as far as pharmaceutical dispensing systems are concerned;
According to Van der Merwe (2003), a parliamentary discussion revealed that the national antiretroviral (ARV) rollout would be impossible until all provinces have HIV/Aids councillors working for them. The Democratic Alliance Aids spokesman Mike Waters questioned this, and, according to a reply by Health Minister Dr Manto Tshabalala-Msimang, there are no HIV/Aids counsellors at work in health facilities in Mpumalanga or the Eastern Cape. It may therefore be argued that joint ventures between the private pharmaceutical sector and the public sector may add to the capacity needed;

Interviewee 30/2004 par. 112 reports that the public sector in some provinces of South still uses manual card systems to administer pharmaceutical administration, and thus reflects a big lack of capacity in the use of computerized software systems;

According to interviewee 15/2002 par. 170, the public sector lacks capacity and the private sector is in need of new markets in which to render services, as a result of medical aid schemes becoming unaffordable, resulting in a saturated market for the private sector. The interviewee foresees a total collapse of health services in both sectors if joint ventures would not materialise;

Interviewee 35/2004 par. 35 explains the huge need for capacity in both the public and private sectors by mentioning the fact that private sector pharmacies are closing as a result of their becoming unprofitable due inter alia to the activities of dispensing doctors and courier pharmacies, whereas it was stated by a senior officer of the DOH 5,000 pharmacists were needed in the public sector. It was estimated that only 2,500 pharmacies existed in the private sector;

Interviewee 20/2003 par. 41 explains that 243 pharmacy assistants were in the service of the public sector in one province alone, while another 83 were in training at the time of the interview. These assistants were trained in order to cope with the lack of capacity as a result of a shortage of qualified pharmacists in the public sector;

Furthermore, to explain the context of the shortage of capacity in the particular province, interviewee 20/2003 par. 50 mentions that only 52 per cent of the posts for pharmacists were filled at the time of the interviewee. This clearly illustrates the need for capacity in the public sector that might be relieved by means of joint ventures between the public and private sector;
• Interviewee 20/2003 par. 219 refers to the aspect of a big number of pharmacists emigrating from South Africa as a result of bad prospects for the pharmacy profession locally and low remuneration for pharmacists, and that adding that to the problem of low capacity in both sectors;

• Interviewee 25/2003 par. 57 explains that the capacity within the public sector could be improved in that the public sector would be able to utilise the available resources more optimally by collaborating with the private sector in joint ventures:

\[\ldots\text{In other words, we have a lot of resources and more specific infrastructure resources that can be better utilised in the PPP context;}\]

• Interviewee 16/2002 par. 77 indicates that training of public sector personnel by the private sector will enhance capacity, through the joint venture. This capacity building may take place in the working environment;

• As to training interviewee 23/2003 par. 132 mentions that capacity enhancement would be supported if incentives could be offered as a kind of incentive for skills enhancement;

• According to interviewee 9/2002 par. 120 the South African pharmaceutical sector excels Europe in terms of technical electronic claiming systems (claiming for services). These advantages in computerised claiming administration would lead to improving the capacity in the public sector in a PPP development environment;

• Interviewee 37/2004 par. 45 explains that capacity would be enhanced through a new PPP, in that the provincial medicine depot would have the capacity of electronic stock management systems leading to a general improvement of medicine distribution of drugs in the province at ground level;

• Interviewee 12/2002 par. 155 testifies that much capacity is needed in the public sector on the terrain of "drugs supply management". The interviewee provides evidence of the lack in capacity in this area and foresees a big opportunity for improvement and capacity building by joint ventures between the public and private sector;

• Interviewee 32/2004 par. 179 suggests that tertiary institutions should be playing a role in the development of capacity in the public sector, by research and the
development of systems that may be considered in the joint ventures between the public and private sectors;

- Interviewee 36/2004 par. 40 stresses the point that the development of the pharmacist’s competencies should be a major driving force in developing the necessary skills and competence in order to deliver services to the people in joint ventures between the public and private sectors;

- Furthermore, interviewee 36/2004 par. 79 likewise stresses the point that the initiative in developing the necessary capacity should not stop at the development of skills in delivering the services, but also in developing the managerial skills to monitor, administrate and manage the process of a joint venture in order to ensure the sustainability thereof;

- Moreover interviewee 36/2004 par. 79 explains that the state is always trying to become or achieves in becoming a good provider of services:

  ... That is its aim. Unfortunately we know that in experience that it just does not have enough capacity to get to that particular level. Therefore (the public sector) needs the private sector with its expertise... with its efficiencies to enable the state to achieve what it wants;

- Interviewee 13/2003 par. 104 explains the possibility to develop capacity in the development of joint ventures between the public and private sector as a mechanism to enhance black economic empowerment. This would assist previously disadvantaged pharmacists to participate in the joint ventures and in so doing reach both the goals of the thrust towards black empowerment as well as capacity building in service delivery of the South African Health sector;

- Furthermore, interviewee 13/2003 par. 173 refers to the possibility of the development of PPPs becoming a major driving force in creating job opportunities, by way of black empowerment and capacity building within the development of joint ventures between the public and private sectors;

- Moreover, interviewee 13/2003 par. 176 states that the development of capacity at the level of service delivery through the establishment of PPPs would be workable and possible, but it would take longer at the financial level, as the constraints in financial resources and the process of developing capacity in financial terms may be long term;
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- Interviewee 24/2003 par. 112 points out that the greatest need for capacity occurred in the metropolitan area as an estimated almost 70% of all services delivery by the public sector were taking place in these areas. It was argued that the big shortages in capacity within the public sector was due to the fact that the public sector was unable to fill an estimated 30% of the pharmaceutical posts in the particular province at the time of the interview;

- Interviewee 29/2004 par. 257 notes that the development of capacity in skills in the pharmaceutical sector was not the big stumbling block as the pharmacist is already a registered skilled professional health worker. Capacity in skills development may be necessary for unqualified pharmacy assistants.

11.1.2.3 Potential gains and impact

The following aspects were gathered in the theme named "Capacity building". It was reasoned that the potential gains and impact of PPP development, as envisaged by the interviewees, could form a part of the second category and be regarded as possible strategic outcomes. Strategies in the development of joint ventures between the public and private sectors could hinge on, or be planned around some possible gains and the impact these entities are expected to have. Information was extracted from the source documents in order to analyse and investigate the elements of potential gains and impact that joint ventures may hold, through the development of PPPs. This information was identified and coded to a theme in order to gain perspective and to identify the possible gains and impact in the health care arena. The following possible gains and the envisaged impact were reported, abstracted and summarised from the data:

- Interviewee 6/2002 par. 35 indicates a significant increase in the accessibility of health care services in the public sector, as well as a resulting improvement in the level of pharmaceutical services with a positive impact on health care delivery in South Africa. The interviewee reasons this might impact as a rise in the level of primary health care service delivery in South Africa;

- Furthermore; interviewee 6/2002 par. 35 suggests the joint venture approach has the potential to cause overall savings in regard to hospitalisation, rational medicine usage and a major saving in labour costs as a result of the possible saving of working hours;
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- Interviewee 34/2004 par. 27 identifies the possible gain of an increase in capacity through joint ventures between the two sectors to provide a more effective national vaccination programme for epidemic diseases and speculates on the positive impact this may have on public growth and the decrease in the mortality rates caused by these diseases;

- Interviewee 34/2004 par. 57 refers to a significant gain in that the public sector can gain "in terms of quality of care". If it could expand its range of providers, it can deal with "over crowding":

  ... It can deal with time issues where clinics close at four o'clock in the afternoon, but the private hospital clinic might be able to offer a 24-hour service and deal with access problems in some cases;

- Furthermore, interviewee 34/2004 par. 58 refers to the possibility that the public sector might gain through improved access to higher technology such as IT systems in the public hospitals, and the outsourcing from public hospital to the private sector, the small-scale manufacturing and IV admixture services;

- Moreover, interviewee 34/2004 par. 60 also refers to the gain for the private sector pharmacies, particularly in the rural areas where the increase in the "number of feet" through the pharmacies will make a positive contribution to their viability;

- Interviewee 11/2002 par. 104 explains that the population in urban areas is also underserved in areas where services are not easily accessible as a result of the high cost of transport and the long waiting time at public facilities. A possible gain to these populations would be the people accessing their nearest private sector pharmacy in order to receive their medication;

- Interviewee 11/2002 par. 244 furthermore indicates that compliance with rational drug use and improved prescribing according to the Essential Drugs List (EDL) would improve and positively impact on cost of medicine supply, when pharmacists deliver the dispensing services in areas where medical doctors are controlling the clinics without pharmacists in service. A compliance improvement of fifteen per cent was reported for a clinic in the Western Cape;

- Furthermore, interviewee 11/2002 par. 481 foresees an immiscible gain to the public sector when you get a redistribution of patients across the full spectrum, which means that the public sector that has to deliver the services, can do it a lot
better within a joint venture with the private sector. At the time of the interview the public sector needed the capacity and experienced problems with unskilled people handling skilled jobs;

- Interviewee 11/2002 par. 487 explains the possibility of both the sectors gaining from a joint venture, in that the private sector smaller pharmacy might experience the venture as the "lifeline" they need to remain viable in a very competitive private sector market place, whereas the public sector might experience an improvement in service levels alleviating the shortcoming in the existing public sector environment;

- Furthermore, interviewee 11/2002 par. 502 points out the possible gain on improvement of disease rates if the pharmaceutical private sector could assist in areas such as HIV and STIs through joint ventures with the public sector:

  ... (if) you put this ... together properly in a package that is workable and understandable, I think you are going to have massive possible spin-offs from both professions point of view,... and the public would benefit.

- According to interviewee 19/2003 par. 70, a number of well-equipped private clinics in the private sector may be of gain to the public sector, particularly, in the rural areas in supply of primary health care services, leading to a huge advantage;

- Interviewee 17/2003 par. 32 also explains the advantage of gaining from the private sector in that the public sector does not need to supply either the infrastructure or the human resources;

- Interviewee 15/2002 par. 259 explains that the impact of a Social Health Insurance Scheme could result in the doubling of the current figure of people belonging to a medical aid scheme. It was noted that at the time of the interview the reining circumstances did not provide any scope for exploring the health care market, and that joint ventures between the public and private sector within the structure of a Social Health Insurance Scheme would open up many new possibilities;

- Interviewee 35/2004 par. 27 predicts that joint ventures would mean improvement in accessibility for people to medicine, more affordable medicine and better health care to more people. The impact of joint ventures would further be beneficial to both state and private sector, because the state would to some extend have load taken off its very stretched resources. The market for the private sector is saturated and new joint ventures would impact by improving on their viability:
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... So I think both parties would stand to benefit.

- Du Toit (2003) writes in his letter that impact and gain would be achieved through joint ventures by the adding of value-for-money, meaning that a better quality pharmaceutical service will be provided to patients for at least the same money that is spent at the time of the interview. There will also be a total transfer of the risks involved for the relevant pharmaceutical services; and the proposed outsourcing will be affordable:

  ... Furthermore, savings on human resources, services which are politically more acceptable, savings on drugs meaning Provincial Health Departments will pay only for what is being supplied (dispensed) and not also for drugs sitting on shelves, being wasted or stolen, will be indirect additional benefits;

- A further impact is explained by Du Toit (2003) in that the Provincial Health Department will retain operating capacity (capability) to provide the pharmaceutical services concerned in order not to become too dependent on the private sector for service delivery (refer legal and moral responsibility to provide health care services);

- Moreover Du Toit (2003) explains the positive impact of joint ventures on the overcrowding of the public sector health care facilities. Joint ventures may provide mechanisms to relieve this problem;

- Advantages and gains that would impact through joint ventures for the public sector are implied by Du Toit (2003) and include aspects such as the ability of Provincial Health Departments to retain operating capacity (capability) to perform the required pharmaceutical services (facilities and equipment). Moreover it would lead to the optimal performance of resources invested; the facilitation of equity in service delivery; cost containment; the saving of funds through greater efficiency. It would also transfer risk relating to warehousing, stock control, wastage and theft;

- More gains for the public sector were identified by Du Toit (2003) and include other aspects such as relief of constraints on human resources; a positive impact on the pharmaceutical care of patients; the health establishments concerned will not incur any direct or indirect financial losses; long-term service plans (roll-out) for the entire geographical area to which the proposed partnership relates can be developed;

- According to interviewee 25/2003 par. 58, the private sector with its efficiencies can often provide better quality services for the same amount of resources:
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... So that is a vision I think that we should go on for.

- Interviewee 8/2002 par. 138 mentions that much may be gained by being an example to other countries that also tried the route of joint venturing between the public and private sectors and possibly without success:

  ... As a country we can actually act as leaders in that regard;

- Interviewee 7/2002 par. 366 explains the gain for both the public and private sector in that mutual benefits will be forthcoming from joint ventures. The private sector gains more profits in developing a new health establishment and the public sector receives a health establishment at the end of the concession period as a new facility;

- Interviewee 26/2004 par. 139 elaborates on the mutual gain in both sectors as improved access to medicine and health services would mean gain to the public sector and the pharmaceutical private sector would access a broader client base. The general public would also gain as a result of improved accessibility and the interviewee envisages that medicine prices may become more stable;

- Interviewee 37/2004 par. 39 explains the impact of economic gain on a previous under-developed area becoming part of a new economic development as a direct result of a joint venture taking place between the public and private sector in that area;

- Furthermore, interviewee 37/2004 par. 45 foresees a gain in terms of newly developed IT infra-structure in the public sector, facilitating improved communication and managed medicine control between the public depots, which are also going to increase the capacity at the depots considerably;

- Interviewee 21/2003 par. 49 explains the gain to the health environment that might have significant impact on health in the smaller rural towns where the pharmaceutical private sector is battling to be viable on its own. Numerous examples were named of pharmacies that had to close down at the time of the interview in these areas as a result of the activities of private sector dispensing doctors;

- Furthermore, interviewee 21/2003 par. 198 explains the gain to the public sector in terms of obtaining improved control over stock and medicine supply, which would impact positively on major stock losses as were reported at the time of the interview;
According to interviewee 24/2003 par. 188, the biggest impact in the positive sense would be the improvement of the availability of scarce pharmaceutical skills in the public sector, as it was short in terms of human resources in this area. It was mentioned that the big "turnover" in pharmaceutical skilled human resources at the time of the interview, was a problematic factor that could be changed this way.

11.1.3 Strategic directives (Category 3)

The following strategic elements were identified as possible strategic directives of the process of PPP development in SA. These directives were identified as elements affecting the prospects for PPP development in SA and were extracted from the data.

11.1.3.1 The levels of governance

The following aspects were gathered in the theme named "Levels of governance". It was reasoned that the entry level of governance might be of strategic importance when these joint ventures were to be exploited. The interviewees made some comments and referrals and these were analysed in the context of this investigation. Information was extracted from the source documents in order to analyse and investigate some aspects in relation to the levels of governance and to seek a strategic directive as an outcome to the investigation. This information was identified and coded to a theme in order to gain perspective and to conceptualise the levels of governance and the importance thereof. The following aspects on the levels of governance were reported on, and summarised from the data:

- After the annual general meeting of the PSSA (2003) it was reported that negotiations on PPP between the public and private sector should be initiated neither at the level of the National Health Department; nor at local government level in municipalities as the budget for medicine is seated at provincial government level (Van Reenen, 2003). Negotiations on joint ventures between the sectors should therefore be initiated at provincial level of government;

- Interviewee 11/2002 par. 554 notes the importance of negotiating with public sector officials at the highest level possible, as it is perceived to be of paramount importance that negotiations should take place with officials who were able to make decisions on the matters concerned;
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- Interviewee 19/2003 par. 127 again notes the importance of negotiating the joint ventures between the two sectors as closely as possible to local government level, as that was the level of governance closest to grass roots level where the private sector pharmacy could be playing a role in pharmaceutical service delivery;

- Interviewee 30/2004 par. 83 indicates the importance of targeting the public sector at the level of the Head of Pharmaceutical Services, as the process of decision-making at provincial level is difficult;

- Interviewee 17/2003 par. 24 refers to the importance of considering special arrangements in advance at local and regional level of governance, and that the possibility exist to initiate the process of negotiation at any level of governance;

- Furthermore, interviewee 17/2003 par. 24 indicates that as a result of the mere reason that public sector officials at the regional and local levels normally felt threatened of losing their jobs in joint ventures, it was considered to target the negotiations at national level if possible;

- Interviewee 17/2003 par. 49 explains the complexity of negotiating the joint ventures at the different levels of governance, and concludes that all levels were involved. However, the interviewee remains of the opinion that national governance should be involved in one way or another:

  ... we have looked at it from a municipal level, from a regional level and national level and there's no question in my own mind that this is something that has to be looked at, at a national level;

- Interviewee 15/2002 par. 99 refers to the concept of inter-provincial legislation that was to be established at the time of the interview and mentions that it would provide the necessary interim phase for the smaller PPP to develop between the smaller private pharmaceutical entity and the public sector. The smaller pharmacy would nevertheless still require the capacity and monetary resources to meet the demands of a joint venture at this level of governance;

- Further to the above, interviewee 15/2002 par. 99 explains the "critical necessity" of breaking through the bureaucratic barriers at the right level of governance. Moreover it is considered necessary to enter the highest governmental level for the negotiations and the private sector entity should have enough bargaining power as well as the power and the authority to negotiate;
Interviewee 38/2004 par. 104 refers to the important aspect of not only negotiating the joint ventures at the right level of governance, but also to involve the relevant public sector administrative entities as well as the political entities because they should know what is happening throughout the whole process of negotiations;

Interviewee 33/2004 par. 40 refers to the possibility that each province would structure their own policies and guidelines as the different provincial government systems develop their individual initiatives. The interviewee states that a joint venture roll-out might happen at national governmental level, but that the provincial governments would still control and develop the initiatives according to their own unique needs;

Interviewee 33/2004 par. 56 notes that the family planning joint venture was a policy within the provincial department of health. It was noted that the policy was reviewed at the time of the interview as a result of a problem with regards to the control of state stock items. It was further noted that the level of governance was the provincial level, but that national government was also involved in the development of a new contract for a joint venture at the time of the interview;

Interviewee 35/2004 par. 67 notes that the government at national level is controlling the policy on health, but that the lower levels of governance are responsible for the delivery of health services to the people. The interviewee regards the national and local levels of governance as the more important levels of governance that should be involved in the development of new joint ventures between the public and the private sector;

Interviewee 35/2004 par. 140 mentions that the pharmaceutical private sector does not know at what level of government the decision-makers are situated and the importance of ascertaining this:

Interviewee 20/2003 par. 112 explains the importance of negotiating PPPs at provincial level, but in particular at the levels of the directors of health in the province. It was argued that public sector officials at director level must listen and decide on matters of this nature;

Furthermore interviewee 35/2003 par. 250 notes the point that the head of pharmaceutical service in a province is the most important role player. It is explained
that decisions might even be "over-ruled" by the provincial head of pharmaceutical services, as in the case of the provincial minister of health;

- Moreover, interviewee 35/2003 par. 271 explains that the provincial treasury department oversees the tender contracts and bids, where after the provincial head of health services would then sign the contracts if they were acceptable;

- Interviewee 25/2003 par. 63 defines the level of negotiation as the "service side" of the provincial government, in tandem with the "financial people" (treasury) of the provincial government, should be consulted and involved with the development of the joint ventures. The role of the national treasury in formalising the process of formal PPPs was also mentioned as a final link in the process of PPP development;

- Interviewee 8/2002 par. 49 reasons that the initiative, which could be family planning, the tuberculosis, directly observed therapy (DOTS) system, immunisation, HIV-Aids screening, the management of sexually transmitted infections or the issuing of chronic prescriptions could be classified as a primary health care initiatives. These services were rendered at primary health care level and these responsibilities are being devolved from provincial government to local government. It was advised that the private sector should position itself at local government level in order to develop joint ventures with the state and provide services at primary health care level;

- Furthermore interviewee 8/2002 par. 56 highlights the aspect of local government's going to have a "greater role and a much stronger role" to play in the future in primary health care delivery. It was recommended that the pharmaceutical sector should therefore closely focus this initiatives and negotiations at that level of government;

- Interviewee 8/2002 par. 69 furthermore refines the aim of focus at local and provincial level to the executive committees of health or individual members of these committees at the particular levels of governance;

Moreover interviewee 8/2002 par. 76 argues the necessity of having "a lobbyist" at higher levels of governance at committees of the minister of finance and the minister of health (in order to influence), as the health committees at local levels of governance do not have the power to make decisions;
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- Interviewee 16/2002 par. 59 emphasises that besides developing and negotiating, the joint venture at the provincial level needs to obtain final authorization from the national level of government;

- Interviewee 18/2003 par. 40 sketches the problematic situation of negotiating a joint venture on local and provincial levels when policy differs at the different levels of government. It may be necessary to involve all levels of government for a particular joint venture after policy for the service delivery is aligned at all the different levels;

- Interviewee 18/2003 par. 178 recommends a fixed sequence of negotiating and developing a joint venture at the different levels of government. Firstly policy should be established at national level and secondly the policy should be confirmed at provincial level. Finally the policy should be implemented at local government level in order successfully to establish a PPP. The bottom line is the affirmation and standardisation of health service delivery policy at all the different levels of government first before establishing the particular joint venture;

- Interviewee 23/2003 par. 33 accentuates the importance of adhering to the regulations of the treasury department at all times and that all the levels of governance should be involved when developing a PPP initiative;

- Interviewee 26/2004 par. 219 notes the fact that, as a consequence of the treasury regulations, new joint venture development have to start at the highest level of government, but that the initial footwork should be done at ground level, e.g. at "hospital level";

- Furthermore, interviewee 26/2004 par. 222 refers to an important approach termed the "silo-effect". It is explained that the engagement and the initiation of a new joint venture should be approached from the top structure (national level) downwards to the bottom end of the structure (local government level). The problematic situation of importance is furthermore referred to as the importance of preventing these developments from developing in isolated single initiatives (silos) without communication among and between the different developing joint ventures;

- Article 25 of the National Health Bill (SA, 2003) states that the head of a provincial department must, in accordance with national health policy and the relevant provincial health policy, in respect of, or within, the relevant province; participate in inter-provincial and inter-sectoral co-ordination and collaboration; plan, co-ordinate...
and monitor health services; evaluate the rendering of health services; and also conduct or facilitate research on health and health services. This implies that the head of provincial departments should be engaged when PPPs are developed;

- Furthermore, article 27 of the National Health Bill (SA, 2003) states that Provincial Health Council must advise the relevant member of the Executive on policy concerning any matter that will protect, promote, improve and maintain Council on the health of the population within the province. This function includes responsibilities for health within the province by individuals and the public and private sector; targets, priorities, norms and standards within the province relating to the equitable provision and financing of health services. The implication thereof is that Provincial Health Councils should be engaged on the development of joint ventures between the public and private sector;

- Moreover article 31 of the National Health Bill (SA, 2003) states that district health councils should be established as well. It states that the relevant member of the executive Council, after consultation with the member of the Executive Council responsible for local government in the province in question and the municipal council of the relevant metropolitan or district municipality, must establish a district health council for every health district in his or her province. The implication thereof is that District Health Councils should also be engaged on the development of joint ventures between the public and private sector;

- Interviewee 21/2003 par. 167 reports that the joint ventures of the past were successfully negotiated at the provincial level and did not required interaction at national government level.

11.1.3.2 Pre-requisites

The following aspects were gathered in the theme named "Pre-requisites". It was reasoned that some pre-requisites were of importance in the development of joint ventures between the public sector and the private sector. Some pre-requisites as envisaged by the interviewees, could form a part of the third category, and be regarded as strategic directives. Strategies in the development of joint ventures between the public and private sectors could hinge around some pre-requisites that may be of importance to either of the two sectors involved. Information was extracted from the source documents in order to analyse and investigate the pre-requisites that might
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influence the development of PPPs. This information was identified and coded to a theme in order to gain perspective and insight on possible pre-requisites that might be of importance. The following possible gains and the envisaged impact were reported, abstracted and summarised from the data:

- Interviewee 34/2004 par. 27 indicates from the outset that the ultimate pre-requisite for the development of a PPP is the element of transfer of risk that has to be present. Furthermore the department of Treasury has to be involved;

- Vital points were the necessary good communication and the commitment to the views on PPPs as held by the public sector (Herbert, 2004);

- Interviewee 19/2003 par. 153 explains that the ability to change or to adapt to new systems might be seen as a pre-requisite for successful PPP development in the future;

- Interviewee 30/2004 par. 40 highlights an important aspect in terms of which private sector partners have other vested interests when entering into a joint venture with the public sector. Other vested interests should be declared, and the possible ill effects thereof should be managed in the partnership agreement;

- Furthermore, interviewee 30/2003 par. 119 states the pre-requisite of having the remuneration based on service delivery and not on purchases or other aspects not applicable to the direct delivery of services. The prerequisite according to the interviewee should be that remuneration must be service-orientated;

- Interviewee 17/2003 par. 49 also indicates the necessity of good liaison between the private and public sectors as a pre-requisite to establish a joint venture between the sectors;

- Interviewee 15/2002 par. 20 regards the establishment of a well developed infrastructure and a sound financial underpinning on the side of the private sector a pre-requisite for successful PPP development;

- Furthermore, interviewee 15/2002 par. 150 adds that the political support is a pre-requisite for the successful development of joint ventures between the public and private sectors;

- Moreover, interviewee 15/2002 par. 190 states that a pre-requisite is competence of the private sector in the delivery of services, due to the fact that good value for
money needs to be offered as a result of the scarcity of monetary funds in the public sector;

- Interviewee 38/2004 par. 42 regards it as necessary that both the public and private sector should agree on both duties and responsibilities of the different sectors prior to the establishment of a joint venture;

- Moreover interviewee 38/2004 par. 67 explains the important pre-requisite of establishing a proper tender procedure in order to protect the public's (taxpayer's) interests, as any process involving monetary spin-offs might be prone to misuse if proper procedures are not established;

- Furthermore, according to interviewee 38/2004 par. 71, a prerequisite to the tendering procedure is the requirement of taking the new South African situation into account by ensuring the equity regulations reflecting in the tender outcomes so that previously disadvantaged individuals are likewise taken into consideration;

- Interviewee 38/2004 par. 72 requires some "watchdog" or ombudsman in the process of PPP development insofar as to check if black economic empowerment principles are adhered to;

- Interviewee 38/2004 par. 119 explains that the PPP development idea promises to be a workable joint venture only when "all tools are in place", meaning that all the required pre-requisites have been established by the time of the establishment of the joint venture;

- Interviewee 38/2004 par. 157 notes the requirement of having close at hand experience of the workability of an envisaged PPP development, as there are big differences between theory and practice at the grass roots level of the functionality of a joint venture:

  ... You cannot be talking from that ivory tower, because you might be surprised that it is ... different down at the ground level;

- Interviewee 33/2004 par. 91 mentions a prerequisite pertaining to control over a joint venture between the public and private sectors. It is stated that the provincial policy would allow the establishment of a PPP venture in aid of providing services and the management of the HIV/AIDS pandemic, but that the public sector would require "all the control over the project that they need". It is moreover stated that the public
sector needed to be convinced of the fact that the control would reside within the provincial health department;

- Interviewee 33/2004 par. 154 furthermore mentions the requirement that all other controls also be in place, in order to prevent any form of abuse of the joint venture under consideration;

- Moreover, interviewee 33/2004 par. 154 notes the importance of ensuring better access to health services as the crux of the matter and a pre-requisite for the development of a PPP between the public and private sector;

- Interviewee 33/2004 par. 217 explains the requirement of identifying all the shortcomings in the current establishments and the aim to try and strengthen that in terms of, for example, "if the lack of resources was the problem";

- Interviewee 35/2004 par. 100 explains the prerequisites that need to be established before a capitation system could be considered in a joint venture between the public and private sector. In order for the private pharmaceutical sector to participate successfully in such a venture, the number of patients the entity will be dealing with needs to be known beforehand in order to budget and calculate viable capitation fee structure;

- Furthermore, according to interviewee 35/2004 par. 100 a full proof identification system for identifying the public sector patients belonging to the scheme is a crucial pre requirement:

  ... I genuine state of identity, because what happens to medical schemes industry? A lot of these people previously disadvantaged are not well educated ... They see the medical aid or the medical aid membership card as: "I have a card for Edgars and I say to my daughter go and buy what you want". The form of identification must not be easy transferred from one to another otherwise the system is ... doomed!;

- Also according to interviewee 35/2004 par. prior knowledge of the demographic health profile of the patients coming into the capitation scheme is required before the capitation fee should be fixed. This includes factors such as the age and morbidity factors (such as chronic illnesses):
Interviewee 35/2004 par. 107 clearly states that one pre-requisite for a pharmacy is to take on an agreement that involves risk elements, such as a capitation system where the products prescribed are not controllable by the pharmacist, inasmuch as control over the products prescribed must be in the hands of the pharmacist:

... you can only take on risk that you can control.

Furthermore, interviewee 35/2004 par. 138 identifies the feasibility of having a non-fragmented service provided through a joint venture, and cautions against the possibility of having "carved out" services that necessitate the state patient to go to different service delivery points, instead of getting all the services from a single point of service. The non-fragmented delivery of services to the state patients was considered a pre-requisite for successful joint ventures between the pharmaceutical public and private sector;

Interviewee 35/2004 par. 142 identifies the need to know the requirements of the public sector in advance before any proposals for joint ventures can be formulated:

... We don't know what their needs are and we are not clear. So, it's very difficult to be pro-active, because we don't know whom to deal with. Then we also land up in a situation of: We react and you've got to wait for a request for a proposal." I think the barrier is this complete lack of understanding is how to navigate the system;

Interviewee 35/2004 par. 174 identifies the serious need that people acting as national drivers (leaders) have to pave the way for the possible joint ventures in the pharmaceutical arena of the public and private sectors;

Interviewee 9/2002 par. 114 asserts that the improvement of collaboration between the pharmaceutical private sector and middle management (regional management) of the public sector must improve and be sharpened up as a pre-requisite for successful development of joint ventures between the sectors;

Interviewee 14/2002 par. 108 mentions the pre-requisite of having procedures in place to control all aspects of stock item distribution and supply in order before the event of establishing a joint venture between the public and private sectors;

Interviewee 20/2003 par. 64 identifies the pre-requisite that private sector pharmacists should be willing to fulfil different types of service delivery, as in the
past where remuneration was based on the dispensing of prescriptions only. Supervision and management of, for example, pharmacy assistants may in future be an important aspect of other services required by the public sector;

- Interviewee 20/2003 par. 179 explains the requirement that definite advantages should be identified to both sectors before the establishment of a PPP between the two sectors;

- Furthermore according to interviewee 20/2003 par. 256, the cost-effectiveness and the requirement of servicing as many patients as possible with the least amount of funds should be the pre-required aim well proved before the PPP is considered;

- Du Toit (2003) expresses the pre-requisite that, according to National Treasury, a PPI can only be feasible to government if such a partnership can demonstrate affordability for the public sector and give an initial indication of how value-for-money will be achieved through appropriate risk transfer;

- Furthermore, according to Du Toit (2003), affordability is also a prerequisite in terms of the requirement of the South African National Treasury. According to National Treasury “affordable”, in relation to a public-private partnership agreement, means that the financial commitment incurred by an institution in terms of the agreement can be met by funds firstly designated within the institution’s existing budget for the institutional function to which the agreement relates; and secondly destined for the institution in accordance with the relevant Treasury’s future budgetary projections in respect of the institution;

- Moreover Du Toit (2003) expresses the pre-requisite that, in terms of the National Treasury Regulations, the relevant treasury must be satisfied that the proposed PPP will “transfer appropriate technical, operational and financial risk to the private party”;

- Another pre-requisite is the necessity to demonstrate “value for money” and to “facilitate equity” in the provision of pharmaceutical services before a joint venture between the public and private sectors could be considered, (Du Toit, 2003);

- According to (Du Toit, 2003), the policy framework of the DOH referred to the quality of health services and the Batho Pele principle that “the first general principle of a public-private partnership health service is that it should result in benefit to the public sector and thus to the community”. The second principle is that “partnerships must not limit the government’s ability to guarantee public access to health care”. This
means that government would not "wish to lose control of clinical services for public patients, since these are the core services". The terms mentioned here may be regarded as pre-requisites for joint ventures developed in the context of future PPP development strategies;

- Interviewee 2/2002 par. 721 regards two factors as pre-requisites for successful PPP establishments. Saving on costs through the joint venture must be established and proved throughout the process and secondly the venture must be easily managed by the public sector;

- Interviewee 2/2002 par. 814 refers to the fact that the SA Pharmacy Council need to monitor or measure the quality of services rendered by pharmacists in order to meet the pre-requisite of endorsing quality service delivery by the private sector pharmacist entering a joint venture with the public sector. At the time of the interview, the SAPC was measuring the quality of the pharmaceutical facilities to a great extent, but the interviewee questioned the way in which the SAPC was measuring the quality of the actual services that were rendered by pharmacists;

- According to the interviewee 18/2003 par. 40 government policy is interpreted differently at the different levels of governance. A pre-requisite for the successful development of PPPs between the public and private sector would therefore require a uniform alignment of policy implementation and the uniform interpretation thereof, among the different levels of governance;

- Interviewee 18/2003 par. 131 confirms the aspect that the South African legislation pertaining to the services deliverable by pharmacists needs to be in place first. It was seen as a pre-requisite in order to enable the pharmacist to deliver services in joint ventures between the sectors and thereby be able to obtain optimal benefits from pharmaceutical service delivery for the South African population at large. According to the interviewee legislation pertaining to enable pharmacist to perform services that they were skilled and capable to do, were in disarray at the time of the interview;

- Interviewee 18/2003 par. 312 further asserts that it is a pre-requisite that statistical information will be ready for planning purposes before the PPP development in order to obtain the necessary demographical insight and information on aspects such as
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figures on population, number of pharmacies, clinics, hospitals, affordability profiles and the dependency rates of the people for public health services;

- Interviewee 10/2002 par. 80 regards the finalisation of the South African medicine pricing structure as a pre-requisite in order to be able successfully to engage in joint ventures on the level of pharmaceutical services between the two sectors. The interviewee is of the opinion that there would only be a successful development of joint ventures between the sectors if the price of medicines could be fixed for both sectors;

- Furthermore, interviewee 10/2002 par. 80 asseverates that it is essential to be able to control the medicine stock items by means of modern IT technology as a pre-requisite of being able to engage into partnerships with the public sector;

- Interviewee 23/2003 par. 31 categorically states that the problem in the past was that the public sector was unable to manage the contracts that they were putting out to the private sector. A pre-requisite therefore would be the public sector ensuring the skills and know-how in order to manage PPP contracts when establishing joint ventures in a successful way;

- Furthermore interviewee 23/2003 par. 73 suggests that the South African National Treasury department also put out guidelines for the development of joint ventures in the pharmaceutical sector of South Africa, as a pre-requisite to enable the successful formation of PPPs in the health care arena;

- Moreover interviewee 23/2003 par. 80 refers to the pre-requisite of having political support for the development of PPPs in South Africa, both at the provincial and national political levels;

- Interviewee 32/2004 par. 141 regards a unified effort initiated by the pharmaceutical profession as a whole a pre-requisite for the successful development of PPPs at provincial level. The interviewee regards the instance of private sector pharmacy coming to government as competitors as a negative factor and not conducive to the development of joint ventures between the public and private sector in the existing political climate;

- Interviewee 36/2004 par. 99 is of the opinion that a pre-requisite for joint ventures between the public and private sectors to flourish would require the South African Treasury department to revise the "massive or largely complex contracts" that are
required in order to initiate the venture at private sector pharmacy level, as it was regarded to be a major obstacle in the development of PPPs between the two sectors:

... we are looking at scenarios where we don't need MASSIVE capital, and we don't need massive or largely complex contracts to be drawn up by the two parties, to enable them to provide a service ... so the idea would be to cut out the obstacles in order for this partnership to flourish;

- Interviewee 13/2002 par. 135 expresses the view that the necessary structures need to be established in order to serve as a vehicle for the pharmaceutical private sector to engage in collaborations with public sector entities such as the IDC and the Provincial Health Councils;

- Interviewee 24/2003 par. 213 regards it as a pre-requisite for the pharmaceutical private sector to be able to present a very strong or solid business plan when approaching the public sector in an effort to establish a PPP amongst the two sectors. The absence of business plans when offering joint venture plans to the public sector proved to be a major pitfall to successful development of these initiatives in the past, at the time of the interview;

- Moreover, interviewee 24/2003 par. 251 refers to the pre-requisite of the re-establishment of trust amongst the public and private sector before successful negotiations would be able to take place in future on the development of joint ventures between the two sectors;

- Pre-requisites for minimum contractual arrangement between the public and private sectors were also formulated by the South African National Treasury (2001) and entailed interalia aspects such as the duration of the contract; the range of services and/or output levels, the basis of payment in relation to service and output levels; relationships between the department and the service provider; the use and retention of technology by the department; and the accommodation of a department's changing requirements over the duration of a contract.

11.1.3.3 Risk transfer

The following aspects were gathered in the theme named "Risk transfer". Information was extracted from the source documents in order to analyse and investigate the
prospects of transferring risk from the private sector to the public sector by means of the development of PPPs. This information was identified and coded to a theme in order to gain perspective and to identify the possibility of transferring risk from the pharmaceutical private sector to the public sector in order to promote the development of PPPs. The following aspects on risk transfer were reported, abstracted and summarised from the data:

- Interviewee 6/2002 par. 100 mentions an element of risk transfer to the private sector proved by a joint venture that took place in the Gauteng province where the private sector was delivering a service by taking part in a vaccination programme for the public sector. The risk elements in this joint venture may be regarded to be the management of side effects and adverse effects that may develop in public sector patients receiving the vaccinations, and the risk of losing payment (income) on charging a nominal consultation fee in order to deliver this vital health service;

- Interviewee 34/2004 par. 40 identifies the element of transferring risk from the public sector to the private sector in a joint venture where a "capitation system" serves the basis of the venture. A rational capitation fee per public sector member belonging to this scheme must be calculated and the private sector partner taking part in the capitation system joint venture will absorb costs exceeding this monetary value. This represents a substantial element of risk transfer;

- Interviewee 13/2002 par. 69 agrees that the capitation is a good example of risk transfer to the private sector pharmacy but regards the right of the pharmacist to enforce and manage the prescribing of the doctor within a specific formulary of medicines as a pre-requisite to the fairness and success of such a venture;

- Another element of risk transfer is identified by interviewee 34/2004 par. 48 in the system of a private entity doing the distribution and procurement of medicine stock items to the public sector as the example that took place in the Limpopo Province. Apart from the core service functions delivered by the private sector partner, risk was transferred to the private sector in terms of the private sector adding additional services such as training of public sector employees to use the computer hardware and computer software that were delivered to the public sector and not being a component of the actual core services delivered as intended by the primary objective of the joint venture (distribution and procurement of medicine) as in the case of this example;
Another element of risk transfer is referred to by interviewee 34/2004 par. 48, using the example of a hospital setting where the risk of replacing and maintaining computer and IT systems were assigned to the private sector partner and transferring risk in that way from to the private sector in that in the end of the lifetime of the joint venture the public sector obtains an intact and updated computer-IT system;

Interviewee 30/2004 par. 48 explains the element of risk transfer from the public sector to the private sector in the instance where the private sector partner insures full responsibility for public sector medicine items in transit, stored or delivered. The private sector partner insured all the stock, equipment and fixed assets involved in this joint venture;

Furthermore, interviewee 30/2004 par. 51 highlights the effects of financial risk transfer, reducing substantial financial risk on the public sector treasury in that the prior need to buy bulk stock resulted in unnecessary volumes of stock stored at further risk elements, which were reduced by transferring these procurement service to the private sector;

Interviewee 30/2004 par. 55 identifies a risk transfer possibility in that the pharmacist working within the public sector becomes contracted to the public sector. The risk elements of stock control, stock damages and stock pilferage is then transferred to the private sector partner of the joint venture;

Interviewee 38/2004 par. 60 indicates a possibility of transferring risk to the private sector by including non-compliance penalties in the service level agreements between the public and private sector. Penalties associated with non-compliance would reduce risk for the public sector;

Interviewee 35/204 par. 107 is of the opinion that the elements of risk transfer should be well assessed in advance before finalising the joint venture agreement. This would allow for a fair service level agreement among the partners involved:

\[ ... \text{you can only take on risk that you can control.} ... \]

Interviewee 14/2002 par. 116 identifies a risk involved with medication not used in the process of "down referral" where the patients do not necessarily collect the medication from the clinic resulting in an accumulation of medication in the clinic with inappropriate loss or misuse of uncollected medicine stock items in the clinics. It was
suggested that the private sector partner might address this risk through a management system transferring this risk to be managed by the private partner in the joint venture;

- Interviewee 25/2003 par. 100 describes one way in which legislative measures were instituted in order to transfer risks from the public sector to the private sector. According to the interviewee, many uninsured private medical aid scheme members were treated (by the public sector) and thereby financially subsidised by the public sector prior to the promulgation of the new legislation on minimum benefits. New legislation enforces the compulsory unlimited cover of at least 25 listed diseases, which came into effect on the 1st of January 2003, and the 270 listed prescribed minimum benefits. These legislative measures transferred the burden of subsidising these uninsured medical aid members back to the private medical aid schemes;

- Interviewee 8/2002 par. 41 explains the transfer of risk in labour and human resources by transferring the task of job reservation to the private sector partner through entering in a joint venture with the private sector;

- Interviewee 37/2004 par. 50 also refers to the risk involved due to the stock shrinkage in the public sector, where this risk may be transferred to the private sector through the service level agreement endorsed by the partnership in the particular joint venture;

- Interviewee 32/2004 par. 102 advances the argument that for the private sector to take on risk transferred to it by the public sector, the elements of risk should still be worthwhile for the private sector. Moreover the private sector should still be able to make a profit in being part of the joint venture in spite of the risk element involved;

- Interviewee 36/2004 par. 33 regards the rationale of the PPP development system as unfair in terms of risk transfer at the time of the interview. It is posited that the private sector partner was forced to reveal intellectual property in the process of applying for the development of a joint venture and was at risk to lose the intellectual property to some other competitor when the tender process goes the wrong way;

- Interviewee 13/2002 par. 100 identifies another means of risk transfer in the delivery of pharmaceutical care through disease management programmes of chronic medication usage. The private sector pharmacist on risk may accept the
responsibility to manage a certain population of patients to adhere to specified disease management protocol;

- Moreover, it is true that PPPs that entail payments to private parties from departmental or other budgets are generally more likely to impose more serious risks to the fiscus than those that derive their revenues from service tariffs or user charges. It is important to note, however, that all PPPs involve a commitment of public resources, and to this extent public revenues are almost always involved in PPP arrangements. Thus, regulation of PPPs to ensure that they comply with the requirements of good public financial management will always be necessary, albeit to varying degrees. Similarly, long-duration contracts that entail private financing arrangements are likely to impose more serious risks on the fiscus than simple service contracts will. While the degree of regulation is likely to increase from one end of the PPP continuum to the other, it needs to be remembered that even management contracts without private financing component can have significant budgetary implications. These too will need to comply with the Treasury Regulations (South African National Treasury, 2001);

- Interviewee 29/2004 par. 410 speculates on the possibility of a health care electronic benefit management company being able to access and manage risks which are involved in pharmaceutical care practice from the point of view that most of the patient’s medical information could be captured though well developed integrated IT systems of such a company. This may be regarded as a pathway of risk management in joint ventures developing between the public and private sector for the future.
11.2 PROSPECT ELEMENTS FOR PPP DEVELOPMENT IN SA

In conceptualising the prospects for PPP development in the South African pharmaceutical health care sector, the researcher posits that the word 'prospects' refers to:

- The views that were proffered by the interviewees and/or identified in the literature;
- Expectations (possibilities) that were identified in the study that might be forthcoming;
- The scope for the development of PPPs in South Africa, as conceptualised in the study;

The prospects from views, expectations and the prospects of scope for success will be described and summarised in order to finally conceptualise the central theme to this study and thereby conclude the aims of the study.

11.2.1 Prospects from views

On deducing the most prominent prospects for PPP development in the pharmaceutical health care environment in South Africa, it was found that positive views were in the majority as described hereafter, followed by a few negative views which affect the prospects for PPP development in a negative manner.

11.2.1.1 Views promoting prospects

Some scenarios portrayed by writers in the international literature consulted are argued to be applicable to the South African scenario and were:
Klijn and Teisman (2000:88) describe two separate worlds that co-exist when considering the public and private sectors. Traditionally, the market and hierarchy have been seen as distinct and opposing mechanisms. This distinction is also linked to specific products: the market supplies private products and government agencies supply collective ones. Some views on the prospects for PPP development may be evaluated touching this background.

Furthermore, in the literature it was noted that from a public economic development perspective, Walzer and Jacobs (1998:5) state that the overriding purpose of PPP development is to expand:

- The number of jobs;
- Level of income;
- Neighbourhood improvement;
- Other measures of local community development.

Also in the international literature Hailey (2000:316), argues that effective partnerships contribute to:

- Building "social capital" because they help develop a range of trustworthy, reciprocal relationships, which bind individuals, groups, communities and society together;
- Encourage local ownership, facilitate the growth and development of local institutions and promote shared learning.

Yet more prospects for South Africa may be argued, particularly if links with government and other public institutions can foster:

- Greater levels of transparency and accountability within their administration,
- Reduced wastage, nepotism, corruption and abuse of power, which has become virtually institutionalised according to Hailey (2000:317).

The same international prospects may potentially become manifested in South Africa as described by Walzer & Jacobs (1998:4) who assert that the retention of existing
businesses, investing in work force skills, making capital available, and other revitalisation strategies have become part of a new philosophy termed the "New Wave". This view may give rise to certain prospects such as:

- The revitalisation of local officials and administrators in cities into a new role as proactive economic developers.

It may also bring along new prospects such as local enticements that may include:

- Infrastructure enhancements;
- Work force preparation;
- Tax concessions;
- Financing subsidies;
- Relaxation of zoning or other land-use regulations.

In South Africa the National Treasury Department plays an important role in integrating the two distinctive markets (public and private) and has imposed a strategic framework that presents a package of integrated reforms in order to strengthen the prospects by enabling the environment to act in support of PPPs by means of the following measures (South African National Treasury, 2001:5):

- Establishing a clearer policy framework in South Africa to ensure that PPPs constitute a coherent option for public sector departments;
- Refining legislation through a targeted programme to remove unnecessary obstacles to cost-effective PPP arrangements;
- Enhancing the capacity of public sector departments to use PPPs in sound and effective projects;
- Providing a simple yet effective institutional framework to ensure that PPPs achieve value for money and facilitate capacity enhancement activities.

In the preface to the PPP Manual (Version 2 National Treasury - PPP Manual), South African Minister of Finance, Trevor Manuel (2001), refers to the document as an
important milestone in the unfolding of South Africa’s growth strategy. Major prospects are forthcoming from this view in that:

- The state may complement its budgetary capacity with the wealth of innovative and specialist skills available in the private sector;
- Furthermore, the availability of state resources for these purposes may be used to leverage the much-needed private sector investment in public infrastructure and services;
- PPPs are prioritised to meet the socio-economic needs of all South Africans and particularly, to alleviate poverty.

According to interviewee 15/2002 par. 161, firstly legislation has become a major driving force. Secondly, the mere fact that health care has become unsustainable in both the private and public sectors is indicative of a driving force fuelled by a situation of unsustainable service delivery in the health care environment. These prospects may facilitate the establishment of PPPs in the pharmaceutical sector of South Africa.

The spirit of "letsema" and "vuk'uzenzele", (meaning in the context of the nation, a need to wake up to the call and doing something about it on our own), a message of hope and responsibility, as well as constructive engagement in the realm of practical work, would ensure that SA would advances even further, and may create positive prospects for PPP development in the health care sector. Accordingly to interviewee 6/2002 par. 23 however, the developmental phase of PPP development in the pharmaceutical sector of South Africa is "at a very early stage".

Interview 29/2004 par. 160 discerns a meaningful interaction between leaders in the industry, members of the Board of Health Care Funders (BHF) and members from the pharmaceutical sector, with the proviso that the members of the pharmaceutical sector should not have any vested interests. Also included in this interaction should be members from the DOH, in particular members of the Medicines Control Council (MCC), and members of the Financial Department of the DOH.

A holistic motivational view for the development of PPPs is offered by interviewee 35/2004 par. 27, who posits that the State needs to some extent to have load taken off their very stretched resources whereas the private sector is currently battling in a
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saturated market. PPP developments may help them survive in this environment. Both parties would stand to benefit.

According to interviewee 34/2004 par. 139, health consumerism is particularly weak and lacking in South Africa, and a consumer-driven approach in the future would improve healthcare through PPP developments aimed at an improvement in the quality of health care.

A viewpoint may be noted that a possible strategy could be to sensitise the public sector in terms of the findings of a previous study, which indicated that it was found that the pharmacist's role, as primary health care service provider is currently under-utilised and offers a solution to the primary health care problem in South Africa (Lamprecht, 1995).

According to Gray (2005), pharmacists in South Africa embrace the idea of Primary Care Drug therapy (PCDT). It may be argued that the possibility of enacting the potential capacity of increased primary care service delivery through joint ventures with the state could result in a significant increase in capacity by means of the mobilisation of the private pharmaceutical sector.

Important visions (such as the BEE policy) are entrenched in government legislation and directly affect the prospects on PPP formation in South Africa. Achieving authentic BEE will require a re-assessment of traditional business models and corporate cultures, and a real commitment to BEE is now an economic imperative (Dekker, 2004).

The South African National Treasury (2001), posits its view that the needs in capacity to ensure effective service delivery through PPP arrangements typically require additional functional capacity in financial, technical and managerial areas not normally associated with the operations of a government department. This prospect ensures and requires both to build the required capacity and to reduce the demand on capacity by, for example, adopting measures for reducing the complexity of PPP arrangements (South African National Treasury, 2001:9).

11.2.1.2 Views not promoting prospects

Interviewee 21/2003 par. 33 expresses the view that the retail pharmaceutical sector has been totally excluded from delivery of services to the public sector since the termination of the Impress system in the Free State.
A problem was identified in terms of the view highlighted by Herbert (2004) indicating that a perception of "blaming each other" exist rather than a perception of "ownership by each other" at managerial level, where public and private sector interaction took place in the past.

According to interviewee 11/2002 par. 293, a major portion of the monetary income from health care delivery is going to a 'middle man', and unnecessarily adding to the burden of costs, posing a negative prospect for PPP development in South Africa.

According to interviewee 15/2002 par. 170, the public sector lacks capacity and the private sector is in need of new markets as a result of medical aid schemes becoming unaffordable. The interviewee foresees a total collapse of health services in both sectors unless joint ventures materialise.

A negative view is expressed by interviewee 36/2004 par. 99 who states that a prerequisite for joint ventures between the public and private sectors to flourish would require the South African Treasury department to revise the "massive or largely complex contracts" that are required in order to initiate the venture at private sector pharmacy level, as it is regarded to be a major obstacle in the development of PPPs between the two sectors.

According to interviewee 6/2002 par. 1, only big BEE companies are involved in PPP activities at the time of the interview, while the smaller and individual companies or pharmacies do not have an opportunity to become involved. Interviewee 13/2003 par. 49 also emphasises this concern.

The view entertained by interviewee 17/2003 par. 24 regards the big barrier in prospect improvement for PPP development as being the "lack of progress" on the issue as both sectors are "passing the buck". A lack of focus and dedication is observed. Interviewee 30/2004 par. 96 describes the view that a "resistance to change" is noticeable in the public sector inasmuch as staff who have been used to working in a certain way for many years are sceptical of changing to new models such as PPPs.

Interviewee 15/2002 par. 457 asserts that the elements of bureaucracy, distrust and arrogance among the public and private sectors may be regarded as a critical issue, which negatively affects the prospects of PPP development in South Africa.
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A summary of perceptions and viewpoints held by the public and private sectors of one another affecting the prospects for PPP development were extracted from the information and compiled as follows:

- The public sector sees itself as being in competition with the private sector, and not as a purchaser of their services. It may thus be concluded that the public sector perceives the private sector as being a competitor for services in this area, at the time of the interview (refer interviewee 34/200 par. 42).

- Interviewee 34/200 par. 76 explains the public sector's vast perception of mistrust in respect of the private sector.

- Furthermore, interviewee 11/2002 par. 463 illustrates the public sector's perception that the private sector is in practice for monetary benefit only.

- The public sector perceives the private sector as a sector without a sense of responsibility towards the public at large, and with only financial interests at heart (refer Interviewee 11/2002 par. 469).

- The public sector has the erroneous perception that services are not rendered to the black population by white-owned pharmacies, in spite of the fact that some of the pharmacies are serving a black client-base of 85% in certain instances (refer interviewee 18/2003 par. 70).

11.2.2 Prospect expectations

Some prospects for the development of PPPs are associated with the expectations cherished by the different role players in the public and private sectors. Some of these expectations were identified in the study and some prominent expectations are summarised as follows:

The DOH's PPP Task Team described certain expectations in the form of principles and objectives (South African National Treasury, 2001:12):

Principles:

- To reduce/contain costs;
- To improve access of the under-served population to services;
- To improve quality of care;
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- To generate revenue for the public sector in service delivery.

Objectives:

- To use the most cost-effective means of providing health services;
- To reduce/contain cost by maximising the use of under-utilised resources;
- To generate additional health resources for the public sector;
- To offer patients more choice in health care services;
- To improve clinical and management skills and systems for the delivery of services (DOH, 2000:8).

Certain expectations from the international literature for the establishment of PPPs in a country may likewise apply to the South African scenario. These include the following:

- An expectation (criterion) as described by McQuaid (2000:11), those PPPs may also contribute in some way to improving the urban economy and the quality of life; thus offering a possible strategy for regeneration of a defined area.

Medical aid scheme role players are planning to contract private sector pharmacies into a network of preferred provider pharmacies in order to initiate a PPP network. The medical aid schemes will be set to drive the initiative in terms of the change in legislation (Medical Schemes Act), allowing a medical aid scheme to be contracted by the public sector (refer to 24/2003 par. 84).

PPP development may furthermore fulfil certain expectations such as:

- Improvement of the inadequate infrastructure, management of services, insufficient funds and a deficiency of human resources to serve 80% of the South African population by government (refer interviewee 7/2002 par. 366).
- The improvement of facilities by the private sector in the supply of resources, and skills so that facilities may become new after a PPP concession period (refer interviewee 7/2002 par. 366).
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- Standards of care may improve because the public may receive better services and the private sector may gain more profits (refer interviewee 7/2002 par. 366).

Interviewee 13/2002 par. 157 states that an increased economic base may develop when the service provision (population base) increase, as a result of a shift of service delivery from the traditional white or medical aid insured population, to the total public population, which was previously not considered a target population.

A summary on the outcomes for motivational phenomena (as conceptualised in section 3.3.1) were made and the following may be regarded as expectations on the outcomes for PPP development in the health sector arena of South Africa:

- The reversal of the diminishment of the number of pharmacists in the rural town areas;
- The quality and effectivity of service delivery may improve;
- Public sector infrastructure may improve;
- Management of services may be addressed more efficiently;
- Utilisation and access to private sector funds may alleviate the state’s financial burden;
- The human resource deficiency may be improved;
- The private sector clientèle base may be broadened;
- A shift from previously over-serviced areas to more services in under-served areas may be realized;
- Long-duration contracts that entail private financing may represent new ground for development of new infrastructure;
- Better and more services for the same price, with savings in costs;
- The enhancement of accountability by clarifying responsibilities and focusing on the key deliverables of services;
- Improved public departmental managerial efficiency may result.
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A dynamic factor at stake may be the realisation of the PSSA to endeavour to participate in a macro level development plan in order to establish a PPP initiative that may include the micro level pharmacies if possible (refer to interviewee 28/2004 par. 22).

Interviewee 11/2002 par. 502 estimates that ten to fifteen per cent of the South African population are ill at any given moment. This number could arguably be reduced to 5 percent. It would mean that another two-and-a-half to three million people would be working properly in the labour arena of South Africa.

The prospect expectations of the Batho Pele policy framework may be reached by means of PPP developments, in that it should result in benefits to the public sector and thus to the community (refer Du Toit, 2003).

There may be a change in the current perceptions held by the private sector of the Public sector and vice versa as a result of PPP development such as:

- In the public sector's perception of mistrust towards the private sector;
- That the private sector is in practice for monetary benefit only;
- The perception of suspicion of one party of the other;
- That the private sector is regarded as incompetent to render certain public sector services as a result of lack of knowledge;
- The private sector's perception of the pharmacist's unwillingness to go out into the community;
- The private sector is out of line when claiming fees for rendering family planning services;
- That the public sector would see the private sector taking part on a strategic level;
- That private sector health care professionals do not take part in discussions of the public sector on public health care;
- That the private sector pharmacists are not involved or interested in developing public health as such.
Better relationships are expected in the spirit of 'letsema' (meaning a spirit of collaboration) foreseen by the South African Government's Parliamentary Cabinet (2003), as announced in a statement in July 2002 seeking a co-operative relationship among all sectors.

A major prospect was identified in that joint ventures would mean improved accessibility to medicine, more affordable medicine and better health care to more people. The state would to some extent have load taken off its very stretched resources (refer interviewee 35/2004 par. 27).

Du Toit (2003) indicates that the SAPC advocates the need to fast-track public/private partnerships, which may be seen as an important strategy to improve pharmaceutical services. This may contribute to the prospects of PPP development in the country.

According to interviewee 18/2003 par. 25, a great opportunity exists in that the public sector’s capacity might be almost doubled in terms of the number of primary health care delivery points if the public sector would collaborate with the public sector’s community pharmacy outlets in a partnership relationship.

Interviewee 26/2004 par. 171 perceives the possibility that community pharmacists in community pharmacies may be contracted via a PPP to deliver pharmaceutical services such as public health, counselling and medicine control services.

Interviewee 35/2004 par. 27 predicts that joint ventures would mean improvement in accessibility to medicine, more affordable medicine and better health care to more people.

Du Toit (2003) writes in his letter that impact and gain would be achieved through joint ventures by the adding of value-for-money, meaning that a better quality of pharmaceutical service would be provided to patients at the same cost that is spent at the time of the interview. There would also be a total transfer of the risks involved for the relevant pharmaceutical services.

Interviewee 26/2004 par. 139 elaborates on the mutual gain to both sectors as improved access to medicine and health services would mean gain to the public sector and the pharmaceutical private sector would access a broader client base. The general public would also gain as a result of improved accessibility and the interviewee envisages that medicine prices might stabilise.
Appendix

According to interviewee 11/2002 par. 199, the prices of medicine in the public and private sectors are moving closer to each other, which would favour the opportunities for joint ventures to be initiated between the private and public sectors.

Some possibilities for PPIs still provide a good prospect in PPP development that could be considered in supplying services and medication such as:

- Contraceptives to the indigent people of South Africa, although these prospects are dependent on the availability of good distribution and control systems (refer interviewee 35/2004 par. 90).

- Chronic medication to public sector patients may be dispensed in collaboration with the private sector (refer to interviewee 35/2004 par. 44).

- The "carving out" of certain other services such as HIV/Aids (VCT), or the primary care management of sexual transmitted diseases (STDs), with a capitation grant on the basis of a joint venture, is advocated as a future prospect (refer interviewee 35/2004 par. 115).

- Certain prospects were envisaged for possible PPPs in which the public sector contracts single pharmacists, paying them an hourly fee and have them working for the public sector on a part-time basis delivering services such as medicine control, counselling and public health (refer interviewee 26/2004 par. 171).

- One prospect comprises developing PPPs that would bring advantages and add value to the public sector if joint ventures in the delivery of pharmaceutical services were considered for rural areas in the provinces of South Africa (refer interviewee 21/2003 par. 61).

- More positive prospects were mentioned in that a unique joint venture between the public and private sector pharmacy develops in places where people were queuing for social grants at month-end, and suggests these people collect the essential chronic medication at the same time and service point; (refer interviewee 31/2004 par. 87).

- Another prospect represents the suggestion that a possible PPP for packaging and re-packaging of medicines for the state would be considered in future (refer interviewee 36/2004 par. 37).
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- Interviewee 36/2004 par. 37 refers to a prospect for a future PPP packaging and re-packaging medicines for the state.

An expectation of future prospect was identified in the possibility that medical aid schemes would negotiate the contracting of a network of pharmacies into a joint venture with the public sector, in order to serve a particular segment of the public sector (refer interviewee 36/2004 par. 48).

A prospect was identified in the possibility that pharmacies operating on a marginal viability level would be able to raise income and become viable while the public sector under serviced population might benefit from the revival of services as a result of the increased capacity (refer interviewee 6/2002 par. 1).

Another future prospect is contained in the expectation of the South African Pharmacy Council and the Pharmaceutical Society of South Africa to establish the process of developing AIDS Resource Centres in pharmacies. The SAPC has developed strict criteria for the accreditation of pharmacists and AIDS Resource Centres in pharmacies, so that the consumer may be assured of a high quality of service (Osman, 2003).

Previously disadvantaged pharmacists have the prospect of participating in the joint ventures and in so doing reach the goals of both the thrust towards black economic empowerment as well as capacity building in service delivery of the South African Health sector (refer interviewee 13/2003 par. 104).

More expectations may become manifested from the prospects of the development of PPPs in becoming a major driving force in creation of job opportunities (refer interviewee 13/2003 par. 173).

Some prospects derived from the potential and gains coming forth from PPP development in the fact that the joint venture approach has the potential to cause overall savings in regard to hospitalisation, rational medicine usage and a major saving in labour costs as a result of the possible saving of working hours (refer interviewee 6/2002 par. 35).

A significant prospect exists in the belief that the public sector can gain "in terms of quality of care". If it could expand its range of providers, it would also be able to deal with "overcrowding" (refer interviewee 34/2004 par. 57).
Appendix

A huge advantage is indicated by interviewee 19/2003 par. 70 in the prospect of a number of well-equipped pharmacy-based private clinics in the private sector that may be of gain to the public sector, particularly in the rural areas, in the supply of primary health care services.

Yet another expectation was that of by adding value-for-money, a better quality pharmaceutical service would be provided to patients for no more money than is already being spent and there would also be a total transfer of the risks involved, for the relevant pharmaceutical services refer Du Toit (2003).

A big expectation was predicted as to the improvement of the availability of scarce pharmaceutical skills in the public sector, as it was short in terms of human resources in this area (refer interviewee 24/2003 par. 188).

A major prospect is outlined in government's policy instruments for achieving BEE and is reflected in a balanced scorecard to measure three core prospects of BEE progress in all enterprises and sectors:

- Direct empowerment through ownership and control of enterprises and assets;
- Human resource development and employment equity;
- Indirect black economic empowerment through preferential procurement and enterprise development.

11.2.3 Prospects on scope for success

The prospects on the scope for success in the development of PPPs were identified in the study. Prerequisites leading to success in the joint venture of PPPs were, moreover described in the international literature, as reviewed in this study.

A very important aspect of the marketing concept (pure competition) highlighted in literature by Sperling and Parslow (1999:21) may represent a major driving force in the viability and/or feasibility of PPP formation in the intersectoral environments. These authors argue that where the assumptions of the pure competition theory hold true, the market remains contestable; i.e. open or potentially open to all suppliers who must continually improve their service and/or product to maintain their market share.

According to Klijn and Teisman (2000:89) the mutual adjustment of public and private management strategies also becomes a fundamental prerequisite for the success of
numerous economic and infrastructure initiatives. Some management complexities include (2000:90):

Complexity is a result of the interaction and negotiation processes between different actors whose resources are indispensable to a joint undertaking. This complexity is enhanced by the fact that these actors have their own perceptions and strategies, which can conflict with each other. Powerful public-private partnerships can only be established if the partners are able to deal with complexity. If complexity is seen as a threat, partnership will probably soon be transformed into a traditional contracting out arrangement. This means that the project not only has to create a fruitful partnership among the different perceptions, interests and goals of the various actors, but it also has to achieve a way of co-ordinating the various activities of the actors so that actual results may be achieved.

11.2.3.1 Prospects promoting the scope for success

A positive approach followed by the South African government in order to demonstrate the commitment to make PPPs a viable option for delivering public services is described in the (South African National Treasury Guidelines, 2001:10) as follows:

- The process demonstrates consistency in sector-specific legislation;
- The promulgation of Treasury Regulations in terms of the Public Finance Management Act, 1999, applies to national and provincial government departments for the development, procurement and management of PPP projects;
- A strategy in the form of a programme were embarked on for enhancing the capacity of departments to engage in PPP arrangements;
- The provisions of suitable institutional arrangements to support and monitor PPP arrangements were undertaken.

11.2.3.2 Prospects not promoting the scope for success

Regarding the health industry from the viewpoint of a policy analyst, Labuschagne (1998:133) argues that many government departments are faced with the challenge of providing more services; often on a decreasing budget. Eliminating service backlogs is placing increasing pressure on elected officials and administrators to squeeze existing funds and on personnel to achieve maximum service delivery. In the context of GEAR
and government policy, it is unlikely that there will be a marked increase in future budgets. Other sources of revenue have to be found if these services are to be delivered (1998:133). By implication, the shortage of State funds will not contribute to the successful development of PPP endeavours unless alternative ways of funding from the private sector are successfully accessed.

Prospects for the viability of PPP developmental engagement in smaller pharmacies are bleak compared to bigger pharmaceutical businesses; since the former are not backed up by big capital and BEE-companies such as were perceived to be developed in the hospital sector at the time of the interview (refer interviewee 6/2002 par. 33).

Yet another prospect not contributing to the successful development of PPP development in the pharmaceutical profession is the polarisation of the medical professions that poses a threat since government has stopped talking to the various stakeholders (refer interviewee 11/2002 par. 566).

Poor communication between the pharmaceutical private sector and the lack of accessibility to the minister's office as well as the minister's lack of cooperation with the PSSA pose a threat, in that the profession as a role-player fails to access the minister's office for the necessary communications (refer interviewee 18/2003 2003 par. 90).

Legislation currently confines the pharmacist to a single pharmacy, thus preventing the pharmacist from services delivery in public sector clinics in spite of the fact that pharmacists are considered in outsourcing pharmaceutical services (refer interviewee 20/2003 par. 58).

On analysing the data into the phenomena node-category structure three categories were identified, the second of which contained the node on barriers and constraints for PPP development in the pharmaceutical sector. It was found that 100% of the interviewees provided some comment or viewpoints contained in the relevant theme. This constituted an exceptional result and one that might indicate strong representation and reaction from the interviewees entertaining this topic. A summary of the prospects, which are not seen as contributing to PPP development, follows:

- Certain aspects of legislation pertaining to the pharmaceutical sector and bureaucracy are regarded as factors not conducive to PPP development. The lengthy bureaucratic processes and restrictive legislation confining the pharmacist to his pharmacy were accentuated (refer interviewee 25/2003 par. 142).
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- Legislation that prohibits the pharmacist from working in a group practice with a general practitioner was conceived to represent a barrier at the time of the interview (refer interviewee 9/2002 par. 114).

- The fact that in terms of regulations the use of medicine procured by the public sector for use in the private sector is barred was perceived a problem (refer interviewee 10/2002 par. 79).

- The different pricing structures with reference to the acquisition costs of medicine in the different sectors makes the workability of a PPP complex and almost impossible (refer interviewee 10/2002 par. 80).

- A prospect considered to conflict with the interests of PPP development was the South African National Treasury Department's stringent guidelines, budgets and protocols in the early phase of PPP registration. The protocols were perceived as being difficult to meet.

- The lack of trust and perceived arrogance (referring to a "do-it-themselves" attitude) on the side of the public sector is regarded as not being conducive to PPP development (refer to interviewee 15/2002 par. 467 and interviewee 34/2004 par. 76).

11.3 A PROPOSED GENERIC PPP MODEL FOR MANAGEMENT IN SOUTH AFRICA

Finally some key model elements for a model that will suit the South African health care environment were established by means of a deductive analytical process used to summarise these components in order to describe a possible model for PPP development in South Africa with the focus on the pharmaceutical sector.

Common (2000:134) comments that PPPs appear to be conceptually hard to apply in a region, which does not lend itself to a Western analytical perspective. Therefore an understanding of the context of social policy within the region is necessary. Although it is difficult to generalise about the region, the central argument is that the concept of PPPs has developed within the context of fundamental structural changes to the welfare state in Western liberal democracies (2000:134). This implies that the planning for PPP development in South Africa should be viewed in context within its complexity, unique social democracy and cultural mix.
The researcher added an extra element to the general management model as described by Cronje et al. (1987:73) in order to advance the conceptualisation of the GPM for PPP development in the study, viz.:

- 'Implementation' of pharmaceutical services for the GPM.

Finally PPPs should be designed according to the draft DOH policy on PPPs as envisaged by the South African National Consultative Forum in the latter half of 1999 (SA, 2000:6). The draft policy concerned clearly outlines four (4) types of PPP arrangements:

**Purchased services.**

Here the State would buy specific deliverables, generally scarce or specialised services, in order to improve access and/or quality of care. These would be obtained by solicitation, involve short-term contracts, and would not entail the transfer of state assets to the provider so contracted.

- **Outsourcing agreements.**

Here a non-core service would be contracted out to a provider, based on a competitive bidding process and longer-term contracts. This might entail the transfer of equipment and staff to the contractor, with outcomes specified rather than the specific process to be employed. The classic examples are contracted out laundry, cleaning and security services.

- **Joint ventures.**

An example here is the operation of a private ward in a public hospital, with benefits accruing to both the hospital and the entity, which operates the private ward.

- **Private finance initiatives.**

Here private finance is raised to build and operate a public facility (2000:6).
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According to Gray (2000:6) this method offers pharmacy two possibilities:

- The "purchased services" route;
- "Outsourcing agreements" possibilities.

The first method seems better suited to the current arrangement of private sector pharmacies as it allows for the contracting out of an individual practitioner. Preferably, however, the services should be provided within the state-owned structures (Gray, 2000:6).

11.3.1 Planning components of the PGM

The following elements are summarised to conceptualise the planning aspects of a generic PPP model (the PGM), which may be considered to PPP development in the South African Health Care environment:

The initial planning phase should involve the determination whether the potential exists to meet the principles and objectives of the DOH's PPP Task team, as follows:

Principles:

- Reduce/contain costs;
- Improve access of the under-served population to services;
- Improve quality of care;
- Generate revenue for the public sector.

Objectives:

- Use the most cost-effective means of providing services;
- Reduce/contain cost by maximising the use of under-utilised resources;
- Generate additional resources for the public sector;
- Offer patients more choice in health care services;
- Improve clinical and management skills and systems (DOH, 2000:8).
Simultaneously it should be determined whether the joint venture will be meeting the required "key elements" as described by Dachs (2001). The PPP joint venture should constitute and demonstrate the following elements:

- Affordability;
- Value for money;
- Appropriate risk transfer.

Furthermore according to the South African National Treasury (2001:5) these essentials should be distinguishable from the normal direct delivery of a public service by a government department. A clear focus on the services must be provided, and the assets should not be deployed. Moreover, a shift must be demonstrated of the risks and responsibilities being shifted to a private provider for the activities associated with the provision of services.

According to Labuschagne (1998:136) timing the initiation of a PPP development is of importance and three parameters used in the UK may be considered to determine the timing for a governmental department (institution) when to consider a PPP or a PPI is identified to be:

- After abolition and privatisation, in conjunction with contracting out;
- In the formulation of business strategies and annual efficiency plans;
- When the acquisition of a new capital asset or the replacement of an existing one is being actively considered or is foreseen (refer Labuschagne 1998:136).

In the literature McQuaid (2002:17) reveals that the planning process may involve certain stages of PPP-planning development, which is described as follows by:

- A pre-development stage:

At this stage the nature of the problem is investigated and the need, or otherwise, of partnership is identified.

During this stage, trust between prospective partners needs to be created or developed and working relationships built.
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- **A negotiation stage:**
The development of the strategy;
The formation of some partnership agreement.

- **An agreement stage:**
An appropriate strategy and agreement must be selected, along with the main projects and implementation mechanisms;
The partnership and strategy then need to be implemented (arguably the most difficult part of the process).

- **Evaluation stage:**
Ex-post evaluations, with feedback into improving the strategy and partnership and providing assistance when the point of decision is reached to continue, modify or close the partnership.

Furthermore, from the relevant literature it emerges that PPP-planning should ensure the presence of planning at least five key principles that characterise successful partnerships see Chapter 3.6 (refer John Hailey 2000:319):

- Clarity of purpose and objectives and shared vision;
- Development of mutual trust and respect;
- Establishment of time frames, and development of resources;
- Negotiation of roles and responsibilities;
- Planning long-term sustainability and expectations for the phase-down or exit from the partnership

In addition to the principles suggested by Hailey (2000), the following components may be added complementing the planning of key PPP-principles (refer to Walzer and Jacobs 1996:11):

- A mutual understanding of partnership purposes;
- Consistency in the employment of terminology to ensure effective communication;
- Compatible goals and objectives.
In the relevant literature Lewis (2000:261) summarises the implications of PPP planning for managers as follows:

- The first step is to identify the goals of partnership;
- The second is to design a range of mechanisms for achieving the necessary linkages;
- The third step is to review and plan purposes and progress regularly.

Once these principles are agreed upon, specific practice can be adapted to local conditions and "active partnerships" may then be developed, based on the principles outlined above (Lewis, 2000:261). The key challenge for policy makers is therefore to understand more about the process of partnership so that efforts may be made to shift inter-agency partnerships away from the "dependent" type towards those of a more "active" character (Lewis, 2000:262).

Planning PPPs at local government level should be done according to legislation and policy developed by the Department of Provincial and Local Government,. These are contained in documents such as:

- Municipal Services Partnerships Policy documents;

The National Treasury's PPP unit and the guidelines and regulations in the PPP manual fail to cover local government PPPs, although the principles are the same, and projects may be similar in practice (South African National Treasury, 2001:A 3).

Planning then involves the identification of external transaction advisors to assist in the preparation and implementation of PPP transactions, as the required expertise is seldom available in the public sector (South African National Treasury 2001:F 3). When planning the appointment of a transaction advisor, the following may be regarded crucial and the proposals from potential transaction advisors must be evaluated. The evaluation methodology proposed in the Guidelines (South African National Treasury 1001:F4) strives to:
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- Assign appropriate weightings to the technical capabilities of potential advisors;
- Limit the initial compensation (or retainer) to actual project administration and overhead costs;
- Shift the major portion of compensation (where advisors actually make "profits") to the end of the transaction, making it dependent on a successful outcome or closure (i.e. a success fee).

It is preferable that prospective transaction advisors be required to submit proposals in three sections:

- A technical proposal;
- A financial proposal;

The next aspect of planning involves the planning of a feasibility study. Guidelines are provided for the undertaking of a feasibility study and a framework of the format and content thereof is likewise supplied. In doing so, the authors of the South African National Treasury PPP manual attempt to draw on international best practice for the preparation of feasibility studies for PPP projects. In particular, they borrow from the United Kingdom's Treasury Private Finance Initiative (PFI) Task Force guideline document, "How to Construct a Public Sector Comparator" (2001:G 3).

The next stage of planning involves the planning to demonstrate:

- Affordability (to comply with approval of Treasury Authorisation (TA) I);
- Value for money (to comply with approval of Treasury Authorisation (TA) II);
- Financial closure (to comply with approval of Treasury Authorisation (TA) III) (2001:G 3).

Since it was found that 100% of the interviewees provided some comment or viewpoints in the theme on barriers and constraints affecting PPP prospects, it may be assumed
that some priorities must be considered in planning for the management of these problems:

- In planning PPP developments the plans should involve the assurance that IT-data in both sectors are compatible with all the IT-resources in the PPP environment for the purposes of management (refer interviewee 21/2003 par. 127).

- The difference in opportunities or prospects for smaller pharmacies colluding in order to contravene the aims of the Competition Commission versus the good or better prospects for big corporate holding companies that now may own a group of pharmacies and be allowed to write group-contracts at corporate level requires pre-planning in order that the problem may be addressed (refer interviewee 29/2004 par. 177).

This aspect implies that planning should be critically focussed to structure the pharmaceutical private sector in groups or organisations, as it was revealed that it is better for groups or organisations to work with government instead of individuals (refer interviewee 23/2003 par. 95).

Moreover, interviewee 13/2002 par. 135 expresses the view that the necessary grouped structures need to be planned in order to serve the specific purpose and as a vehicle for the pharmaceutical private sector to engage in collaborations with public sector entities such as the IDC, the Provincial Health Councils and similar units.

Planning has to be done in accordance with legislation applicable to black economic empowerment. Black people must be eligible to receive at least 50.1% of the joint venture's profits. The quantitative measure placed upon the level of black ownership required in order for a business to be regarded as a black-owned enterprise is absolute (Dekker, 2004).

It is therefore essential that planning should cover the following minimum requirements set out by the Broad-based Black Economic Empowerment Act (53/2003):

- Increasing the number of black people who manage, own and control enterprises and productive assets;

- Facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises;

- Human resource and skills development;
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- Achieving equitable representation in all occupational categories and levels in the work force;
- Preferential procurement;
- Investment in enterprises, which are owned or managed by black people in terms of the Act.

Planning a BEE scorecard is essential as no PPP may be issued to the market by any institution without a BEE balanced scorecard in respect of the project. This is to contain a clear and appropriate set of BEE elements, targets, minimum thresholds, and weightings, duly approved as part of the Feasibility Study for Treasury Approval.

The plan has to reflect BEE in the percentage of Black Equity in the Private Party BEE Holdings Company (SPV). It may be necessary to start out at an initially 'lower' Black Equity threshold, with milestones to grow the percentage over the project term.

Planning the funding structure and financing arrangements in the financial models must show:
- Sources or types of black equity (e.g. black enterprises' balance sheet funds, loans to black enterprises or black shareholders, equity funds including exit strategy, etc.);
- Costs of black equity;
- Timing on project cash flows to black shareholders;
- Operating costs for all skills development, employment equity and socio-economic programmes.

Furthermore, every PPP plan must be planned and designed to produce a positive local socio-economic impact, which allows for cognisance of relevant Integrated Development Plans. The targets set must be aimed at local communities and at directly benefiting the poor and marginalised, and must affect local socio-economic upliftment.
Finally, planning should be directed towards engaging all the important stakeholders in the PPP joint venture environment such as:

- Pharmacists with specialised skills would be required to be involved (refer, interviewee 22/2003 par. 266);
- The pharmaceutical private sector at a macro level, with macro implementation proposals instead of at the micro level (refer interviewee 28/2004 par. 22);
- The public hospital boards that may strategically be employed to develop PPPs (refer, interviewee 14/2002 par. 426);
- Any existing private public forums where the private sector and the public sector meet for collaborations (refer, interviewee 32/2004 par. 37);
- District Health Councils;
- Provincial Health Councils;
- The Head of Pharmaceutical Services in the Provincial Department (refer, interviewee 30/2004 par. 83);
- The Provincial Treasury Department (refer interviewee 23/2003 par. 33);
- The Provincial Government (refer, Van Reenen, 2003);
- The DOH's Director General as pilot joint ventures in order to test them over a period of time. This should be done in collaboration with the Director General (refer interviewee 29/2004 par. 329).
- The Minister of Trade and Industry who issues codes of good practice, either generally or for particular sectors (refer Dekker, 2004);
- The public sector should strategically engage the Industrial Development Corporation (IDC) in developing PPPs as the government has provided the corporation with substantial monetary resources (refer, interviewee 13/2002 par. 52);
- The National Treasury's inter-departmental task team (IDTT) on PPPs;

The main thrust of the planning therefore should be focused in the national department, any provincial departments or any municipality that may enter into an agreement with any private practitioner, private health establishment or non-governmental organisation
in order to achieve the objects of the Act. An agreement contemplated as in the relevant subsection of the National Health Bill must comply with the Public Finance Management Act, 1999 (Act No. 1 of 1999), or any municipal finance management legislation, as the case may be.

11.3.2 Organising components of the PGM

This section specifically covers the aspect of 'how' the PPP models should be organised and 'what' arrangements the parties involved should make.

The following elements are summarised to conceptualise the components of organising the PGM that may be considered for PPP development in the South African Health Care environment:

Hailey (2000:319), emphasises mutuality and trust as the key ingredients of "authentic partnerships". Operationally this is reflected in joint performance measures, partner-based financing, shared governance, open decision-making and time expended in the building up of trust by means of a process of "organisational empowerment".

Cross-sectoral minimum contractual provisions for the PPPs should be prescribed and organised as follows (SA, Treasury, 2001:10):

- Duration of the contract;
- Range of services and/or output levels;
- Basis of payment in relation to service and output levels;
- Relationship between the department and the service provider;
- Use and retention of technology by the department;
- Accommodation of a department's changing requirements over the duration of the contract;
- Protection of government intellectual property;
- Protection of private sector intellectual property;
- Allowances for contingencies and termination.
The South African National Treasury PPP Guidelines (2001:12) furthermore describe the institutional strategy framework must be guided by a set of institutional principles. Key principles among these are:

- The institutional arrangements should result in streamlining the project processes and not add administrative or procedural burdens;
- Any new arrangements must be made to comply with the general fiscal approach, with a particular emphasis on greater fiscal accountability;
- The arrangements need to cut across line departments, while the latter's spheres of accountability should be respected;
- Conflicts of interest must be avoided, both in terms of different roles and functions, such as enforcing affordability and value for money on the one hand, and providing technical assistance on the other, and with regard to the interests of the government as a whole, individual departments and private parties;
- The organisation of the funding of services delivered by PPPs may be recommended as organised in the Australian model, viz. publicly funded and publicly delivered services; publicly funded and privately delivered; privately funded and privately delivered; privately funded and publicly delivered services. It may also be recommended that professional health care workers may deliver services under all four funding-service delivery arrangements (refer Sperling & Parslow, 1999:19).
- The literature contained a possibility that may be considered in the arrangement of a framework, based on a plural model of public policy making and implementation. In this model, government was organised to maintain control over policy formulation while pluralities of providers were invited into the domain of service provision. Thus government-non-profit partnerships (GNPPs) were advocated and organised solely as a tool for enhancing the implementation of a policy agenda pre-determined by government (McLaughlin & Osborne, 2000:326).
- Another functional entity revealed in the literature study may be considered viz. Primary Care Trusts (PCTs). This entity is organised as a body corporate and is autonomous to the extent permitted by statute. PCTs are funded mainly from revenue and capital allocations from health authorities (although they are also provided with opportunities to generate additional income). An executive committee consisting of a chairman, officers of the trust and non-officer members may regulate
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the activities of a PCT in which consists of members of the different professions take part, refer (Price et al., 1999:6). Additional income could be generated through arrangements for the provision of services on behalf of a local authority with the PCT leasing part of the premises to a pharmacy.

- Furthermore the literature contents reveal possible PPP project structures that might be organised as a PCT, viz. the establishment of a joint venture company to develop, fund or manage new facilities or entry into PFI style contracts with management companies, establishing a not-for-profit body encompassing other interested groups such as GPs or authorities and housing associations (Johnson et al., 2000:2).

- Moreover, in the literature it was revealed that in the UK National Health Service (NHS), PFIs were organised as another model of PPPs. These are typically based on a design, build, finance and operate basis. They are endowed with the skills and expertise of the private sector in providing public services and subject to the exploitation of the full range of private sector management, commercial and creative skills (United Kingdom, 2000:4). PFIs in the NHS may be organised in terms of “outputs”, i.e. the nature and level of the service required, and private sector bidders are invited to present their solutions to meet service needs. This allows the private sector to make the fullest possible use of its experience and skills in order to bring innovative solutions to the needs of the health service.

As revealed in the relevant literature (Carroll & Steane, 2000:47), the Canadian industry has organised a business information centre called “The Public-Private Partnership (P3) Office” which may be envisaged for the South African model. This office is accessible in a format which reflects the key organisational divisions required for an effective PPP, viz.,

- A Political Office to consider the need for a project champion and why PPPs;
- Administration division for the consideration of the guiding principles and policies;
- Communications division for discuss the importance of solid and open communications;

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- Human Resources division for governance of labour transition issues and PPP training;
- Legal division for arrangement of the legal issues within a PPP;
- Financing division for procurement of private financing of a PPP;
- Engineering (possibly IT in the South African pharmaceutical environment) for the running of technical requirements and related processes.

According to the relevant literature (Collin & Hansson, 2000:202), resources may be pooled from several municipalities, private firms and state agencies, to create a new concept or health care structures. Refer to the Swedish Health Care Corporation by means of which a new concept for dealing with juvenile addicts was created.

In order to prepare and organise an unsolicited proposal, the proposal must contain, inter alia, the following:

- A clear description of the objectives, scope and expected outcomes of the proposal, as well as their compliance and consistency with government's strategies, policies and priorities, together with a key plan to elucidate the description;
- A description of the proposed transaction structure (i.e. management contract, lease, BOT, concession, etc.);
- A description of the population to be served, stakeholder identification, and environmental standards;
- A description of the time frame for project development and implementation;
- Cost estimates of sufficient accuracy to illustrate the financial viability of the project. These must also identify whether government is expected to contribute financially (i.e. if there are any direct or indirect subsidies involved);
- Minimum design standards and performance criteria;
- A list of the parties making the proposal and their partners, if any, as well as details of their capabilities and relevant experience in the field of the proposal;
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- A list of all conditions prevalent which are part of the proposal, or which remain to be overcome, and which will be required to be fulfilled prior to the implementation of the project (South African National Treasury, 2001: I 4).

Some key elements of strategic nature were identified in the 4th thematic-category structure (refer p. 229) that needs to be part of organising a PPP model and are summarized as follows:

- Human resource organisation in such a way that the public sector human resource structure remains intact, through contractual agreement with the private sector, which implies that the employees remain in their positions but are taken over by the private sector (refer Interviewee 10/2002 par. 241).

- Provincial managers of pharmaceutical services should facilitate the PPP developments as they are advising top management in the public sector at strategic level (refer interviewee 32/2004 par. 37).

- Organisation of collaborations with the public sector by concentration on the establishment of cost measurements in terms of the delivery of professional pharmaceutical services and not in terms of profit on medicine (refer interviewee 24/2003 par. 256).

- Organisation of a system of accreditation for pharmacists within the private sector, in which these pharmacists are strategically allowed to have joint venture-type contracts signed up with the public sector in their personal capacities (refer interviewee 29/2004 par. 206).

- Organisation of remuneration based on service delivery and not on purchases or other aspects not applicable to the direct delivery of services, to render remuneration service delivery orientated (refer interviewee 30/2003 par. 119).

The South African National Treasury Department's guidelines (2004) offers a code of Good Practice within which certain elements of the PPP model should be organised, e.g.:

- Practice Note Number 03 of 2004 'Code of Good Practice for Black Economic Empowerment in Public Private Partnerships' within departments, constitutional
institutions, public entities listed or required to be listed in schedules 3A, 3B, 3C and 3D to the PFMA, and subsidiaries of such public entities.

- The Code for BEE in PPPs follows the release of the Financial Sector Charter (DOH, 2005:1), and should be organised to complement its commitments. The development of other sectoral charters whose implementation will further support BEE in PPPs should also be acknowledged.

- In the Code of Good Practice (South African National Treasury, 2004), organisational challenges are offered to advisors, sponsors, banks and the Black Enterprises in PPPs to organise innovative ways of unlocking value in project cash flow, particularly in structuring early cash flows for Black Shareholders.

- The challenge referred to should be organised to be reflected in the bidders' proposals and must be reflected in their shareholders' agreements (refer PPP Manual Module 2: Code of Good Practice for BEE in PPPs Practice Note Number 03 of 2004 VVI).

- When organising the PGM components in accordance with the Code of Good Practice for BEE in PPPs, attention should be paid to six specific elements of the PPP sub-contracting arrangements as identified in this Code to ensure broad-based and sustainable BEE in PPPs. These commitments will become binding obligations in the PPP Agreement.

- The organisation of the PPP should also include catering for a percentage of payrolls going to skills development and a PPP indicative target of 1% (refer National Treasury PPP Practice Note Number 03 of 2004 13 B4).

The transaction advisor bids must be organised to show:

- How black people are included in all professional aspects of the work (legal, financial and technical and at all phases of the PPP project cycle), with specific indication of those aspects where black people are designated to play leading roles;

- The percentage of black equity in the companies making up the transaction advisor consortium;

- References provided that will substantiate claims of skills and experience structuring BEE in the PPP;
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- A skills transfer plan that allows the Institution to see success in this respect throughout the transaction advisor assignment (refer National Treasury's PPP Manual: Module 3: PPP Inception).

The organisation of the PPP project cycle and the inception of a joint venture between the public and private sectors furthermore requires focus on methods of how to arranging the required feasibility and procurement plan. The following outlines the arrangements to be organised in sequence:

- Registration of the project with the relevant treasury;
- Appointment of a project officer;
- Appointment of a transaction advisor.

Organising and preparing a feasibility study comprising the following components:

- The preparation of a needs analysis;
- The preparation of an options analysis;
- Determine project due diligence;
- Value assessment;
- Economic valuation;
- Procurement plan;
- Design of a fair, equitable, transparent, competitive, cost-effective procurement process;
- Preparation of bid documents, including draft PPP agreement;
- Determination and pre-qualification of parties;
- Issue of a request for proposals with draft PPP agreement;
- Reception of bids;
- Comparison of bids with feasibility study and each other;
- Selection of preferred bidder;
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- Preparation of value-for-money report;
- Negotiations with preferred bidder;
- Finalisation of the PPP agreement and management plan.

The South African National Treasury PPP Manual Model 4: "PPP FEASIBILITY STUDY NATIONAL TREASURY PPP PRACTICE NOTE NUMBER 05 OF 2004" describes these guidelines in depth (South African National Treasury, 2005).

Adherence to the National Treasury's PPP Manual, in organising the PPP model is important as it is regarded a world first (South African National Treasury, 2005:1). It systematically guides public and private parties through the phases of the regulated PPP project cycle for national and provincial government, unpacking policy and providing procedural clarity as it does so.

11.3.3 Management components of the PGM

In this section the management aspects of the proposed generic PPP model are covered. The contents are specifically focussed on answers to the question of 'when' and 'how' the PPP drivers or leadership should manage the PGM.

The following elements are summarised to conceptualise the components of management of the PGM that may be considered for PPP development in the South African Health Care environment.

Among others, certain aspects on PPP management were identified in the international literature study for the purpose of this study. These are summarised as follows:

- Management should have preliminary discussions with labour itself in order to inform management of the workers' perspectives and identify issues of concern, such as the different levels of the trade unions. Some of these issues can then be included in the project documentation in order to be managed (Labuschagne, 1998:138).
- The management of accountability and responsibility may require attention in the generic PPP model, in terms of a assertion by Drewry (2000:64) that the matrix of accountabilities in any system is always a complex one, with both internal and external aspects and with political, legal and constitutional dimensions.
Osborne and Murray (2000:81) identify key management issues in PPPs derived from a study done on the Canadian conceptual model of collaboration as a multi-phase process, which may be considered for the PGM. The five key management issues (needs) are (Osborne & Murray, 2000:81):

- To build on existing relationships whenever possible. If this is not possible, allow more time to develop the necessary relationships before launching into the actual negotiations and the initial stages of collaboration;
- To build from limited collaborations, which involve limited challenges, to organisational autonomy, and towards more significant (and risky) ones;
- To be explicit about organisational and personal goals within a collaboration and to look for congruence between them while not endeavouring to force them, or expect them to be the same;
- To accept that competitive tensions will continue to be a legitimate part of collaborative ventures and need to be recognized and managed, not ignored;
- To be aware of the impact of external factors upon the success of collaborative ventures. They do not exist in a vacuum, but are embedded in a context.

More aspects were derived from the literature e.g.:

- That managing trust requires partners working in synergy and willing to look for new solutions for joint ambitions Klijn and Teisman (2000:91). This requires exchange of information and ideas. This should therefore be managed within a generic PPP model for South Africa.

- Klijn and Teisman (2000:93) describe types of management for public-private partnerships that may be considered for the generic PPP model. These are based on the classical requirements for executing projects and some aspects may be identified as follows:
  - Specifying goals;
  - Organising resources;
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Setting up finance;

Developing contractual relations;

Attending to the scope of the project;

Attending to organisational cooperation;

Attending to the financial risks;

Attending to the way contracting-out has to be organised, etc. (2000:94).

- Management of the PPP generic model requires new skills due to the fact that in a PPP the public sector department no longer constitutes the hands and legs of delivery. Preferably management should be adapted to being its strategist, its monitor, its driver and its public accountant (South African National Treasury, 2002:7).

- Management should enforce the guidelines developed by the Department of Provincial and Local Government as these are managed in terms of the, Municipal Services Partnerships Policy and regulated by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

- Section 16 of the Treasury Regulations (Regulation 16.7.1) deals with PPPs for national and provincial departments and Schedule 3 public entities. In terms of management this implies that the management of PPP agreements is the responsibility of the Institution’s accounting officer or accounting authority which manages:
  - The measuring of the outputs of the PPP agreement;
  - Monitoring and regulating the implementation of, and performance in terms of, the PPP agreement;
  - Liaising with the private party;
  - Resolving disputes and differences with the private party;
  - Generally overseeing the day-to-day management of the PPP agreement;
  - Reporting on the PPP agreement in the Institution’s annual report.
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Arising from the results of the interviews, the following aspects were identified and might come into consideration to become part of the PGM model:

- Facilitators may be used to facilitate "change management" in the various sectors to assist the process of PPP development (refer interviewee 5/2002 par. 265).

- It appears to be of importance that the effective management of electronic stock holding systems should form part of specialised management of a generic PPP model (refer interviewee 30/2004 par. 136).

- From a strategic point of view management of a generic PPP model may imply management of the process in which members of an influential group of people in the private and public sector need to engage with each other in an attempt to discover a new model of PPP developments in South Africa (refer interviewee 22/2003 par. 220).

- The management of the PPP model should involve the engagement of all the active role-players in the public sector, such as public business managers, directors of support services, directors of business managers or similar new posts that have been established in the public sector (refer interviewee 24/2003 par. 167).

- Another aspect to be managed is the appropriate interaction of the private sector with the other role-players such as, industrial leaders, the Board of Health Care Funders, the Medicines Control Council, the Department of Trade and Industry and, most importantly, the South African National Treasury Department (refer interviewee 29/2004 par. 160).

- The management of appropriate interaction with public-private forums that need to be established by the provincial government need to be incorporated in the PGM (refer interviewee 32/2004 par. 37) as well as the development of "a network" of private sector pharmacies that do not necessarily have a major shareholding in the joint venture. It was suggested that the network then work within a medicines formulary and negotiate with medical aid schemes, targeting certain populations in order to provide pharmaceutical health care services (refer interviewee 13/2002 par. 106).

- Model 6 of the South African National Treasury Guidelines (2004) requires the management of the PPP Agreement in that management thereof should:
- Be started in the inception phase of the PPP project cycle;
- Be designed in detail towards the end of the procurement phase;
- Be put into practice after the signing of the PPP agreement, for the development, delivery and exit phases.

- The driver or person (manager) responsible for the above is the PPP project officer, according to Model 6 of the South African National Treasury Guidelines (2004). This driver should be responsible for preparing and implementing the PPP agreement management plan.

- PPP agreement management is the process, which enables both parties to a contract to meet their respective obligations in order to deliver the objectives required from the PPP agreement. The central aim of PPP agreement management is to obtain the services specified in the output specifications and ensure ongoing affordability, value for money and appropriate risk transfer (refer South African National Treasury Guidelines, 2004: Model 6).

- According to section 2 of the South African National Treasury Guidelines 2004, a critical aspect of effective PPP agreement management for the institution is to clarify the roles and responsibilities of key individuals.

- The project officer's main management responsibilities in relation to managing the PPP agreement according to section 2 of the South African National Treasury Guidelines 2004 are to:
  - Manage the project on behalf of the institution, exercising delegated authority;
  - Ensure that the PPP project continues to be affordable, and provides quality;
  - Value for money and appropriate risk transfer;
  - Ensure both parties meet their contractual obligations;
  - Ensure that the requirements of the output specifications are achieved;
  - Appoint a PPP agreement management team with the necessary technical skills to administer institutional obligations and protect institutional rights in the PPP agreement;
  - Build a strong partnership and good working relations with the private party;
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- Prevent and/or resolve disputes;
- Manage risks;
- Monitor private party performance and take corrective action where necessary;
- Develop and implement the PPP agreement management plan.

- It is common for the project officer to be supported by, or to co-ordinate, a PPP agreement management team, consisting of a range of specialists and technical advisors with varying levels of involvement (refer South African National Treasury Guidelines, module 6, Section 9).

- Good communication is often the make or break in managing a partnership. It is vital that the parties agree to formal disciplines about how they communicate in the project, and that they do not break protocols or stray into informalities (refer South African National Treasury Guidelines, 2004: Model 6, Section 4).

- Other management tasks are likewise defined in the South African National Treasury Guidelines, 2004: Model 6, e.g.:
  - Partnership management which concerns itself with structures of accountability and how the institution and the private party relate to each other;
  - Service delivery management, which may be described as the systems and procedures designed to manage risk and performance.

The following aspects on management relate to partnership management and are summarised as follows (South African National Treasury Guidelines, 2004: Model 6, Section 4):

- Partnership management, also known as relationship management, involves the development of processes to ensure accountability and to manage the relationship between the institution and the private party.

- The following aspects represent the five key dimensions of PPP partnership management:
  - Corporate governance;
  - Trust and attitudes;
Service delivery management should constitute part of the generic PPP model and involves aspects described by the South African National Treasury Guidelines, 2004: Model 6, Section 4 such as:

- Risk management that involves managing the exposure of the project to any potential threats at an acceptable level by taking appropriate action.
- Risk management is a central component of the PPP procurement process, and additional risk management procedures are required after the signing of the PPP agreement.
- Performance management which is concerned with ensuring that the PPP project remains affordable for the institution and manages service delivery, value for money, quality and performance improvement.

The project officer should develop a risk management plan, which includes the following elements based on the risk matrix (South African National Treasury Guidelines, 2004: Model 6, Section 4):  

For the public institution the risk management plan should set out:

- An evaluation of the different options for treating the risk;
- The institution official who will be responsible for managing the risk;
- The procedures and mechanisms that will be used to control the risk;
- An estimate of the resources that the institution will allocate to managing the risk.

For each private party risk, the risk management plan should set out:

- The obligations and reporting requirements which the institution has imposed on the private party to ensure that risk is managed;
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- The institution official who will be responsible for monitoring the risk;

- An estimate of the resources that the institution will devote to monitoring the risk;

- The mechanisms that will be used by the institution to deal with any failure of the private party to manage the risk, viz. penalty deductions, step-in, etc.;

- The business contingency plan that the institution will follow to ensure continued service delivery in the event that the private party cannot maintain the service or the institution is forced to terminate the PPP agreement for any reason.

The main purpose of the PPP agreement management plan should therefore be to:

- Demonstrate to the relevant treasury the capacity of the institution effectively to enforce the PPP agreement as part of the TA:III process;

- Provide a strategic management tool to guide the PPP agreement management activities that the institution and the private party will undertake to perform during each stage of the project;

- Clarify key institution roles and responsibilities during each stage of the project and identify the resources that the institution will require to undertake these responsibilities;

- Provide information on the PPP agreement management approach and arrangements, which can be used to assess the performance of the institution in discharging its obligations and responsibilities as set out in the PPP agreement, and required by government legislation such as the PFMA;

- Provide a vehicle for addressing issues that cannot be adequately dealt with in the PPP agreement (such as attitudes and behaviours).

After the initial PPP agreement management plan has been prepared as part of the TA:III process, it should be reviewed and updated every three years in consultation with the private party, so that it can respond to changing circumstances as the project unfolds. Changes in government policy, industry requirements, environmental standards, technology and end-user expectations could have important implications for the
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institutions approach to PPP agreement management, (South African National Treasury Guidelines, 2004: Model 6, Section 8).

According to National Treasury PPP Practice Note Number 02 of 2004 the accounting officer or accounting authority of the institution that is party to a PPP agreement is responsible for ensuring that the PPP agreement is properly implemented, managed, enforced, monitored and reported on, and must maintain such mechanisms and procedures as approved in Treasury Approval: III for:

(a) Measuring the outputs of the PPP agreement;
(b) Monitoring the implementation of the PPP agreement and performances under the PPP agreement;
(c) Liaising with the private party;
(d) Resolving disputes and differences with the private party;
(e) Generally overseeing the day-to-day management of the PPP agreement;
(f) Reporting on the PPP agreement in the institutions annual report.

Management of the auditing obligations:

Internal auditing can be defined as the independent review function within the institution. The management of the auditing obligations is controlled by the Auditor General and will be dealt with below, in the following section on control of the model components to sustain the PPP model.

Finally management of the generic PPP model should manage the PPP agreement administration, which involves the establishment of administrative processes to ensure that all the procedures and documentation relating to the PPP agreement are effectively managed.

11.3.4 Control components of the PGM

This section covers the aspects of control for the proposed generic PPP model. The contents of this section are specifically focussed on aspects of ‘measurement’ and ‘monitoring’ of the sustainability, performance and output of the generic PPP model. The following elements are summarised to conceptualise the components of control for the
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PGM that may be considered for PPP development in the South African Health Care environment.

As concluded in the previous section, some controlling functions for auditing of the joint venture lie in the hands of the Auditor-General (Section 3 of the Auditor-General Act, 1995):

- The Auditor-General shall, in addition to the powers and functions conferred upon or entrusted to him or her in terms of section 193 of the Constitution, have the powers and perform the duties specified in the Act.

- The Auditor-General may at his or her discretion determine the nature and extent of the audit to be carried out and request the details and statements of accounts which he or she considers necessary, provided that he or she may, notwithstanding the provisions of any other law, also determine the format in which and the date on which such details, statements of account and financial statements shall be submitted to him or her.

Measuring the success of partnerships implies the observation of certain overall key aspects of successful partnerships. Some of these are mentioned by McQuaid (2000:29) and may form part of the PGM control elements:

- Clarity of each partner's own objectives and that of the partnership;

- Agreement on the operation of the partnership (structure, resources, who is responsible for day-to-day management and longer term strategy);

- Clear lines of communication and decision making between each partner and the partnership (and each other);

- Clear exit routes (when does has the partnership achieve its objectives and what will be the next step in the partnership saga);

- A supportive institutional infrastructure;

- A suitable system of incentives within and between organisations to encourage changed behaviour;

- Most importantly, trust between partners.
Regulation 16.5.3 of the South African National Treasury Guidelines (2001:C3) describes some of the elements required in the procurement procedure. These might be regarded as additional control elements for measurement and monitoring in the PGM:

- The procurement procedure must be in accordance with a system that is fair, equitable, transparent, competitive, and cost-effective;
- Must include a preference for the protection or advancement of persons, or categories of persons disadvantaged by unfair discrimination, in compliance with relevant legislation.

The construction of a Public Sector Comparator (PSC) once the structure of the project has been established, may be used as a tool for the control of the PGM and implies, risk-adjusted costing, by the public sector as a supplier, to an output specification produced as part of the PPP procurement exercise. The PSC may be based on:

- The recent actual public sector method of providing that defined output (including any reasonably foreseeable efficiencies the public sector could make);
- A full account of the risks, which would be encountered (South African National Treasury, 2001:G 6)

This PSC exercise should be undertaken by means of the use of nominal values. In other words, all PSC costs should be expressed in inflated terms, i.e. the effects of expected future inflation should be included.

The literature study reveal that the methodology of Community Impact Evaluation (CIE) might be considered a useful method of evaluation to be used in assessing the impact that a new joint venture may have on a particular community. In spite of the examples used in the literature by Lichfield, which includes references to other social commodities, the methodology in context may be applicable to assess, the impact of PPP developments in a community, which is focussed on in his study (Lichfield, 1998:118). (Refer to Appendix 7, p. 557).
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Some other elements that may be considered for the control of a generic PPP model were identified from the information of the interviews in the study and comprise the following:

- A lesson may be learned from the experience gained by the failure of the Impress System in the Free State insofar as magnetic tapes containing masses of IT-data were sent to the public sector but that the public sector IT-systems were incompatible with the data source and were not equipped to convert the data for the purposes of control and management (refer interviewee 21/2003 par. 127). All available electronic data should be managed and used as part of the control systems for the PGM.

- According to interviewee, 30/2004 par. 130 controls should be aimed at areas prone to malpractice, such as the calculation of remuneration for volume medicine purchased from suppliers instead of being calculated on the volume of medicines actually delivered to the end users (the patients).

- According to interviewee 38/2004, par. 59 controls should be in place to monitor and scrutinise the joint venture agreements for appropriate service level agreement contents that might contribute to failures in the future, in order to prevent the failures of the past. (Refer to par. 9.2.4, p. 364).

- Interviewee 11/2002 par. 491 recommends regular meetings and peer review sessions in conjunction with the administrative staff of the public sector in order to reach agreement on the standards of service delivery on a continuous basis.

- According to interviewee 11/2002 par. 163, modern technologies used by the banking sector, such as integrating a smart card system, would enable the generic PPP model to advance medicine supply control systems that might be implemented in this way.

- Interviewee 30/2004 par. 40 suggests that upon entry into a joint venture with the public sector all vested interests should be declared in order to control possible ill effects thereof.

- Interviewee 36/2004 par. 33 suggests a control system over intellectual property in the process of applying for the development of a joint venture, as there is a risk of losing the intellectual property to some other competitor.
Relating to the above any information provided by the institution to the transaction advisor and any studies, reports and documentation produced by the transaction advisor in performance of the services shall belong to and remain the property of the government of the Republic of South Africa as represented by the institution, and will not be used by the transaction advisor for any purpose other than in accordance with the agreement, or by written permission of the institution (refer South African National Treasury PPP Manual, Annexure 3: Template draft transaction advisor contract).

Some aspects on controlling the PGM have been identified in the National Treasury PPP manual (South African National Treasury, 2004). Control over the agreement management appears to be imperative as losing control over the following aspects should be preventable by implementing risk management (control) (refer Section 3, South African National Treasury PPP manual 2004):

- The public institution loses control, resulting in unbalanced decisions in conflict with the institution's interests;

- Decisions are not taken at the right time or not taken at all;

- New business processes cannot be integrated effectively with existing processes, and therefore fail;

- People (from both sides) fail to understand their obligations and responsibilities, leading to unnecessary disputes;

- Too many issues are escalated inappropriately, which can slow down decision making;

- The intended benefits are not realised;

- Opportunities to improve value for money and performance are missed.

Ultimately, without applying risk management, the PPP agreement may become unworkable.
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If PPP agreement risk management (control) is failing, it is likely to be due to any one or more of the following factors that should be counteracted in management (South African National Treasury 2004:12):

- A poorly drafted PPP agreement;
- The people involved in negotiating the PPP agreement are not the same as those given the responsibility of managing it;
- Inadequate resources are assigned to PPP agreement management;
- Poor institutional leadership and/or misunderstanding of the PPP agreement;
- The institution team does not match the private party team in terms of skills or experience (or both);
- The wrong people are appointed, leading to personality clashes or ineffective management;
- The context, complexities and dependencies of the PPP agreement are insufficiently understood;
- There is a failure to assess private party or institutional assumptions adequately;
- Authorities or responsibilities relating to commercial decisions are not clear;
- A lack of independent reviews of the PPP agreement management arrangements;
- A focus on current arrangements rather than on what is possible or the potential for improvement;
- A failure to monitor and manage institution risks.

It is specified in the South African National Treasury PPP Practice Note Number 06 of 2004 that before the institution’s application the private party must obtain Competition Commission approval before TA:III is lodged. The private party should approach the Competition Commission for approval as soon as the PPP agreement has been finalised but before its execution.

South African National Treasury PPP Practice Note Number 07 of 2004 is concluded with the admonition that control factors such as risk management; internal audit; integrated sustainability reporting; accounting and auditing; relations with shareholders;
and corporate communications should be in compliance with "The King Code," be an important reference in PPP partnership management and should relate to the liaison and reporting requirements of Standardized PPP Provisions (Part H: 38). It is therefore suggested that in applying the King Code tests of fairness, accountability, responsibility and transparency in its monitoring of the private party, the project officer should be guided by the provisions of the Promotion of Access to Information Act, 2000, and the Promotion of Administrative Justice Act, 2000 in order to control these factors in the PGM.

Further to the above, the obligation to maintain the confidentiality of all information shall survive the termination of the PPP agreement, but will not apply to confidential information which was in the public domain prior to being disclosed by the transaction advisor and which has come into the public domain as a result other than of being divulged by the transaction advisor (refer South African National Treasury, Annexure 3: Template draft transaction advisor contract).

The control of performance for the PGM may include the measuring of performance against some financial and service performance measures. This may involve hiring an independent reviewer every few years on a shared-cost basis, to identify problem areas and how these can be resolved. This will be valuable in distinguishing areas that are perceived to be working well and those that require attention.

Periodic assessments might address issues such as (South African National Treasury, PPP Manual Module 6, section 16):

- Whether each party is getting the expected benefits when the PPP agreement was signed;
- How well the management structures are seen to be operating;
- How successful communication is seen to be;
- The degree in which information is shared freely and openly between the parties;
- Whether conflicts are being avoided or resolved effectively;
- End-user satisfaction and perceptions of the relationship.
The performance control management of the PGM may further be based on the performance management model as suggested by the South African National Treasury (PPP Practice Note Number 07 of 2004:26) and include details of:

- The reporting obligations that will be imposed on the private party in relation to self-monitoring;
- The performance management system that will be used by the institution and/or independent third parties to review the private party’s quality management system;
- The mechanisms that will be established to solicit end-user feedback, including a complaints procedure;
- The institution officials who will be responsible for monitoring affordability, service delivery, value for money, quality and performance improvement;
- An estimate of the resources that will be allocated to the institution’s managing private party performance.

Performance monitoring systems may therefore be established in the PGM in order that controlled and sustained performance may be prompted as follows:

- Regularly check progress to ensure that project milestones are met, including site visits where necessary;
- Hold regular progress meetings and consider performance reports;
- Conduct regular and random inspections of the supplied goods and services;
- Check that all performance conditions and clauses in the PPP agreement are acted upon;
- Develop effective mechanisms for obtaining feedback from end users and other key stakeholders;
- Review third party monitoring reports;
- Inspect deliverables to ensure inferior goods or services are not accepted;
- Maintain comprehensive documentation on performance monitoring.
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In terms of the standard PPP Agreement the PGM will be obliged to produce an annual BEE report containing details of its achievements in meeting all BEE targets agreed upon. Control would imply both regular and ‘spot checks’ by the Institution, and/or the PPP Agreement may provide for reviews by independent monitors (refer South African National Treasury’s PPP Manual: Module 5).

Finally for the purpose of control, it is important to ensure that all the requirements for the PGM’s PPP agreement are met, in terms of preconditions and legal stipulations, since a PPP agreement or an agreement amending a PPP agreement only binds the state if the agreement was entered into on behalf of a public institution:

- By the accounting officer or accounting authority of that institution;
- If all treasury approvals required in terms of South African regulations for PPPs, South African National Treasury PPP Practice Note 02 of 2004 regulation 16, have been granted by the relevant treasury in respect of the PPP.

11.3.5 Implementation of the PGM

All the management aspects described above, should carefully be considered before the implementation of the PGM. In the study certain pharmaceutical services have been identified that may be implemented in order to establish a PPP in the pharmaceutical sector on the basis of the PGM as proposed.

Numerous service delivery aspects have been described in the study. The following pharmaceutical services were identified to be suitable for implementation into the PGM:

- Rendering a dispensing service to the public sector on an agency basis (refer interviewee 24/2003 par. 56).
- Certain prospects were envisaged for possible PPPs where the public sector contracts with individual pharmacists, paying them an hourly fee (refer interviewee 26/2004 par. 171).
- Deliver pharmaceutical services such as public health, counselling and medicine control services in public sector clinics where the public sector does not employ pharmacists as a result of lack in capacity (refer Interviewee 26/2004 par. 171).
- Primary health care services skills may be considered to be re-introduced in order to benefit public health by making use of the already developed skills and services
within the pharmaceutical sector previously rendered in terms of the issuing of permits by the DOH under article 22(A) 12 Act 101 of 1965 (refer interviewee 6/2002 par. 200).

- The "carving out" of certain other services such as HIV/Aids (VCT), or the primary care management of sexually transmitted diseases (STDs), that form part of Primary Care Drug Therapy (refer interviewee 35/2004 par. 115).

- The South African Pharmacy Council, in collaboration with the Pharmaceutical Society of South Africa, may recommend and pursue the establishment of Aids Resource Centres in pharmacies as a joint venture with the State.

- Well-equipped pharmacy-based private clinics may be considered in the rural areas in supply of primary health care services, as part of a joint venture with the public sector.

- Use of the capacity of the micro-pharmaceutical sector in the public administration of vaccinations (refer to interviewee 34/2004 par. 28).

- Utilisation of the capacity of the micro- and macro-pharmaceutical sector in the envisaged enormous ARV-rollout programme to release tremendous pressure on the state's staffing capacity (refer interviewee 34/2004 par. 88).

- Engage retail pharmacies turned into primary health care centres, with affirmed protocols for health care in terms of a multi disciplinary team, by the use of a retail pharmacist and a nursing sister (refer interviewee 11/2002 par. 98).

- The supply of chronic medication to public sector patients (refer interviewee 30/2004 par. 67; and interviewee 35/2004 par.44).

- Pharmacists contracted by means of agencies in order to render a pharmacist's service in places where the shortages exist (refer interviewee 30/2004 par. 156).

- Pharmaceutical benefit management by PBMs (refer interviewee 15/2002 par. 139).

- Services in the field of pharmaceutical administration and IT-technology to serve the new envisaged scheme for the public sector employees (refer interviewee 15/2002 par. 324).

- The private sector running the pharmacy within hospitals or within the clinics (refer interviewee 38/2004 par. 112).
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- Services linking private community pharmacies in partnership with the public sector, delivering other basic services such as blood pressure monitoring, cholesterol screening, blood glucose screening, weight determination of babies and assistance to adults with obesity problems, the supply of immunisation services, contraceptives and family planning (refer to interviewee 35/2004 par. 90).

- The 'pre-packing' of medicine into 'patient-ready packs' for distribution via the depot on provincial level within the confines of the legislation (refer interviewee 20/2003 par. 158; and interviewee 36/2004 par. 37).

- Consultant pharmacists who work with the public sector on an ad hoc locum basis for periods shorter than twelve months (refer interviewee 12/2002 par. 33). Combrink (2002:224) researched the functions of a consultant pharmacist in an institution such as the Witrand Hospital for mentally handicapped persons. These should be considered to be incorporated into the PGM for future joint venture developments.

- The distribution of medicine procured by the public sector, to private sector pharmacies and so passed on to the clinics (refer interviewee 31/2004 par. 85).

- It is recommended to explore the possibility of medical aid schemes contracting a network of pharmacies into a joint venture, with the public sector, in order to serve a particular segment of the public sector (refer interviewee 36/2004 par. 48).

- A dispensing service to the public sector on an agency basis, insofar as the agency makes use of public sector infrastructure and public sector medication, rendering the services as a locum agent, and that the various distribution systems be mutually arranged by them (refer interviewee 24/2003 par. 56).

- Other services not directly linked to the pharmaceutical scope of practice but serving a social benefit. They include the collection of social grants at month end and people simultaneously collecting their essential chronic medication at the service point (refer interviewee 31/2004 par. 87).

Modern pharmaceutical services may also be considered and include new services such as managed pharmaceutical care and other disciplines, viz. drug utilisation review, pharmacoeconomics, evidence-based medicine and pharmacoepidemiology information systems for disease management (NWU, 2001:1).
Appendix

In conclusion, the implementation of these services includes planning according to the guidelines as provided by the South African Treasury Department for the inception of a formal PPP if required by any public sector institution, which will include the following summarised aspects:

- Register the project with the relevant treasury;
- Appoint the project officer;
- Appoint the transaction advisor.

Prepare a feasibility study comprising:

- Needs analysis;
- Options analysis;
- Project due diligence;
- Value assessment;
- Economic valuation;
- Procurement plan;
- Design a fair, equitable, transparent, competitive, cost-effective procurement process;
- Prepare bid documents, including draft PPP agreement;
- Pre-qualify parties;
- Issue request for proposals with draft PPP agreement
- Receive bids;
- Compare bids with feasibility study and each other;
- Select preferred bidder;
- Prepare value-for-money report;
- Negotiate with preferred bidder;
- Finalise PPP agreement management plan.
On implementation of the PGM the following should be kept in mind: The PFMA hands over the responsibility of implementation to the heads of departments (the accounting officers) of national and provincial departments and the CEOs or boards of schedule 3 public entities (the accounting authorities).
Appendix 7

The method of Community Impact Evaluation (CIE)

The Method of CIE:

The method of Community Impact Evaluation (CIE) is outlined by Lichfield (1998:113) and will be reviewed while the author will endeavour to relate the methodology in a parallel to the field of the pharmaceutical sector.

The methodology is narrated to provide insight into the following five phases:

**Phase (feature) one:**

The identification of Stakeholders and Initiating Common Ground:

Defining the problems and objectives is an essential planning function, often reflecting the planners' own projected perceptions. When operating in a CIE environment, they know that ultimately they will have to evaluate the project according to the actual groups affected. The groups' objectives will be related to such groups' perception of problems. This makes it worthwhile to identify the groups in advance and consult with them whenever possible, considering the stakeholders' involvement. Governance and management systems are inherently compartmentalised. Education, research and professionalisation, budgeting and departmental responsibility all perpetuate the divisive approach. Thus, when partners get together, they have to overcome several barriers to communication (1998:112). Lichfield (1998:113) identifies four steps in the process of initiating common ground as follows:

Debate the meanings of all the images and words used;

Sharing information or an exchange of information would be to everyone's advantage. A system to protect privacy should be established. so as to protect privacy. (Partners may have separate data systems with different definitions of jobs, and social problems);

Share and analyse the process which gives rise to the problems and those that will bring about the desired changes. Full understanding is necessary in CIE for tracing the chain of changes and impacts and for effective planning in the processes;

Consider the makings of a strategy – sharing and appreciation of available resources and constraints, agree on feasible aspirations and anticipate the impacts on all those likely to be affected within spheres of interests of all partners to the project (which in the
case of public sector agencies include all external factors). With the full picture of who wins and who loses, partners can decide on trade-offs that will leave each partner with something more than they would have achieved alone on their own.

Lichfield (1998:113) found that the decision-making partners, tempered by appreciation of the wider picture and how others will fare in comparison, become more amenable to the diversity of concerns and a balanced decision. This work process is likely to require the investment of time. It is a special skill, which can be mastered. Planning along these lines will lay better foundation for evaluation of partnership endeavours.

**Phase (feature) two:**

*Ex Ante* Evaluation by CIE:

For the purpose of planning and decision-making, the *ex ante* evaluation compares various options for intervention with the option of refraining from action. The analysis traces through the physical, economic, social, and environmental changes likely to be caused by the proposed action, whether due to construction, economic and social policies, or other forms of intervention. Such changes will set in motion several ripples, seen as a chain of beneficial and adverse effects, which are measurable and may be presented in a manner that will satisfy the requirements of planning policies, and regulations.

The effects are then further analysed to determine their impacts on different groups in the community. The distinction between effects and impacts is significant. Effects are objective measurements of phenomena (e.g. the level of noise; the number of jobs), first at source (e.g., the noise effect of traffic on the road) and then as distributed (different noise levels at different distances from the road). In the final account, however the impact that these effects will have on the way of life of the people experiencing them must be known. For instance the effects of a gunshot can be measured as noise level and bullet trajectory, but what matters finally is who were hit and whether the impact on them was temporary or terminal (Lichfield, 1998:114).

The CIE then unfolds in six stadiums (or steps) summarised as follows:

- The identification of all groups is likely to experience the effects.
This includes stakeholders in formal partnerships, as well as in informal partnerships, including various groups among the local community, citywide, or nation-wide. A group is identified by the shared experience of its members. Thus, an individual may take part in several groups to reflect his or her experience;

- The prediction and displayment of the differences in impacts of the effects on each group under each option.

It must be borne in mind that the same effect (e.g., measuring increase in traffic flow) may have different impacts on specific groups (e.g., road users, pedestrians, and surrounding residents). Similarly, house owners and tenants will experience the effect of a rise in property values differently;

- Assess the view of each group regarding the desirability or otherwise of a given impact.

The views of the group must be assessed against a statement of the groups’ objective in relation to the effect – for example, do they prefer a rise or a drop in property values or do they look for higher revenues or capital returns? Accordingly the impact is classified as a benefit or a cost of varying magnitude. Some of the impacts are shown in financial terms, but the tables should also be designed to include non-financial and non-quantifiable information, compared by relative levels of impact;

- Analyse in table format a comparison of impacts on each group, comparing each group’s preference between options in accord with their objectives.

The analysis produces tables whose contents will enable stakeholders to make a comparison of impacts on each of the groups, of all the options studied. The comparison indicates the preference of each group from among the options, in accordance with their specific objectives or values. The total picture will be displayed like a balance sheet, and indicating those who will reap benefits and those who will bear the costs;

- Balance the groups that prefer one option against those preferring another.

This requires weighing the various group impacts. Some factual information can be of assistance in the weighing (e.g., number of members, length of
exposure to the impact), but two key aspects will inevitably reflect personal values: relative weight of different impacts, for instance, quieter environment versus a saving of time; and the relative weight of different memberships, as, for example, local residents versus city-wide residents. The values used may be personal to the evaluator or the people affected or of some general public value expressed, such as market value or measure by contingent valuation.

- Make a choice either explicitly or implicitly by the decision maker if formal weighing is absent.

In the absence of formal weighing, the decision makers' choice expresses – either explicitly or implicitly – the weights they attach to the impacts on each group. Even if the larger number of groups or the majority of people in the community prefer a particular option, the decision maker may attach greater weight to the minority because he or she values more highly the concerns of particular groups over those of other groups, or because of considerations of equity or the electoral weight of the group. However, the open display of impacts and preferences provided by CIE makes for a more transparent decision, and decision makers could be challenged if their weighing raises objections (1998:115).

**Phase (feature) three:**

*Ex Post* Evaluation by CIE:

The same method is applied *ex post* to assess the impacts of the project or programme following completion and interim stages. It can then follow the actual process of change as opposed to a predicted one. To this end, monitoring, in addition to performance output data, serves to keep tabs on processes of change, who experiences the effects of change, and what impacts these effects actually had on the group's way of life.

**Phase (feature) four:**

The relationship to other methods of evaluation:

CIE as a form of evaluation does not negate the need for appraisal of projects against performance criteria measuring good management and efficiency, but it
supplements them in the comparative value of the performance in relation to money spent.

CIE is able to maintain stakeholders' own evaluation criteria that may be based on financial analysis, personal preferences, or other criteria. Partnership members will seek to select the option and arrangement that enhance both the individual and group objectives. This situation will enable those around the table to discuss, negotiate, and bargain over the planning and implementation of a proposal by the partnership. This process is facilitated if each of the partners can adopt a similar approach of options, be it in the *ex ante* or *ex post* stage.

Such a common approach is best afforded by the use of one or another of the cost-benefit family of methods, for each shares the analytical approach of considering the benefits of the outcome against the costs of the input. But each partner could differ in the particular benefits or costs that it chooses from the possibilities. They will then have recourse to that member of the cost/benefit family best suited to the array of benefits (Lichfield, 1998:115).

Lichfield (1998:116) illustrates the difference in the kinds of costs and benefits/liabilities that could arise for the variety of decision makers or stakeholders in a typical partnership. Lichfield's tables also show the nature of costs and benefits that would be considered relevant. The members of the cost-benefit family of methods, are also listed and are the following:

- Financial Appraisal;
- Social Financial Appraisal;
- Cost Benefit Analysis;
- Social Cost Benefit Analysis;
- Cost Revenue Analysis;
- Community Impact Analysis;
- Impact Assessment;
- Planning Programming Budgeting.

One important requirement of this approach to evaluation for negotiation and bargaining is that there be consistency between the various members of the family
of methods – for example, in the definition of costs and benefits and their measurement and valuation. Lichfield (1998:117) says this can be reached if methods other than the CIE are regarded as nesting within the CIE; this being the most comprehensive.

**Phase (feature) five:**

Stakeholders' Involvement

CIE accommodates the broadest possible definition of stakeholders and partnerships. When proposals are first considered, the broader outlook and methodical analysis of CIE are certain to identify and bring out all relevant groups, including those outside the formal partnership and targeted population (Lichfield, 1998:117).

Once identified, some of these groups may be invited to join the formal partnership of stakeholders. The interests of others will nonetheless be recorded in the CIE and can be expressed either by direct consultation with the group affected or indirectly by an informed analyst. The latter is an effort-saving shortcut that relies on common sense assumptions about people's preferences. Direct consultation may be comprehensive or it may focus on issues that offer no obvious assumptions.

Public consultation can follow from the preliminary identification of the relevant groups. A methodically structured consultation will have additional benefits; it should be easier to develop a dialogue and mutual understanding between the groups involved, based on shared knowledge obtained through an integrated view of the processes at work (gained during planning) and the chain of effects (analysed for the CIE).

Once partners (formal and informal are engaged in this way, it becomes possible to draw on their creative ideas; to inform and consult on the strategy; and, equally importantly, to involve all concerned in action and, where necessary, in change of habit (Lichfield, 1998:117).

From the above it may be concluded that the CIE method offers several advantages for partnership evaluation, not the least of which is the introduction of a collaborative approach to partnership planning and operation. "Community" in CIE is all-inclusive and concerns itself equally with the interests of the private sector, public administrations, and the community at large. It follows a process...
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orientation approach to planning and evaluation, likely to lead to better planning. It captures the whole array of impacts, not only the pre-planned benefits. It enables both formal and informal partners to use their own criteria of evaluation, yet displays the overall balance of winners and losers for the public at large (Lichfield, 1998:118).

CIE provides partnership decision makers with a balanced picture, to be weighed against the unbalanced picture created by single-issue pressure groups. It presents all the factual information; yet leaves decision makers to place their own values on each impact and group. It is a meaningful framework for public consultation, since it allows consultees to identify the impacts upon themselves, while also increasing their awareness of the wider public interest. Finally, it promotes accountability, since the full implications of each decision are there for all to see (Lichfield, 1998:118).

CIE is coming into its own in the current climate, where governance is not expected to be detached and authoritarian but fully inclusory and accountable to the public. Moreover, against increased discomfort with a confrontational style of conflict resolution (single issue lobbies, the local community against the government or the developer), there is growing scope for an integrative approach, such as CIE, based on a paradigm of communicative rationality (Lichfield, 1998:118).
Appendix 8

Definition of terms in South African National Treasury’s regulations

Regulation 16.1 deals with definitions and includes the definitions such as: (South African National Treasury, 2002:C 3).

“Public-private partnership” means a commercial transaction between an institution and a private party in terms of which –

(a) The private party either performs an institutional function on behalf of the institution for a specified or indefinite period or acquires the use of state property for its own commercial purposes for a specified or indefinite period;
(b) The private party receives a benefit for performing the function or by utilising state property, either by way of:
   (i) Compensation from a revenue fund;
   (ii) Charges or fees collected by the private party from users or customers of a service provided to them;
   (iii) A combination of such compensation and such charges or fees;

“Public private partnership agreement” means an agreement approved in terms of these Regulations.

“Value for money” means that the provision of the institutional function by a private party in terms of the public-private partnership agreement results in a net benefit to the institution, defined in terms of cost, price, quality, quantity, or risk transfer, or a combination thereof.

Regulation 16.3 deals with Project inception (South African National Treasury, 2004):

Regulation 16.3.1 As soon as an institution identifies a project that may be concluded as a PPP, the accounting officer or accounting authority:

(a) Must, in writing, register the PPP with the relevant treasury;
(b) Must inform the relevant treasury of the expertise within that institution to proceed with a PPP;
(c) Must appoint a project officer from within or outside the institution who is capable and appropriately qualified to manage the PPP;
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(d) Must appoint a transaction advisor, if the relevant treasury so requests.

**Regulation 16.4 deals with the conditions for the required feasibility study)**

**Feasibility study – Treasury Approval I):**

**Regulation 16.4.1** To determine whether the proposed PPP is in the best interests of an institution, the accounting officer or the accounting authority must undertake a feasibility study that:

(a) Explains the strategic and operational benefits of the proposed PPP for the institution in terms of its strategic objectives and government policy;

(b) Describes in specific terms:
   (i) In the case of a PPP, for the performance of an institutional function, the nature of the institutional function concerned and the extent to which this institutional function, both legally and by nature, may be performed by a private party in terms of a PPP agreement;
   (ii) In the case of a PPP for the use of state property, a description of the state property concerned, the uses, if any, to which such state property has been put up to the registration of the proposed PPP, and a description of the types of use that a private party may legally subject such state property to in terms of a PPP agreement;

(c) In relation to a PPP pursuant to which an institution will pay the private party any consideration, establishes affordability for the institution;

(d) Sets out the proposed allocation of risk between the institution and the private party;

(e) Demonstrates value-for-money to be achieved by the PPP;

(f) Explains the capacity of the institution to procure, enforce, monitor, report on and regulate the implementation of the PPP agreement.

**Regulation 16.4.2** An institution may not proceed with the procurement phase of a PPP without written approval from the relevant treasury for the feasibility study.

**Regulation 16.4.3** The approval referred to in regulation 16.4.2 shall be regarded as Treasury Approval I.

**Regulation 16.4.4** If, at any time, before Treasury Approval III, any assumptions regarding the feasibility of a PPP differ materially from the assumptions in the feasibility study for which Treasury Approval I was given, especially with regard to affordability, if applicable, value for money and substantial technical, operational and financial risk transfer, then the accounting officer or accounting authority must immediately –

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(a) Notify the relevant treasury of the intended revision;
(b) Submit details of the revision to the relevant treasury;
(c) Indicate the impact of the intended revision on the assumptions of the feasibility study relating to affordability, if applicable, value for money and technical, operational and financial risk transfer; and
(d) Ensure that the relevant treasury is provided with a revised feasibility study after which the relevant treasury may grant a revised Treasury Approval I.

Regulation 16.5 Procurement – Treasury approvals: IIA and IIB [Section 76(4) of the Public Finance Managing Act (PFMA)]

Regulation 16.5.1 Prior to the issuing of procurement documentation for a PPP to any prospective bidders, the institution must obtain approval from the relevant treasury for the procurement documentation, including a draft PPP agreement.
Regulation 16.5.2 The treasury approval referred to in regulation 16.5.1 shall be regarded as Treasury Approval: IIA.
Regulation 16.5.3 The procurement procedure –
   (a) Must be in accordance with a system that is fair, equitable, transparent, competitive, and cost-effective;
   (b) Must include a preference for the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination in compliance with relevant legislation.
Regulation 16.5.4 After the evaluation of the bids, but prior to appointing the preferred bidder, the institution must submit a report for approval by the relevant treasury, demonstrating how the criteria of affordability if applicable, value for money and substantial technical, operational and financial risk transfer were applied in the evaluation of the bids, demonstrating how these criteria were satisfied in the preferred bid and including any other information as required by the relevant treasury.
Regulation 16.5.5 The approval referred to in regulation 16.5.4 shall be regarded as Treasury Approval: IIB.

Regulation 16.6 Contracting PPP agreements - Treasury Approval: III

Regulation 16.6.1 After the procurement procedure has been concluded but before the accounting officer or accounting authority of an institution enters into a PPP agreement, that accounting officer or accounting authority, must obtain approval from the relevant treasury –
(a) That the PPP agreement contains the affordability, if applicable, value for money and substantial technical, operational and financial risk transfer approved in terms of regulation 16.4.2 or as revised in terms of regulation 16.4.4;

(b) For a management plan that explains the capacity of the institution, and the proposed mechanisms and procedures, to effectively enforce, monitor, report on and regulate the implementation of the PPP agreement; and

(c) That a satisfactory legal due diligence has been completed of the private party and accounting officer or accounting authority, as the case may be, in relation to matters of legal compliance, competence and capacity to enter into the PPP agreement.

**Regulation 16.6.2** The treasury approval referred to in regulation 16.6.1 shall be referred to as Treasury Approval: III.

**Regulation 16.7 Management of PPP agreements**

**Regulation 16.7.1** The accounting officer or accounting authority is responsible for ensuring that a PPP agreement is properly enforced, and must maintain mechanisms and procedures as approved in Treasury Approval: III for –

(a) Measuring the outputs of the PPP agreement;

(b) Monitoring and regulating the implementation of, and performance in terms of, the PPP agreement;

(c) Liaising with the private party;

(d) Resolving disputes and differences with the private party;

(e) Generally overseeing the day-to-day management of the PPP agreement; and (f) reporting on the PPP agreement in the institution’s annual report.

**Regulation 16.7.2** A PPP agreement does not divest the accounting officer or accounting authority of the responsibility for ensuring that the relevant institutional function is effectively and efficiently performed in the public interest.

**Regulation 16.7.3** A PPP agreement does not divest the accounting officer or accounting authority of the responsibility for ensuring that any state property made available to a private party in terms of a PPP agreement is appropriately protected against forfeiture, theft, loss, wastage and misuse.

**Regulation 16.8 Amendment and variation of PPP agreements**

**Regulation 16.8.1** The prior written approval of the relevant treasury is required for any material amendments to PPP agreements including, without limitation, any variations to the outputs
therein, any other amendments or any waivers contemplated or provided for in the PPP agreement.

Regulation 16.8.2 The relevant treasury will approve a material amendment only if it is satisfied that the PPP agreement, if so amended, will continue to provide –

(a) Value for money;
(b) Affordability;
(c) Substantial technical, operational and financial risk transfer to the private party.

Regulation 16.8.3 The accounting officer or accounting authority must substantially follow the procedure prescribed by clauses 16.4 and 16.6 for obtaining such treasury approval.

Regulation 16.9 Agreements binding on the state

Regulation 16.9.1 A PPP agreement or an agreement amending a PPP agreement, binds the state only if the agreement was entered into on behalf of an institution –

(a) By the accounting officer or accounting authority of the institution; and
(b) With the necessary approvals of the relevant treasury.

Regulation 16.10 Exemptions

Regulation 16.10.1 The relevant treasury may, subject to any terms and conditions that it considers appropriate and upon written application from an institution, exempt that institution whether in relation to a specific PPP or in general, from complying with any or all of the provisions of this regulation (South African National Treasury, 2002.C).
The construction of a Public Sector Comparator (PSC)

**Step 1 – Determine the total cost of providing a given output specification:**

It is critical that all direct and indirect costs be included and that any new capital and/or operating costs required to provide the existing or enhanced services be included in the costing. For projects that replace an existing departmental function, the costs can be drawn from the actual costs experienced by the department in rendering the services. In the case of a project that will not replace an existing line department function, it is important to undergo the same exercise using realistic expected costs and revenues based on other similar projects within South Africa, if available, or in a similar environment in another country.

The PSC should account for capital costs in the year in which they occur, including, but not limited to, the project development, design and construction. The capital costs should also account for the labour, management and training costs related to the development and implementation of a project, including financial, legal, procurement, technical and project management services. They should also include the opportunity cost of any assets already owned by the sponsoring department and which are to be used in the project.

Similarly, all direct operating costs over the life of the project should be included in the PSC. The direct costs will include full staff costs, including accruing pension liabilities and any expected redundancy costs; raw materials and consumables; and the full lifecycle costs of maintaining the assets in the condition required to deliver the output specification.

Indirect costs will include that portion of any additional overhead costs related to the project (e.g. senior management’s time and effort, personnel, accounting, billing, legal, rent, communications and other departmental resources that are used by the project). The project’s indirect costs, which are a portion of the departmental overhead costs, can be determined by using an appropriate method of allocation. These methods of allocation, include, but are not limited to:
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- The number of project employees to total department employees for personnel costs;
- The project costs to total department costs for accounting costs;
- The number of project customers to total department customers for billing costs.

Any additional anticipated third party revenues that may be collected as a result of provision of a new or enhanced service should offset the total cost of the output specification. It should be borne in mind that forecasting potential third party revenues could be a particularly difficult aspect of the PSC, specifically where there is little or no historic data available.

**Step 2 – Adjust the costing to reflect the various risks associated with public sector procurement:**

Historically, public sector procurement has tended to be deficient in appreciating risk, and as a result, budgets for major procurement projects have sometimes been prone to optimism bias, i.e. a tendency to budget for the best possible (often lowest cost) outcome rather than the most likely. This has led to frequent cost overruns. Optimism bias has also led to the use of inaccurate prices to assess options. Such biased financial (i.e. price) information early in the budget process can result in real economic costs resulting from an inefficient allocation of resources (South African National Treasury, 2002:G 7).

Much of the public sector historically does not use commercial insurers (except for some special cases, such as vehicles and lifts), nor do they self-insure (through a captive insurance company). This is because commercial insurance would not provide value for money for the government since the size and range of its business is so large that it does not need to spread its risk, while the value of claims is unlikely to exceed its premium payments. However, the government still bears the costs arising from uninsured risks and there are many examples of projects where the public sector has been poor at managing insurable but uninsured risk (South African National Treasury, 2002:G 7).

The PSC should, therefore, include an estimate of the value of such uninsured risks, taking into account the likelihood of such costs arising. The costs of commercial
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insurance could be taken as a first approximation to the value of the risk borne by government. Care should be taken to ensure that categories of risk "insured" in the PSC are not adjusted for anywhere else (South African National Treasury, 2002:G 8).

With this in mind, the construction of a risk matrix is a fundamental part of the PPP procurement process and is usefully integrated with the construction of the PSC. The construction of a risk matrix comprises the following inter-related stages:

- The identification of risks involved in the project;
- Assessment of the impact of these risks;
- Assessment of the likelihood of such risks arising;

The calculation of the financial impact (and ranges of possible outcomes) (South African National Treasury, 2002:G 8).
Appendix 10  
MFMA regulations at local government level

MFMA regulations at local government level

Contracts having future budgetary implications Section 33 (56/2003):

(1) A municipality may enter into a contract, which will impose financial obligations on the municipality beyond a financial year, but if the contract will impose financial obligations on the municipality beyond the three years covered in the annual budget for that financial year, it may do so only if-

(a) The municipal manager, at least 60 days before the meeting of the municipal council at which the contract is to be approved-

(i) Has, in accordance with section 21A of the Municipal Systems Act-

(aa) made public the draft contract and an information statement summarising the municipality's obligations in terms of the proposed Contract; and

(bb) invited the local community and other interested persons to submit to the municipality comments or representations in respect of the proposed contract; and

(ii) Has solicited the views and recommendations of-

(aa) the National Treasury and the relevant provincial treasury;

(bb) the national department responsible for local government; and

(cc) if the contract involves the provision of water, sanitation, electricity, or any other service as may be prescribed, the responsible national department;

(b) The municipal council has taken into account-

(i) The municipality's projected financial obligations in terms of the proposed contract for each financial year covered by the contract;

(ii) The impact of those financial obligations on the municipality's future municipal tariffs and revenue;

(iii) Any comments or representations on the proposed contract received from the local community and other interested persons; and

(iv) Any written views and recommendations on the proposed contract by the National Treasury, the relevant provincial treasury, the national department responsible for local government and any national department referred to in paragraph (a)(ii)(cc); and

(c) The municipal council has adopted a resolution in which -
(i) It determines that the municipality will secure a significant capital investment or will derive a significant financial economic or financial benefit from the contract; 
(ii) It approves the entire contract exactly as it is to be executed; and
(iii) It authorises the municipal manager to sign the contract on behalf of the municipality.

(2) The process set out in subsection (1) does not apply to-
   (a) Contracts for long-term debt regulated in terms of section 46(3);
   (b) Employment contracts; or
(c) Contracts-
   (i) For categories of goods as may be prescribed; or
   (ii) In terms of which the financial obligation on the municipality is below-
       (aa) a prescribed value; or
       (bb) a prescribed percentage of the municipality’s approved budget for the year
       in which the contract is concluded.

(3) (A) All contracts referred to in subsection (1) and all other contracts that impose a financial obligation on a municipality-
   (i) Must be made available in their entirety to the municipal council; and
   (ii) May not be withheld from public scrutiny except as provided for in terms of the Promotion of Access to Information Act, 2000 (Act No. 2 of 2000).
(b) Paragraph (a)(i) does not apply to contracts in respect of which the financial obligation on the municipality is below a prescribed value.

(4) This section may not be read as exempting the municipality from the provisions of Chapter 11 (Goods and Services) to the extent that those provisions are applicable in a particular case.

The Local Government Municipal Finance Act depicts some regulations on local government supply chain management in Chapter 11 of the act, under section 112 as follows (56/2003):

(2) The regulatory framework for municipal supply chain management must be fair, equitable, transparent, competitive and cost-effective.

Section 113 covers the following on unsolicited bids, Section 113 (56/2003):

(1) A municipality or municipal entity is not obliged to consider an unsolicited bid received outside its normal bidding process.
(2) If a municipality or municipal entity decides to consider an unsolicited bid received outside a normal bidding process, it may do so only in accordance with a prescribed framework.
(3) The framework must strictly regulate and limit the power of municipalities and municipal entities to approve unsolicited bids received outside their normal tendering or other bidding processes.
The following (section 116) aspects pertains to local government contracts and contract management:

**Contracts and contract management Section 116 (56/2003):**

(1) A contract or agreement procured through the supply chain management system of a municipality or municipal entity must-

   (a) Be in writing;

   (b) Stipulate the terms and conditions of the contract or agreement, which must include provisions providing for-

      (i) The termination of the contract or agreement in the case of non- or under-performance;

      (ii) Dispute resolution mechanisms to settle disputes between the parties;

      (iii) A periodic review of the contract or agreement once every three years in the case of a contract or agreement for longer than three years; and

      (iv) Any other matters that may be prescribed.

(2) The accounting officer of a municipality or municipal entity must-

   (a) Take all reasonable steps to ensure that a contract or agreement procured through the supply chain management policy of the municipality or municipal entity is properly enforced;

   (b) Monitor on a monthly basis the performance of the contractor under the contract or agreement;

   (c) Establish capacity in the administration of the municipality or municipal entity-

      (i) To assist the accounting officer in carrying out the duties set out in paragraphs (a) and (b); and

      (ii) To oversee the day-to-day management of the contract or agreement; and

   (d) Regularly report to the council of the municipality or the board of directors of the entity, as may be appropriate, on the management of the contract or agreement and the performance of the contractor.

(3) A contract or agreement procured through the supply chain management policy of the municipality or municipal entity may be amended by the parties, but only after-

   (a) The reasons for the proposed amendment have been tabled in the council of the municipality or, in the case of a municipal entity, in the council of its parent municipality; and

   (b) The local community-

      (i) Has been given reasonable notice of the intention to amend the contract or agreement; and
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(ii) Has been invited to submit representations to the municipality or municipal entity.


**Public-private Partnerships Section 120 (56/2003):**

(1) A municipality may enter into a public-private partnership agreement, but only if the municipality can demonstrate that the agreement will-

(a) Provide value for money to the municipality;

(b) Be affordable for the municipality; and

(c) Transfer appropriate technical, operational and financial risk to the private party.

(2) A public-private partnership agreement must comply with any prescribed regulatory framework for public-private partnerships.

(3) If the public-private partnership involves the provision of a municipal service, Chapter 8 of the Municipal Systems Act must also be complied with.

(4) Before a public-private partnership is concluded, the municipality must conduct a feasibility study that-

(a) Explains the strategic and operational benefits of the public-private partnership for the municipality in terms of its objectives;

(b) Describes in specific terms-

(i) The nature of the private party's role in the public-private partnership;

(ii) The extent to which this role, both legally and by nature, can be performed by a private party; and

(iii) how the proposed agreement will-

(aa) provide value for money to the municipality;

(bb) be affordable for the municipality;

(cc) transfer appropriate technical, operational and financial risks to the private party; and

(dd) impact on the municipality's revenue flows and its current and future budgets;

(c) Takes into account all relevant information: and

(d) Explains the capacity of the municipality to effectively monitor, manage and enforce the agreement.

(5) The national government may assist municipalities in carrying out and assessing feasibility studies referred to in subsection (4).
(6) When a feasibility study has been completed, the accounting officer of the municipality must-

(a) 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 public-private partnership;

(b) At least 60 days prior to the meeting of the council at which the matter is to be considered, in accordance with section 21A of the Municipal Systems Act---

(i) Make public particulars of the proposed public-private partnership, including the report on the feasibility study; and

(ii) invite the local community and other interested persons to submit comments or representations in respect of the proposed public-private partnership; and

(c) Solicit the views and recommendations of-

(i) The National Treasury;

(ii) The national department responsible for local government;

(iii) If the public-private partnership involves the provision of water, sanitation, electricity or any other service as may be prescribed. The responsible national department; and

(iv) Any other national or provincial organ of state as may be prescribed.

(7) Part I of this Chapter applies to the procurement of public-private partnership agreements. Section 33 also applies if the agreement will have multi-year budgetary implications for the municipality within the meaning of that section.
Appendix

Appendix 11
Definitions from the Revised Health Charter for the RSA

Definitions from the Revised Health Charter for the RSA

(Refer to the Revised Health Charter for the RSA – 28 October 2005)

"Access" - means having the capacity and means to obtain and use an affordable package of health care services in South Africa in manner that is equitable;

"Equity" (in the context) in the context of access to the national health system - means the fair and rational distribution of an affordable package of quality health care services to the entire population of South Africa, irrespective of patients' ability to pay for such services and irrespective of their race, gender, sex, pregnancy, marital status, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, culture, language or birth; and 'equitable' has a corresponding meaning.

"Equity" in relation to any form of enterprise, - means the capital (in relation to invested in that enterprise in respect of which enterprise) members have a claim against the enterprise or against the other members of that enterprise by reason of holding an equity interest. Analogous terms and concepts include, but are not limited to:

(a) issued share capital in a company limited by shareholding or share capital in a co-operative society,
(b) the total of members' interests in a close corporation, and
(c) the total interest of all of the partners in a partnership; and
(d) and the total capital value of a trading trust or of a sole proprietorship.

"equity interest" in relation to a member, - means that portion of the equity which the individual members of an enterprise have as claims against the enterprise or against the other members of that enterprise, as the case may be, expressed as a percentage of the total equity in that enterprise. Specifically excluded from the definition of equity interest is a preference share, or a similar instrument or right, or that portion of debenture, similar instrument or right that represents debt. In addition, any instrument or right that does not confer upon the holder thereof a right to participate in the economic interest of the enterprise, shall not be considered to be an equity interest. Analogous terms and concepts include, but are not limited to:

(a) shares (or similar instruments conferring a right in respect of a company), in a company limited by shareholding, or shares in a co-operative society,
(b) members' interests in a close corporation, and
(c) a partnership interest in a partnership.

"Quality" - is the degree to which health services for individuals and populations increase the likelihood of desired health outcomes and are consistent with current professional knowledge. Quality has a number of different dimensions:

(a) Effective: delivering health care that is adherent to an evidence base and results in improved health outcomes for individuals and communities, based on need;
Appendix

(b) Efficient: delivering health care in a manner which maximizes resource use and avoids waste;

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(c) Accessible: delivering care in settings and at times which are readily accessible to the communities served;

(d) Acceptable: delivering care which takes into account the preferences and aspirations of individual service users and the cultures of their communities;

(e) Equitable: delivering care which does not vary in quality because of personal characteristics such as gender, ethnicity, geographic location or socioeconomic status;

(f) Safe: delivering care which minimizes risks and harm to service users.

"Quality improvement" is a planned, systematic, organisation wide approach to the monitoring, analysis, and improvement of organisation performance, thereby continually improving the quality of patient care and services provided.

"broad-based black - means the economic empowerment of all economic empowerment" black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to:

(a) increasing the number of black people that manage, own and control enterprises and productive assets;
(b) facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises;
(c) human resource and skills development;
(d) achieving equitable representation in all occupational categories and levels in the workforce;
(e) preferential procurement; and
(f) investment in enterprises that are owned or managed by black people; (definition from BBBEE Act No 53 of 2003);
Appendix 12  South African National Treasury (PPP) Project Cycle

PPP PROJECT CYCLE
Reflecting Treasury Regulation 16 to the Public Finance Management Act, 1999

INCEPTION
- Register project with the relevant treasury
- Appoint project officer
- Appoint transaction advisor

FEASIBILITY STUDY
Prepare a feasibility study comprising:
- Needs analysis
- Options analysis
- Project due diligence
- Value assessment
- Economic valuation
- Procurement plan

PROCUREMENT
- Design a fair, equitable, transparent, competitive, cost-effective procurement process
- Prepare bid documents, including draft PPP agreement
- Pre-quality parties
- Issue request for proposals with draft PPP agreement
- Receive bids
- Compare bids with feasibility study and each other
- Select preferred bidder
- Prepare value-for-money report

DELIVERY
- Measure outputs, monitor and regulate performance, liaise effectively, settle disputes
- Report progress in the Annual Report
- Scrutiny by the Auditor-General

EXIT

PPPs: A qualitative approach to prospects for pharmacy in the South African health care environment
Appendix 13  How to apply BEE PPP policy in the typical PPP structure

Adapted from the South African National Treasury PPP Unit’s Public Private Partnership Manual, Module 4, p. 2.
Appendix

Appendix 14 Organisational structure of the Project Development Facility

Organisational structure of the Project Development Facility

* CFO means Chief Financial Officer

Adapted from the South African National Treasury PPP Unit's Public Private Partnership Manual, Module 3, p. 34.
Appendix

Appendix 15  Stages of the PPP feasibility study

Stages of the PPP feasibility study

1. Needs analysis
   - Strategic objectives
   - Budget
   - Institutional environment
   - Output specifications
   - Project definition

2. Options analysis
   - Output analysis
   - Output selection

3. Project due diligence
   - Legal
   - Site
   - BEE and socio-economic

4. Value assessment
   - Base PSC
   - Risk-adjusted PSC
   - PPP reference
   - Risk-adjusted PPP
   - Sensitivity analysis
   - Affordability
   - Value for money
   - Procurement choice
   - Info verification

5. Economic valuation

6. Procurement plan

7. Feasibility study for TA.I

8. Revisiting feasibility study for TA.II

Adapted from the South African National Treasury PPP Unit's Public Private Partnership Manual, Module 4 p. 2
Appendix 16
The typical relationships in a project finance structure for a PPP

The typical relationships in a PPP project finance structure

Adapted from the South African National Treasury PPP Unit's Public Private Partnership Manual, Module 4 p. 29.
Appendix 17  Stages of procurement with indicative timelines (1)

(Read from right to left) (Part 1 of 2)
Appendix 18  Stages of procurement with indicative timelines (2)

(Read from right to left) contd.

Adapted from South African National Treasury PPP Unit's Public Private Partnership Manual, Module 5 pp. 2 - 3.
Appendix

Appendix 19  Key PPP agreement management functions

Adapted from the South African National Treasury PPP Unit’s Public Private Partnership Manual, Module 6 p. 2.
Appendix 20 South African National Treasury strategic framework

11.3.6 Strategic Framework

In the South African National Treasury strategic framework it aims to support national and provincial government departments in identifying, procuring and implementing PPPs. It provides a parallel framework to that of the Municipal Services Partnerships Policy, which supports service partnerships in the local government sphere (South African National Treasury, 2002:B 5).

In its manual for national and provincial department’s Strategic Framework, the South African National Treasury (2001:5) states that South Africa faces daunting challenges in the delivery of public services and infrastructure. Treasury (2001:5) further states:

*Although the government has implemented a range of infrastructure delivery (that have significantly increased access to services, large backlogs remain. Addressing backlogs in essential public services while maintaining sound fiscal policies requires greater efficiency in the delivery of public services. This will enhance the scope for increasing access to services and for providing services of a higher quality. All options for achieving greater efficiency in the delivery of public services need to be explored.*

11.3.7 Treasury regulations

The Treasury Regulations Section 16 of the Treasury Regulations deals with PPPs for national and provincial departments and Schedule 3 public entities issued in terms of the Public Finance Management Act 1999 and was published in the Government Gazette no. 23463 on 25 May 2002. The Minister of Finance has, in terms of Section 76 of the PFMA, amended the Treasury Regulations that were published in Government Gazette No. 22219 dated 9 April 2001, as set out in the Schedule published in Government Gazette no. 23463, dated 25 May 2002. The regulations relevant to this investigation were extracted and attached to this thesis as Appendix 10, p. 572.
11.3.8 Project Life-cycle

A schematic presentation of the PPP project life cycle is attached to this thesis as Appendix 12, p. 579 reflecting Treasury Regulation 16 in terms of the Public Finance Management Act. 1999 as amended. The sequence of activities by accounting officers of national and provincial departments and accounting authorities of schedule 3 public entities is schematically represented in the diagram (South African National Treasury, 2002:D 1).

11.3.9 Project finance

The Project Finance manual provides managers of public-private partnership (PPP) projects with a broad understanding of the process around project financing. Although the responsibility for arranging project financing lies with the private sector participant(s), all stakeholders must understand the process when evaluating the value for money conditions set out in the Treasury Regulations on PPP projects. Understanding the process will also assist departmental managers in managing transaction advisors and in negotiating with private sector parties. Finally, it is important to understand that the processes and structures used in the financing of projects are dynamic and continue to evolve. All stakeholders will therefore need to be flexible (South African National Treasury, 2002:E 5).

PPPs are often funded through the department’s budget, but may also be partially or completely funded by the users of the service (e.g. a toll road or port). PPP projects vary significantly in term and in structure. Every project requires a certain level of financing, but this Project Finance manual primarily addresses the financing of longer-term PPP projects in which the private sector provider is required to raise funds for capital investment. Most of these PPPs provide social services to the public (South African National Treasury, 2002:E 5).

The objective of using project financing to raise capital is to create a structure that is bankable (of interest to investors) and to limit the stakeholders’ risk by diverting some risks to parties that can better manage them. In project financing, an independent legal vehicle is created to raise the funds required for the project. Payment of principal, interest, dividends and operating expenses is derived from the project’s revenues and assets. The investors, in both debt and equity, require certain basic legal, regulatory
Appendix

and economic conditions throughout the life of the project (South African National Treasury, 2002:E 5).

The project’s revenues are obtained from the government and/or fees (tariffs) charged to the users of the service. In some projects, the private sector provider also pays concession fees to the government or to another designated authority, in return for the use of the government’s assets and/or the rights to provide the service, which is often a monopoly. In toll roads and ports projects, for example, the concession fee is based on the use of the service or the net income, giving the government a vested interest in the success of the project. In this case, the government's interests are comparable to those of an equity investor (South African National Treasury, 2002:E 5).

The rest of the Project Finance manual addresses the general structure of a project, funding alternatives, investor profiles, and the criteria investors will consider before and during the implementation and operation of the project. This is followed by a discussion of the terms and conditions often required by investors, and of the various financing (equity and debt) strategies to be considered by the sponsors of the project. The manual uses examples of existing PPP projects in South Africa, frequently referring to Trans-African Concessions (Pty) Limited (TRAC), which was awarded the 30-year build-operate-transfer (BOT) concession for the N4 toll road between Witbank, South Africa and Maputo, Mozambique (South African National Treasury, 2002:E 5).

11.3.10 Transaction advisors

The South African National Treasury encourages the use of external transaction advisors to assist in the preparation and implementation of PPP transactions, as the required expertise is seldom available in the public sector (South African National Treasury, 2002:F 3).

A transaction advisor is a person or group of persons (firm or company) that either possesses or has access to professional expertise in financial analysis, economic analysis, legal analysis, environmental analysis, contract documentation preparation, tender processing, engineering or cost estimating. The transaction advisor assists in bringing a PPP project from the concept stage through public bidding and award to actual execution (South African National Treasury, 2002:F 3).
Appendix

These Guidelines on appointing transaction advisors will assist departments in extracting maximum value from the participation of such advisors in PPP procurement. It addresses two problems currently facing departments implementing PPP projects:

- Departments have not always succeeded in attracting top advisors, generally because budget constraints limited their choices;

- Compensation is seldom directly tied to performance. More often than not, advisors are compensated on an hourly basis and have no incentive to close the transaction early (South African National Treasury, 2002:F3).

The Guidelines provide a framework within which proposals from potential transaction advisors can be evaluated. It sets out procedures that implementing departments may follow to stimulate a competitive environment, ensure transparency and attract top advisory firms at reasonable prices. The evaluation methodology proposed in the Guidelines strives to:

- Assign appropriate weightings to the technical capabilities of potential advisors;

- Limit the initial compensation (or retainer) to actual project administration and overhead costs;

- Shift the major portion of compensation (where advisors actually make “profits”) to the end of the transaction, making it dependent on a successful outcome or closure (i.e. a success fee).

Prospective transaction advisors should preferably be required to submit proposals in three sections:

- A technical proposal;

- A financial proposal;


A table may be used to summarize the weight allocation for the evaluation of a transaction proposal, showing the main sections of bid evaluation, range op point allocation and subsections as follows (South African National Treasury, 2002:F8):
TABLE 11.1 SUMMARY OF WEIGHT ALLOCATION FOR PPP TRANSACTION EVALUATION

<table>
<thead>
<tr>
<th>Main Sections</th>
<th>Band/Range of point allocation (%)</th>
<th>Subsections</th>
<th>Point allocation per section (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical</td>
<td>50 – 60</td>
<td>Experience</td>
<td>75</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Execution plan</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Project comprehension</td>
<td>15</td>
</tr>
<tr>
<td>Financial</td>
<td>30 – 40</td>
<td>Total cost</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Success fee</td>
<td>40</td>
</tr>
<tr>
<td>Preferential procurement</td>
<td>10 - 20</td>
<td>Management</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ownership</td>
<td>50</td>
</tr>
</tbody>
</table>

Adapted from: Version 1 – South African National Treasury PPP Manual (January 2001)

11.3.11 Feasibility studies

The guidelines for undertaking a feasibility study provide a framework for the format and content of feasibility studies, which are critical components in the PPP procurement project cycle. In doing so, the Treasury PPP manual attempts to draw on international best practice for the preparation of feasibility studies for PPP projects. In particular, it borrows from the United Kingdom’s Treasury Private Finance Initiative (PFI) Task Force guideline document, “How to Construct a Public Sector Comparator” (South African National Treasury, 2002:G 3).

In order to comply with the provisions of the Treasury Regulations, government departments embarking on PPPs require Treasury authorisation at three distinct phases of the PPP project cycle. The three authorisations may be described as follows (see chart p. G4-PPP manual feasibility study – Appendix 15, p. 582):

- Treasury Authorisation (TA) I – Demonstrating “Affordability”. The first Treasury authorisation entails the submission to Treasury by the sponsoring department of a feasibility study, which must demonstrate “affordability”, as well as provide an initial indication of how “value for money” will be achieved, through appropriate risk
transfer. Approval by Treasury allows the sponsoring department to proceed with the drafting of the necessary tender documents and draft contracts;

- Treasury Authorisation (TA) II – Demonstrating “Value for Money”. The second Treasury authorisation entails the submission to Treasury by the sponsoring department of the draft request for proposal (RFP) and draft contract documents, their distribution, the conduct of the “value-for-money” test, and the selection of a preferred bidder. Approval by Treasury allows for the appointment of the preferred bidder and the negotiation of the PPP contract leading to financial closure;

- Treasury Authorisation (TA) III – Financial Closure. The third Treasury authorisation entails the submission to Treasury by the sponsoring department of the proposed final contract for approval of all budgetary commitments attendant to the agreement. Approval by Treasury allows for this to be signed by the parties (South African National Treasury, 2002:G3).

The development of a well-structured feasibility study is therefore a critical part of the PPP planning cycle. Firstly, the information contained therein provides:

- A necessary costing (explicit and hidden) of the output specification, and an indication that this can be met from within departmental budgets without disruptions to other activities;

- It ensures that projects are developed around proper business plans, which can then, at a later stage, be clearly and unambiguously communicated to prospective private sector partners to the project (South African National Treasury, 2002:G3).

Thus, the development of a feasibility study should be taken as an evolving dynamic process that provides critical inputs during all phases of a PPP planning cycle. In other words, the feasibility study is completed as part of TA I, primarily to obtain Treasury approval for affordability, but the information contained therein is used to obtain Treasury approval at TA II and TA III. This is described in the table below:

(See the next page)
Table 11.2 Feasibility Study and the PPP Project Life Cycle

<table>
<thead>
<tr>
<th>Treasury Authorisation I – conducting a feasibility study</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Sector needs Assessment;</td>
</tr>
<tr>
<td>• Output Specifications;</td>
</tr>
<tr>
<td>• Options Analysis;</td>
</tr>
<tr>
<td>• Constructing a Public Sector Comparator;</td>
</tr>
<tr>
<td>• Establishing the benchmark for value for money;</td>
</tr>
<tr>
<td>• Demonstration of project affordability.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Treasury Authorisation II – Using the benchmark established in the feasibility study to conduct the “value for money” test.</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Ensuring that the final bid package (RFP and draft contract) documents which form the basis of private sector proposals are consistent with the features of the feasibility study that demonstrates affordability;</td>
</tr>
<tr>
<td>• Conducting the value for money test</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Treasury Authorisation III – Revisiting the feasibility study to ensure consistency with the key financial commitments contained in the contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensuring that the basis for affordability and value for money did not change during final negotiations/financial closure.</td>
</tr>
</tbody>
</table>

Adapted from: Version 1 – South African National Treasury PPP Manual (January 2001)

Best practice, therefore, suggests that the feasibility study should contain the following key sections:

• Sector needs-assessment;

• Output specification;

• Options analysis;

• Constructing a public sector comparator;

• Demonstrating affordability;

• Preparing a benchmark for “value for money” (South African National Treasury, 2002:G 5).
Explaining the six key sections of the feasibility study as mentioned a short discussion of each entails the following:

11.3.1.1 The Sector needs-assessment

A review of sector policies and priorities should be undertaken and an assessment made as to how the project fulfils sector needs. Prioritisation of the project will be based on several issues including, but not limited to, the following:

- The way the project contributes to the implementation of government and department policy;
- The capacity and ability of departments to render the services the relative size of the project;
- Potential cost savings to the department;
- Market interest in providing the services;
- Capacity of the private sector to provide the services;
- Complexity of the project;
- Requirements of the public;
- Prospect for meeting the affordability and value for money criteria based on preliminary analysis (South African National Treasury, 2002:G 6).

11.3.1.2 Output Specifications

Once a project has been selected based on the criteria set out above, it should be defined with respect to the services the treasury department requires and the level of risk to be transferred to the private sector. The project should therefore be defined as an output specification, which is simply a statement of the needs to be satisfied by the procurement of external resources (South African National Treasury, 2002:G 6).

11.3.1.3 Options Analysis

Based on the project definition, an "options analysis" for selecting the most appropriate form of procurement should be spelt out. The final selection of an option should be based on:

- The ease of implementation (based on the enabling environment);
Appendix

- Maximisation of benefits to the stakeholders;
- The ability to control and manage risk.

It must be borne in mind that the "options analysis" determined at this point may well change after the affordability test has been conducted. If affordability is not demonstrated, it may be necessary to revisit the original option (South African National Treasury, 2002:G 6).

11.3.1.4 Constructing a Public Sector Comparator

Once the structure of the project has been established, the next step is to develop a Public Sector Comparator (PSC). A PSC is defined as a risk-adjusted costing, by the public sector as a supplier, to an output specification produced as part of the PPP procurement exercise.

The PSC:
- Is based on the recent actual public sector method of providing that defined output (including any reasonably foreseeable efficiencies the public sector could make);
- Takes full account of the risks, which would be encountered (South African National Treasury, 2002:G 6).

The PSC exercise should be undertaken using nominal values. In other words, all PSC costs should be expressed in inflated terms, i.e. the effects of expected future inflation should be included. This is because nominal figures reflect the true nature of costs, as not all costs are inflated at the same rates. This also allows for easy comparison with the budget, which is expressed in nominal terms. In the development of inflation projections, reference should be made to the inflation targets set by the Reserve Bank.

The level of complexity of the PSC model will vary depending on the level of complexity of the project being considered. Simple output specifications can be analysed using a simple cash flow analysis. On the other hand, a complex PSC, for projects that include capital investment and/or revenues generated from providing the service, may on the other hand include:
Appendix

- An Income Statement that sets out the revenues and expenses to be incurred by the project in each period (e.g. year)

- A Balance Sheet that presents the financial position (e.g. the cash position, the depreciated value of assets and amount of debt outstanding) of the project at the end of each period;

- A Cash Flow Statement that sets out the inflow and outflow of cash for each period (South African National Treasury, 2002:G 6).

In complex capital projects, departments must give serious consideration to the appointment of specialist transaction advisors to assist in the development of the PSC. (The South African National Treasury does supply separate guidelines for the appointment of Transaction Advisors)

The PSC process typically involves two steps and is attached as Appendix 9, p. 569 to this thesis. (Refer to South African National Treasury, 2002:G7).

11.3.11.5 Defining Risk

The following table describes the main general types of risk that public sector departments are likely to encounter:

(Please turn to the following page)
<table>
<thead>
<tr>
<th>Risk</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability risk</td>
<td>The risk that the quantum of the service provided is less than required under the contract.</td>
</tr>
<tr>
<td>Construction risk</td>
<td>The risk that the construction of the physical assets is not completed on time, to budget and to specification.</td>
</tr>
<tr>
<td>Decant risk</td>
<td>The risk arising in accommodation projects relating to the need to decant staff/clients from one site to another.</td>
</tr>
<tr>
<td>Demand risk</td>
<td>The risk that demand for the service does not match the levels planned projected or assumed. As the demand for a service may be (partially) controllable by the government, the risk to the public sector may be less than that perceived by the private sector.</td>
</tr>
<tr>
<td>Design risk</td>
<td>The risk that the design cannot deliver the services at the required performance or quality standards.</td>
</tr>
<tr>
<td>Inflation risk</td>
<td>The risk that actual inflation differs from assumed inflation rates.</td>
</tr>
<tr>
<td>Legislative risk</td>
<td>The risk that changes in legislation increases costs. This can be subdivided into general risks such as changes in corporate tax rates and specific ones that may discriminate against PPP projects.</td>
</tr>
<tr>
<td>Maintenance risk</td>
<td>The risk that the costs of keeping the assets in good condition vary from budget.</td>
</tr>
<tr>
<td>Occupancy risk</td>
<td>The risk that a property will remain untenanted - a form of demand risk.</td>
</tr>
<tr>
<td>Operational risk</td>
<td>The risk that operating costs vary from budget, that performance standards slips or that the service cannot be provided.</td>
</tr>
<tr>
<td>Planning risk</td>
<td>The risk that the implementation of a project fails to adhere to the terms of planning permission, or that detailed planning cannot be obtained, or, if obtained, can only be implemented at costs greater than in the original budget.</td>
</tr>
<tr>
<td>Policy risk</td>
<td>The risk of changes of policy direction not involving legislation.</td>
</tr>
<tr>
<td>Residual value risk</td>
<td>The risk relating to the uncertainty of the value of physical assets at the end of the contract.</td>
</tr>
<tr>
<td>Technology risk</td>
<td>The risk that changes in technology result in services being provided using non-optimal technology.</td>
</tr>
<tr>
<td>Volume risk</td>
<td>The risk that actual usage of the service varies from the level forecast.</td>
</tr>
</tbody>
</table>

Adapted from: Version 1 – South African National Treasury PPP Manual (January 2001)
The South African National Treasury guidelines state that, estimating probabilities is not an exact science and inevitably assumptions – sometimes quite bold ones – have to be made. Although there is nothing wrong with this, it is important to ensure that assumptions are reasonable and fully documented, as they may be open to challenge later on in the procurement process. Even when the risk appears to be low, it cannot be dismissed as negligible because the economic impact is high (e.g. a collapse of a bridge). In this case, a small change in the assumed probability can have a major effect on the expected value of the risks. If there is doubt about the ability to make meaningful estimates of probability, it is best practice to itemise the risk (using a subjective probability), rather than to ignore the risk altogether. Moreover departments should be prepared to revisit initial estimates as the negotiations develop; if they consider that they have learnt something new that materially affects the initial estimate (South African National Treasury, 2002:G 8).

As with all costs, any estimates of third party revenues should include any revenue risk factors (e.g. demand for services to be produced) that may arise. The method to be used in determining these risks should be similar to that used in determining the risk associated with the costs (South African National Treasury, 2002:G 8).

11.3.11.6 Demonstration of project “affordability”

Affordability relates to whether the cost of the project over the whole project life can be accommodated in the budget of the sponsoring department, given its existing commitments. This is different from value for money, which simply means that private provision of a government function/service results in a net benefit to government, defined in terms of cost, price, quality, quantity, or risk transfer, or a combination thereof. A particular PPP contract may thus be unaffordable, even though it provides value for money. If a project is unaffordable, it undermines the Government’s ability to deliver other services and should not be pursued, even if there is a possibility that it may meet value for money criteria. As a point of departure for determining the project budget, departments should refer to the National Medium Term Expenditure Estimates (NMTEE), but should also explore their own detailed budgets to determine the amount available for the project output specification. In determining the available budget, departments should follow the same format as for the preparation of the PSC, and include all the applicable amounts from the budget (i.e. direct and indirect costs, as well as any third party revenues). Where necessary, departments should include budgetary
allocations that reside on other departmental budgets (such as capital works items for
government accommodation on Public Works votes) that would be available to the
project (South African National Treasury, 2002:G8).

Many PPP projects, particularly those involving private capital investment, are likely to
extend beyond the 3 years of the Medium Term Expenditure Framework (MTEF). It will
therefore be necessary for departments to extrapolate their budgets beyond the MTEF,
in order to make meaningful comparisons with the cost of the PPP project. As a rule of
thumb, it is prudent to assume that budgets remain constant in real terms (i.e. they
increase only in line with inflation) over the duration of the project. Any change to this
assumption will need to be well argued and documented (South African National
Treasury, 2002:G8).

It may be prudent (cost-effective and efficient) to undertake a preliminary analysis of
whether a project will meet the affordability test, by comparing the budget with the PSC
cash flows. This exercise will provide department managers with an initial indication of
affordability and whether the approach will succeed (South African National Treasury,
2002:G9).

The risk-adjusted PSC is not, however, the appropriate comparator with the budget, as
this assumes that the public sector is the supplier of the output specification. The PSC
must therefore be adjusted to form the **PPP-reference**. These adjustments are to reflect
the costing of an output specification by the **private sector** as supplier. This adjustment
process is not as difficult as it may seem, and is explained in the South African National
Treasury's PPP Manual (See Feasibility Study – Version 3 – South African National

Qualitative factors may be included in the feasibility study. While preparing the PSC it is
likely that there will be a number of qualitative benefits associated with the implement-
tation of a project which may not be quantifiable and hence not considered as factors to
offset the costs. While financial considerations are likely to drive the affordability test
(although to a lesser extent the value for money test conducted later), it is important that
these qualitative factors be identified in the feasibility study (South African National

The PSC benchmark is also used to conduct a value-for-money test. It must be
remembered that the value for money test is only conducted as part of TA II, on receipt
of the private bids. It is nevertheless useful to get an initial indication of how that test will
be conducted. This is described in the preceding paragraphs. It must be noted too that value for money is only a necessary condition for PPP procurement, but not a sufficient one. In other words, affordability is the driving constraint in all PPP projects (South African National Treasury, 2002:G11).

Value for money will be determined by comparing the PSC, as defined earlier, to the private sector proposals on a net present value (NPV) basis. The purpose of using an NPV calculation in determining the value of a project is based on the premise that a Rand received today is more valuable than a Rand received at some future date. The timing of the cash flows for the private bids and the PSC are often quite different from each other, and therefore difficult to compare without adjusting for the time value of money. By taking into account this time value of money, the discounted cash flow allows private project proposals to be compared to each other and ultimately to the PSC. The extent to which a Rand today is worth more than a Rand in the future is determined by the discount rate used in developing the NPV. The higher the discount rate the less significant the present value of a Rand in the future. By the same token, the lower the discount rate, the higher the present value of the Rand in the future, although always less than a Rand today (South African National Treasury, 2002:G12).

It is for this reason that it is critical that an appropriate discount rate be used and that the forecasted cash flows set forth in the PSC (and later in the private sector proposals) be scrutinized closely. There are several methods for determining an appropriate discount rate. The discount rate is the time preference of money, but is assumed to be near enough for practical purposes to equal the risk-adjusted cost of capital to the Government. The rate used to date by the Department of Public Works (DPW) and the National Roads Agency (NRA) is the government bond yield for a term comparable to the term of the particular PPP project. The argument in favour of using the government bond yield is that it reflects the actual cost of raising funds by the government at any given time. This ignores a number of factors that are difficult to quantify including:

- Various risk margins relating to increased Government borrowing
- Various tax implications of diverting funds from private to public consumption
The UK has used an average margin of 1.5% over its bond yield in determining the discount rate/cost of capital. The spread for South Africa should probably be higher at between 2.5% and 3.5% above the bond yield because of greater risk. This gives a recommended real discount rate range of between 9% and 13%. This range is to be used when undertaking an NPV assessment. These discount rates must be adjusted for inflation using the same index that was used as a proxy for the inflation effects in the PSC cash flow forecast (South African National Treasury, 2002:G 12).

In order to provide a consistent basis for value for money comparison, private bidders should be instructed to prepare their bids using both the high and low discount rates referred to above (i.e. 9% low and 13% high). If both rates support or reject the value for money of the project (when compared with the NPV of the PSC), the result is clear. However, if only one of the discount rates meets the value for money criteria, the project should be further examined, taking into consideration the sensitivity of the independent variables and how they may affect the results, as well as the importance of the qualitative factors (South African National Treasury, 2002:G 12).

The significance of the discount rate on the discounted cash flow (and hence on value for money) is discussed in more detail in Annexure 1. Given this significance, Treasury is constantly reviewing the discount rate to determine the appropriate rate or a range of rates to be used in deriving the NPV of PPP Projects (South African National Treasury, 2002:G 12).

When conducting the value for money test, consideration should also be given to the residual value of assets created during the project. The correct treatment in the PSC will depend on the arrangements involved under the alternative PPP procurement. This may mean that certain specific aspects of the PSC cannot be finalised until the termination arrangements of the alternative PPP procurement are clear (South African National Treasury, 2002:G 12).

Where the PPP contract does not pass residual value risk to the supplier the asset simply returns to the sponsoring department for zero or nominal consideration. The economic effect is that the supplier must earn a return on its initial investment through the service charges payable during the service period. However, the sponsoring department is left with an asset with a remaining useful economic life and theoretically there should be a deduction from the NPV of the service charges to reflect the lower true net cost of the services provided under the contract.
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Where such a deduction is made to the cost of the PPP option an equivalent deduction should be made from the PSC. In each case, the market value of the asset to the client is the appropriate figure. As there is unlikely to be a material difference between these two estimates it is usually legitimate to exclude the residual value on the grounds that it will not affect the comparison. The key point is to achieve consistency of approach, i.e. either include a deduction for residual value in both calculations or exclude it in both calculations (South African National Treasury, 2002:G 12).

Where the PPP contract does involve residual risk being passed to the supplier, the sponsoring department will usually have the option to pay an amount equal to market value at the end of the contract, in order to retain the asset, or to pay nothing and to “walk away” i.e. leave the asset with the supplier. In this case, no residual value deduction is needed from the NPV of the service payments to calculate the NPV of the services under the PPP. However, for the PSC calculation an assumption would have to be made regarding the deduction needed to avoid overstating the cost of services (South African National Treasury, 2002:G 13).

The feasibility study is revisited prior to the signing of the contract. Finally, it is worth noting that the key financial data underlying the feasibility study will have to be revisited prior to financial closure, in order to ensure that the project as set out in the contract remains affordable and will provide value for money to Government over its duration (South African National Treasury, 2002:G 13).

11.3.12 Request for proposals

The South African National Treasury’s PPP Manual (Version1) provides a guideline and information regarding requests for proposals (RFP), and how to plan properly for, prepare, structure, package and tender PPP contracts by governmental departments. Although there are commonalities with traditional forms of contract tendering, dealing with public-private partnerships adds additional dimensions. Because each individual project is unique, the PPP Manual should not be interpreted as a hard and fast instruction in all cases, but as a guideline for the normal processes of preparing an RFP (South African National Treasury, 2002:H5).

The RFP is a package of official project documents, which serve to define exactly what the implementing department wishes the proposers to bid on. The RFP must be comprehensive, complete and well thought out by the implementing department, in
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advance of any announcements or release of documents. The documents comprising an RFP are sometimes referred to as the Tender Package or Bid Package (South African National Treasury, 2002:H12).

The RFP should be well organised and should clearly structure the format of the bidder’s proposal for ease of reviewing and scoring of proposals on a common basis. The rules and schedule of the bidding process should be clearly set out, including definitive information concerning such events as the Pre-Bid Conference and Bid Submission Deadline. The RFP must contain an output specification of one form or another, which clearly states the requirements of the procuring authority. Also, very close attention should be paid to how the proposal is to be submitted. The recommended procedure is a “two envelope” system, which requires bidders to submit the technical proposal, preferential procurement plan, and ancillary forms in the first sealed envelope, with the financial proposal in a second sealed envelope (South African National Treasury, 2002:H12).

The RFP should contain at least the following sections:

- Introduction;
- Description of the project;
- Output specification;
- Project milestones;
- Instructions to bidders;
- Form of contract;
- Bid forms;
- Supplemental information.


11.3.13 Unsolicited Proposals

Government departments are under no obligation to accept any unsolicited proposal from a private party. Nor are departments responsible for any costs that a private party

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may incur in preparing and submitting such a proposal. Similarly, government should not have any claim for damages or loss of earnings or loss of profit, or any other compensation whatsoever, in the event of a proposal's being withdrawn, aborted or abandoned by the proponent. This no-claim relationship should continue until such time as a department enters into a formal agreement with the proponent as scheme developer, described below (South African National Treasury, 2002:14).

In order to qualify as an unsolicited proposal, the proposal must contain, inter alia, the following:

- A clear description of the objectives, scope and expected outcomes of the proposal, as well as their consistency with government’s strategies, policies and priorities, together with a key plan to elucidate the description;
- A description of the proposed transaction structure (i.e. management contract, lease, BOT, concession, etc.);
- A description of the population to be served, stakeholder identification, and environmental standards;
- A description of the time frame for project development and implementation;
- Cost estimates of sufficient accuracy to illustrate the financial viability of the project – this must also identify whether government is expected to contribute financially (i.e. if there are any direct or indirect subsidies involved);
- Minimum design standards and performance criteria;
- A list of the parties making the proposal and their partners, if any, as well as details of their capabilities and relevant experience in the field of the proposal;
- A list of all conditions precedent which are part of the proposal, or which remain to be overcome, and which will be required to be fulfilled prior to the implementation of the project (South African National Treasury, 2002:14).

Once the proposal has been developed to the point where, at the sole discretion of the sponsoring department, it satisfies the terms of the agreement, that department in writing must accept it (South African National Treasury, 2002:15).
Upon successful completion of the development phase and the acceptance of the proposal by the sponsoring department, transaction advisors will be required to compile tender documentation under departmental supervision. Once again, this is to ensure that conflict of interest is avoided. However, the costs incurred for transaction advice are now for the account of the sponsoring department, as the rights to the proposal have now been transferred to the said department in terms of the Agreement (South African National Treasury, 2002:16).

The scheme developer may now bid along with all other interested parties for the project. From this point onward, the normal competitive bid evaluation and award process must be followed. The sponsoring department will be under no obligation to select any particular tenderer (South African National Treasury, 2002:16).

In the event that the scheme developer is not appointed as the preferred tenderer, it will be reimbursed for its costs as stipulated in the agreement. If the scheme developer is the successful tenderer, it obviously has no claim on the costs it has incurred through the development of the unsolicited proposal (South African National Treasury, 2002:16).

In cases where more than one proposal is received for the same or a similar project at the same location, before the department has awarded scheme developer status, the following must apply (South African National Treasury, 2002:16):

- If the projects are materially the same, a "first-come-first-served" approach should be adopted by the department, and the second proposal must be returned to its proponent;

- If two or more projects, at one location, having common elements, but being substantially different in other respects, are submitted, the department can decide at its sole discretion which of the projects is the most desirable, and return the other its proponent. Alternatively, the department can choose to proceed with both proposals up to the first stage Treasury Authorisation, at which time it must proceed with the proposal that best meets Treasury's conditions (South African National Treasury, 2002:16).

11.3.14 Departmental budgeting

PPPs in interaction with the Treasury's budgeting process indicate the necessity of timeous planning and the necessity of a strategic approach to development of these
partnerships. The South African National Treasury guidelines shows how budgeting for PPPs is to be integrated with departments’ annual budgeting processes, within the three-year framework of the Medium Term Expenditure Framework (MTEF) and over the duration of a PPP. The PPP Manual (Version 3) should be read alongside the Feasibility Study Guidelines. For more information on the budget process itself, readers should consult the Treasury Guidelines for MTEF Budget Submissions (South African National Treasury, 2002:J3).

Treasury Regulations require departments to ensure that proposed PPPs are affordable. This means that the financial commitments to be incurred must be available within the department’s existing budget; and destined for the department in accordance with the relevant treasury’s future budgetary projections for the department. PPPs are not a way to circumvent the budget. They entail the effective management of cash flows, and must be planned for within the normal budgetary process. This requires appropriate planning, both internally and with other departments, reliable information and timeous submission as part of the department’s budgeting interactions with Treasury (South African National Treasury, 2002:J3).

In relation to processes, PPPs pose a particular challenge for departments. On the one hand, the basics are fairly obvious. As with any other departmental project, the necessary preparatory work must be done within the department and in the budget process exchanges with Treasury. As with any other project, this must be formulated within the department’s business plan, and within the three-year budget horizon of the MTEF. On the other hand, however, PPP projects mostly stretch over a considerably longer time frame than the MTEF. Concessions can run over periods of 25-30 years. This requires careful cash flow projections. These aspects must be dealt with in the feasibility study when value for money and affordability is assessed.

The stages of national budgeting and its time frames should be taken into consideration. The critical period is typically between March and November each year, when several political and technical processes are geared towards the identification of policy and budget priorities and the refinement of the necessary allocations.

The first point of entry into the budget process for a particular year is during the first Cabinet deliberations on policy priorities in the preceding year. In January, Cabinet normally has a special strategic workshop/lekgotla. Priorities identified here are typically reflected in the President’s speech at the opening of Parliament. These priorities also
form the basis for the National Treasury's Cabinet memorandum on budget policy priorities, which is drafted around April (South African National Treasury, 2002:J3).

Treasury's Cabinet memorandum sets the framework for the budget. It also takes account of the outcomes of a preceding discussion at the Forum for South African Directors General (FOSAD) in the early part of the year. The document is then discussed at a meeting of the Budget Council (consisting of the Minister of Finance and all provincial MECs for Finance) and at a meeting of the Ministers' Committee on the Budget (Minco Bud). Cabinet would likely discuss the memorandum in May (South African National Treasury, 2002:J3).

The idea at this stage is not to discuss specific projects and budget items. But if PPPs are to be pursued in a new area, it may be an opportune time to reflect this in departmental inputs to these processes. Departmental officials would in any event be well advised to inform their Ministers and Directors-General about proposed PPPs at this stage. Such information could at least facilitate the necessary nuances during the discussions of policy priorities (South African National Treasury, 2002:J4).

More specific reference to projects could be made during the phase of the budget, which stretches from May to August. During this period various so-called "sectoral 4x4 meetings" involve the relevant national and some provincial departments and treasuries in discussions about sectoral priorities. A series of joint MinMecs – function-based committees, which include relevant national Ministers and Provincial MECs – enable departments to engage with the national and provincial treasuries to discuss the evolving budgets. Any PPPs intended to be reflected in the next year's budget must, at this stage, certainly form part of the department's inputs into these processes.

The aim is to influence the fiscal framework and draft Division of Revenue Bill that National Treasury will submit for discussions in August. Between April and August, departments and the National Treasury work closely together to develop and refine the budget options for submission to the Budget Council, Cabinet and others.

Meanwhile, due feasibility studies should assess the affordability of the proposed PPP and the value for money that it offers. If such studies have not been completed by the time budget inputs are required, the department would have to wait for the next budget cycle to get the project catered for. If the project is not within the budget, Treasury
authorization for the project will not be obtained (South African National Treasury, 2002:J4).

A critical cut-off point is in September when the Medium Term Expenditure Committee (MTEC) hearings take place. All departments and provinces submit their budget options to a panel, and the various projects and items should be well articulated and motivated. The submissions are normally done in June and are first discussed and evaluated by Treasury spending teams in July and August before they go to the MTEC in September. Proposed PPPs, and their medium-term budget implications, must be submitted here. Given the long term cash flow implications, the panel is likely to enquire about longer term trends affecting PPPs; hence the need to have a fairly developed feasibility assessment by this stage (South African National Treasury, 2002:J4).

The MTEF projections are then finalized to be included in the revised fiscal framework. Normally this is a process of refinement, but it is the last opportunity for a department to closely engage with the Treasury about project priorities. When the Medium Term Budget Policy Statement (MTBPS) is published in late October, the framework is pretty much in place.

All that remains then is for departments to finalize their budget documents in November/December, for submission to the Treasury in January. The National Treasury then finalizes the MTEF for the presentation of the budget in February. Provincial budgets are presented in February/March (South African National Treasury, 2002:J5).

This process outline shows that the period between March and November is critical to get proposed PPPs onto the budget for the next financial year and the forthcoming three-year MTEF period. This is essential for departments desirous of receiving Treasury authorisation for their PPPs; as such projects will not be approved if they are not budgeted for (South African National Treasury, 2002:J5).

The PPP-specific budget issues and activities, as well as the budget documents, are discussed in further detail in the South African National Treasury, PPP manual – (Version 1) p.7 - 10.
Appendix 21  NVIVO EXPLORER – CAUSAL ELEMENTS

Diagram Key:

- Documents
- Themes (NVivo Nodes)
- Categories

SA National Health Bill
BEE Act, no. 53 of 2003
Municipal Finance Management Act, no. 56 of 2003
The Competition Act, no. 89 of 1998

Category 1: Legislation, Politics & Policy

Category 2: Drivers

Aims of the Public & Private sectors

Players

Drivers

New legislation

SA National Treasury PPP Manual
Abstract SA Treasury Budget
BEE - The Way to BEE (Dekker, 2004)
Appendix 22  NVIVO EXPLORER – PHENOMENA ELEMENTS

Category 1 - Background of the Phenomena
- Vested Interests
- Trends: Rub. & Priv. Sectors
- Status quo
- Debates
- Interactions between Rub. & Priv. Sectors
- Processes
- Progress
- Opportunities

Category 2 - Negative Phenomena
- Threats to Public Sector
- Threats to Private Sector
- Barriers & Constraints
- Failures of the past
- Expectations
- Critical issues & Factors

Category 3 - Positive and Dynamic Phenomena
- Motivators: Rub. & Priv. Sectors
- Collaboration
- Visions

Category 4 - Urgent or Pressing Phenomena

Appendix W  NVivo Model Explorer - PHENOMENA ELEMENTS

2nd Thematic Category structure
Appendix 23  NVIVO EXPLORER – CONTEXT ELEMENTS

The 3rd Thematic category structure

Category 1 - Legislation
- SA National Health Bill
- Municipal Finance Management Act, no. 56 of 2003
- The Competition Act, no. 89 of 1998
- SA National Treasury Regulations

Category 2 - Perceptions & Context
- Perceptions by Private Sector of the Public Sector
- Perceptions by Public Sector of the Private Sector

Category 3 - Strengths & Weaknesses
- Strengths & Weaknesses - Private Sector
- Strengths & Weaknesses - Public Sector

Category 4 - Sustainability
- Economics
- Viability
Appendix 24  NVIVO EXPLORER – STRATEGY ELEMENTS

[Diagram showing strategic elements, categories, and connections such as strategic elements, possible PPPs, capacity building, potential gains, levels of governance, etc.]

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Appendix 25  NVIVO EXPLORER – THESIS DEPLOYMENT

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Appendix 26   Recommendations for future research

Literature revealed that internationally, amongst others, studies on the conditions for partnership "success" and "effectiveness" is needed (Clarke, 1998:39). At the national level, the South African Parliamentary Cabinet (2003) called for the establishment of a research programme that would focus on practical questions to promote a better understanding and improve the provision of comprehensive health care and treatment. From the empiric part of this study, certain areas for future research were identified. It were subsequently summarised as follows:

- According to Du Toit (2003), a shortfall exists in the annual provincial procurement figures for medicine for purposes of budgeting. True knowledge of these figures by means of future research may influence decisions on PPP development. The following aspects could be investigated by means of future research:
  - Actual medicine usage;
  - Wastage of drugs;
  - Theft of medicinal items;
  - Non-compliance with treatment;
  - Issuing of medicine that is more expensive because cheaper versions are out of stock;
  - Over/wrong stock ordering;
  - Expired stock;
  - Private use and pilferage;
  - Medicine items remaining on shelves for long periods or not used at all.

- Research is required into the real costs of pharmaceutical service delivery in both sectors since valid statistical information is required in order to effect comparative and comprehensive decision taking when a PPP development project is considered (refer interviewee 18/2003 par. 171).

- Future research is required on the existing service levels of both sectors. The conceptualisation and perceptions of pharmaceutical service delivery and in
particular the services rendered by the public sector as experienced by the general public, may be investigated in future, refer interviewee 13/2003 par. 322.

- More knowledge is required on aspects such as the efficiency of pharmaceutical services in both sectors, the impact of waiting times, the interaction between the patient and the pharmacist, quality and quantity of counselling and the types of interactions, refer interviewee 2/2002 par. 830.

- The investigation of the status of "drug supply management" in the public sector, as this aspect of pharmaceutical service delivery may be under-developed in the sector concerned, (refer interviewee 12/2002 par. 157).

- A re-investigation on the necessity and viability of a pharmaceutical primary health care service delivered to certain low-income groups, based on previous research done by Lamprecht (1995). The outcomes of the previous study may serve as a benchmark for the new investigation.

- Relevant members of the Provincial Executive Council must ensure the implementation of national health policy, norms and standards in his or her province. The head of a provincial department must, in accordance with national health policy and the relevant provincial health policy in respect of or within the relevant province, conduct or facilitate research on health and health services according to the South African National Health Bill (2003, Chapter 4, Article 25).

- Moreover, in terms of the South African National Health Bill (2003) Chapter 9 Article 69, the Minister establishes a committee known as the National Health Research Committee. The National Health Research Committee has to:
  
  (a) Determine the health research carried out by public health authorities;

  (b) Ensure that health research agendas and research resources focussed on priorities;

  (c) Develop and advice the Minister on the application and implementation of the National Health Bill;

  (d) Co-ordinate the research activities of public health authorities and health problems;

  (e) Integrate national strategy for health research.
In Chapter 9 (section 75) on National Health Research and Information of the National Health Bill the provincial province’s duties in relation to health information is described. The relevant member of the Provincial Executive Council has to establish a committee for his or her province to establish, maintain, facilitate and implement the health information systems contemplated in section 74 (of the Bill) at provincial and local level. The scope of future research on the PGM for PPPs in South Africa focussed in order to seek support on health information. In terms of section 76 of the Bill, the same would apply to research conducted at local municipal level.

Future research projects based on a joint ventures among the public health sector, organised private sector pharmacy and tertiary institutions as proposed by interviewee 22/2003 par. 222. The proposal aims at research on a new model in order to make medicines more affordable by means of research on service delivery models, demographic needs and the establishment of benchmarks for future comparison.

Another field of investigation in order to bolster the PGM on PPP development would be research on the construction of a capitation fee pharmaceutical service delivery model, which would prove to be cost-effective in pharmacy practice, (refer interviewee 13/2002 par. 97).

Research into a component for the PGM would include the development a model or scheme within the pharmaceutical sector consisting of a network of pharmaceutical service providers, working with a cost-efficient formulary in collaboration with the medical aid schemes and targeting pro-active and preventative health care in a section of the South African population (refer interviewee 13/2002 par. 108).

An investigation into the location of capital and the genesis of financial resources for a PGM would be advantageous to PPP development in South Africa, (Refer interviewee 13/2002 par. 162.)

The synchronisation and compatibility of IT technology with specific reference to electronic claiming payments from service providers. This was identified to be a major obstacle to PPP development and should be investigated (refer interviewee 29/2004 par. 79).

Further research into another component for the PGM would include the development of a system for the PGM within the pharmaceutical sector, which would
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be equipped to manage financial and clinical risk in a real time environment, (refer interviewee 29/2004 par. 411).

- The cost of public health care to the man on the street (the public patient) in terms of cost of labour as a result of waiting at service delivery facilities. In addition, the cost of travelling to it and similar indirect costs investigated in order to ascertain the actual cost of public health care to the patient and to the national economy, (refer interview 11/2002 par. 104).

- Further research can be done on the development of a structured system for primary health care service delivery, in which the pharmacist, doctor and nurse are co-ordinated, working as a team in synergy and not opposing each other, (refer interviewee 11/2002 par. 285).

- The need for a future study is indicated to compare the costs involved in monitoring and controlling the claims in a PPP by a "middle man", such as claim-for-service clearing houses. Also quantitatively compare stock losses that might occur in the absence of a "middle man" in the course of running the service delivery system, (refer interviewee 11/2002 par. 293).

- A fast track investigation considered to ascertain the real needs of the public sector to deliver health care services to the national public in a joint venture with the private sector. The real priorities, other than politically motivated ones, ascertained and would require pure research into the matter, (refer interviewee 47).

- In contrast to the above, a study considered on qualitative and quantitative aspects of health services requirements for real needs by the public (the state patient) refer interviewee 27/2004 par. 72.

A key aspect of future research was identified in the empiric part of this study concerning the significance of IT and technological requirements in order to facilitate PPP development in South Africa. Investigations of the following aspects would lead to a better understanding and development of a PGM for PPPs in the pharmaceutical sector of the country:

- Research to investigate the National Electronic Health Record (EHR) concept to work towards the development of a framework for the South African National EHR, which may impact on the PGM for PPPs in the pharmaceutical sector (Gray, 2003).
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- A survey to ascertain the competency of national electronic/computer/software infrastructure, as well as the competence of the human resources operating these IT systems (Gray, 2003). Since the degree of computerisation of pharmacy, service might constitute the starkest divide between public and private sectors, research on this aspect will prove to be of importance in the planning phase of the PGM for PPPs in South Africa.

- An investigation considered into the private sector's capacity and technological advance to assist the public sector in achieving the maximum IT efficiency, which it is trying to achieve, (refer interviewee 36/2004 par. 38).

- Research may also be into the extent to which medical aid scheme IT-platforms could be utilised. The medical aid scheme IT-platforms may provide an advanced technological medium for claims and payment information between the hospitals and the patients and vice versa, (refer interviewee 36/2004 par. 47).

- Urgent research is required into the possibility of standardisation of the pharmaceutical health care sector with special focus on the electronic IT claiming procedures. The "Unified Pricing System" UPRFS is in use nationally. It was proposed that the system be extended to the public sector to facilitate a standardised national IT platform. The search focussing on advances in electronic compatibility and efficiency, targeting better collaboration between the public and private sectors, (refer interview 29/2004 par. 79).

Another key aspect of future research was identified in the empiric part of this study concerning the significance of collaboration in a joint venture between the public and private sector. Focussing on advancing the ARV role-out plan of the South African government. Investigations of the following aspects would lead to a better understanding and development of a PGM for PPPs in the pharmaceutical sector of the country at this level:

- Research should be done into the prospects of developing a joint venture as part of the PGM for a PPP in VCT service delivery as this health care service was identified as being the crucial entry point to the ARV role-out plan according to the South African Government's Parliamentary Cabinet (2003). The Cabinet envisaged Service Points accredited at the time of this research. The Cabinet's plan calls for significant additional capacity in the national health system, in particular to strengthen human
resource capacity and provide incentives to recruit and retain thousands of health professionals in historically under-serviced areas.

- Research should be considered into the possibility of applying the prospects of the PGM for PPP development in pharmacy. The investigation of establishing a joint venture that could manage the following: provide the entire range of required interventions: diagnosis, counselling, treatment of opportunistic infections, other preventive and supportive strategies such as nutrition and nutritional supplements and traditional and complementary medicines with immunity-boosting properties as well as anti retroviral drugs for the management of AIDS. Research to determine whether the point of service must be a group or network of linked health facilities operating by means of a hospital or clinic in a defined catchment area. Furthermore, it is necessary to research ways of procuring the necessary drugs at the best price.

- Other areas of engaging pharmacy in partnership with the South African National ARV roll-out programme may be investigated, such as taking part in the testing phase of the National HIV/Aids vaccine testing programme and counselling services prior to pre-testing during VCT service delivery.

In the early planning phase of the research design of this study other important areas of research were identified. These may become a part of future research in order to enhance the outcomes of this study by means of triangulating with its results:

- The viability to the private sector pharmacies of entering into PPPs with the public sector;
- To what extent the development of PPPs in the pharmaceutical sector between the public- and private sectors may result in improved capacity building in the national health care sector;
- To what extent the development of PPPs in the pharmaceutical sector between the public and private sectors may result in more cost-effective and efficient health services in the health sector of South Africa;
- Whether partnership formation may result in the achievement of the shared principles and objectives of the DOH as well as the PSSA;
- Whether the potential exists to meet the principles and objectives of the DOH’s PPP Task team.
Appendix 27 \hspace{0.5cm} List of papers and research outputs

- **INTERNATIONAL LECTURE:**
  
  **Lecture:** International lecture.
  
  **Type:** Local oral presentation broadcasted live to satellite campus in Augusta.
  
  **Date:** April 14th 2004.
  
  **Title:** *Public-private partnerships: Prospects for pharmacy?*
  
  **Event:** Invitation to Grand rounds seminar.
  
  **Institution:** College of Pharmacy. University of Georgia.
  
  **Venue:** Georgia USA.
  
  **Rationale:** CPD accreditation.

- **PAPERS SUBMITTED TO SUBSIDISED CONFERENCES:**

  **Paper 1:**
  
  **Paper:** Poster Presentation.
  
  **Date:** 24-26 March 2003.
  
  **Title:** *Public-Private Partnerships: The “Third Way” a possible new approach to Public Health Service Delivery?*
  
  **Conference:** Public Health Association of SA - Annual Conference.
  
  **Venue:** Holliday Inn, Eastern Boulevard, Cape Town.

  **Paper 2:**
  
  **Paper:** Poster Presentation.
  
  **Date:** 15 – 17 May 2006.
  
  **Title:** *Public-Private Partnerships: A partnership to deliver effective and more efficient public pharmaceutical care services?*
  
  **Conference:** Public Health Association of SA - Annual Conference.
  
  **Venue:** Eskom Convention Centre – Midrand Johannesburg.
**Paper 3:**

**Paper:** Oral Presentation.

**Date:** 6 September 2006.

**Title:** *Aspects of pharmaceutical partnerships to deliver effective services in the North West province.*

**Conference:** Department of Health (North West Province) Annual Conference for pharmaceutical managers.

**Venue:** Hartebeespoort Pretoria.

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**Paper 4:**

**Paper:** Oral Presentation.

**Date:** 18 November 2006.

**Title:** *Public-Private Partnerships: Prospects for pharmacy in the South African health care environment.*

**Symposium:** Public-private sector Inter-phase - Pharmaceutical Society of SA North-West branch – Symposium & Annual General Meeting.

**Venue:** Oudrift Lodge - Potchefstroom.