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Coega and East London industrial development zones (IDZs): the financial and socio-economic impact of the Eastern Cape IDZs and their prospects

Abstract

The aim of this article was to assess the financial and socio-economic impact of the two Industrial Development Zones (IDZs) emanating from the public-private partnerships (PPPs) arrangement in the Buffalo City and Nelson Mandela Metropolitan Municipalities, located in the Eastern Cape of South Africa. The metropolitan municipalities, despite the introduction of PPPs, are still faced with serious socio-economic challenges such as slow economic growth, increased poverty levels, unemployment and mostly stagnant infrastructure development as a result of underfunding. In addition, metropolitan municipalities remain obliged to deliver on their constitutional mandate, which is the provision of services to communities consistent with the Municipal Financed Management Act (MFMA) and Municipal Systems Act (MSA). Municipal financial planning and management leads to the development of methods to achieve sound financial performance in municipalities in line with service delivery demands. Sound municipal financial performance enables the municipalities to provide goods and services to all citizens.

The study adopted a quantitative research approach, where a structured questionnaire was administered to 50 purposely selected participants. A core finding of the study suggested that the metropolitan municipalities benefited from the IDZs PPP arrangements where project planning, development and management skills were transferred to government officials, impacting on improved service delivery. A key recommendation forwarded suggests that both the national government and metropolitan municipalities need to champion PPP procurement through the enhancement of the Municipal Public Private Partnership Implementation Framework. The study concluded that a regulation, such as the aforementioned, without a structured implementation plan, eminently jeopardizes an investor's interest in PPP arrangements, with negative financial consequences for the state.

Keywords: municipal public-private partnerships, local economic development, municipal financial performance, infrastructure development and developmental local government.
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Introduction

This article reflects on the financial and socio-economic spin-offs resulting from Industrial Development Public-Private Partnerships (PPPs) with respect to local government metropolitan municipalities in the Eastern Cape Province, South Africa. The two metropolitan governments are Buffalo City and Nelson Mandela Bay. The aforementioned governments are characterized by two central urban points namely: Port Elizabeth and East London. The timeline of the study spans from the inception of democracy in South Africa in 1994, until the inception of the National Treasury PPP Practice Note Number 02 of 2004.

In the South African local government sphere, according to Kanyane (2011), there are research findings that suggests that metropolitan government financial performance is one problematic aspect in municipal financial management. Other problems relate to inconsistent municipal revenue management systems which lead to non-payment of municipal services. Sound municipal financial performance is measured based on the ability of the municipality to generate revenue using assets at its disposal. In a contemporary society, within the local government sphere in particular, various demands places a serious need for financial stability which inturn impacts the provision of municipal basic services on a continuous basis (RSA, Constitution, 1996). According to Martin and Fairbanks (2016, p. 101), it is important for organizations to consider changes taking place in the information technology environments in order to store new data and deal with changes in financial monitoring and reporting.

In terms of the South Africa's Vision 2030 National Development Plan, it is equally meaningful to provide a summary of the dominating development-oriented government interventions instituted at grass root level through PPPs. In comparison, privatization gained momentum after the 1994 democratic regime, but over the years, it landed on the diminishing side of the development coin, whilst on the

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other side, globalization gained attention as a phenomenon to stay. To test the realities of these development vehicles, the South African business sector and government must think in line with its international inclusion, and the importance of exports, taking into account manufactured goods, towards sustainable and inclusive growth. According to Freund (2014, p. 8), "the state is mainly interested in supporting modern forms of public works and large-scale infrastructure projects, where Broad-Based Black Economic Empowerment (BBBEE) companies can find expertise and partnership with international firms of big South African oligopolies and new kinds of industries, that seek international viability (for example, alternative energy projects, agro-business, construction of ports, toll roads and perhaps railway material)".

Although PPPs are relatively new in South Africa and have attracted minimal investigation, there is an increase in cooperation between the public and private sector towards socio-economic and rural-economic development of the country. The abovementioned gaps impose a huge responsibility on the Eastern Cape provincial government to focus financial resources towards the creation of vibrant economies for sustainable economic growth of the province. However, the limitations on public funds needed to drive investments in the country, and the need to leverage expertise from the private sector for improved quality and efficiency of the public services led to PPP arrangements (Grimsey & Lewis, 2004).

A PPP is a contract between a public sector institution and a private party, in which the private party assumes substantial financial, technical and operational risk in the design, financing, building and operation of a project (National Treasury PPP Practice Note Number 02 of 2004). Generally, PPPs cover a wide range of agreements or partnerships made between public agencies and private sector entities, in relation to the delivery of service such as water, sanitation, housing or power. At the same time, PPP players do not enjoy equal opportunities as it depends on the power and influence of actors within the agreement which is determined by the diffusion of resources and the outcomes per capita of each role player (Shaffer, 2003, p. 10).

According to the National Treasury PPP Practice Note Number 02 of 2004, government turns to PPP arrangements for the provision of services due to a variety of reasons, which include:

- lack of capacity of government institutions to deliver a reasonable level of service or to improve service quality;
- financial weakness of some public agencies;
- lack of public sector financing capability;
- inability of public institutions to respond to increasing growth in demand, due to such things as rapid urbanization, and
- low productivity levels in some public institutions.

The Eastern Cape Government under the political leadership of the Honorable Premier, Mr. Pumulo Masaulle in his State of the Province Address in the Eastern Cape Provincial Legislature (2016) mentioned that the provincial government had allocated more than R3.5b over the Medium Term Expenditure Framework for the East London IDZ and the Coega IDZ. The support of these two IDZs continued regardless of uncertainty that some people had about the capital injected into these projects. The capital injected by the provincial government was one of the most impressive interventions. As a result, Coega became the centre of attention from its planning stages given the anticipated economic boost to the Nelson Mandela Metro's and Province's Gross Domestic Product (DGP). It became one of the country's best potential harbor sites following Richards Bay in KwaZulu-Natal. Coega currently handles more than 30,000 containers per month. It has the potential of handling up to 1 million containers.

The province prides itself with the East London IDZ which is smaller when compared the Coega IDZ, accounting for only 236 ha. This IDZ has a positive financial benefit to the Buffalo City Metro and the province at large. The success of the IDZ is attributed to management support from the provincial government and the institutional arrangements of the metropolitan governments (Freund, 2014, p. 22; Roberts, 2002, p. 35).

The use of PPPs has not only stimulated growth in the construction sector, but also promoted black business equity empowerment enterprises, created employment, provided mandatory skills training, curbed the spread of informal settlements and reduced crime rates and poverty since their establishment. Lack of infrastructure, or poorly maintained infrastructure, had a negative effect on the economy of the province, and will discourage local and foreign investment if not attended to by the metropolitan government. The use of the PPP approach is proposed as one of the key aspects that calls for financial injection in response to slow implementation of infrastructure development and local economic development strategies by the metropolitan government, mainly Nelson Mandela Metropolitan Municipality (NMMM) and Buffalo City Metropolitan Municipality (BCM) (Currie, 2005, p. 27).

Consequently, a study conducted by Binza (2010) shows that the pace at which infrastructure development and LED strategies are implemented, is steadily improving, although communities are still experiencing services delivery challenges. These challenges are hindered by the infrastructure backlogs which require a coordinated approach in meeting the developmental needs.

Statement of the problem. Despite the implementation of developmental policies and strategies such as the RDP, GEAR, ASGISA, and New Growth Path; and credible municipal finance legislation since the inception of democracy, South Africa is still faced with socio-economic development challenges and slow economic growth due to insufficient funding of the economic infrastructure programs which are aimed at creating vibrant municipal economies. The Eastern Cape Provincial Government led by the then Premier, Ms Nosimo Balindlela in her State of the Province Address (2007) committed to the adoption of the PPP approach. The ultimate adoption of the PPP approach was meant to fast-track the delivery of services with specific focus on infrastructure development, vibrant economies towards municipal financial stability, sustainable and shared growth adding positively to the GDP. As a result, Coega IDZ and EL-IDZ came into existence. Uncertainty abounded around the potential success of these huge PPP projects with a large capital injection. Certainly this was the biggest and most impressive intervention in the Eastern Cape Provincial Government since 1994 in the metropolitan government.

Objective of the study. The core objective of the study is to investigate and determine the implementation of PPP projects in relation to Coega IDZ and East London IDZ in order to highlight financial benefits, shortcomings and best-practice endeavors, which, in turn, will inform a suitable conceptual framework on which future South African PPPs could be modelled.

1. Literature review

The Municipal Public Private Partnership Framework, consistent with the National Treasury Regulations on PPP, emphasizes developmental municipal partnership arrangements. Parallel to the later, Section 64 of the Municipal Finance Management Act (Act 56 of 2003) requires the municipality to have a sound and inclusive financial management system to ensure that municipality meets the social and economic development requirements of communities. Proper financial management systems enables the municipality to engage itself in Municipal Public-Private Partnerships in areas where the municipality has deficiencies. Although the local government is regarded as an independent, interrelated sphere of government, it also links with both the national and provincial government spheres in ensuring that all public services are delivered within the parameters of the law. The Public Finance Management Act (Act 47 of 1996) provides guidance for all service delivery interventions by the National and Provincial Governments, such as PPP procurement arrangements. This is mainly because the municipality cannot independently meet the demands of communities within its jurisdiction with the limited financial resource.

The support for socio-economic development programs and strategies for small towns at municipal level remains a challenge for government despite the financial mandate provided in the PFMA. One typical example is the National Spatial Development Program which puts an emphasis on investment for urban areas with massive economic potential. Equally so, the Presidential Urban Renewal Program focuses on the need and importance of urban centres (Qayi, 2010, p. 15).

In the same context, the South African municipalities gain their financial stability from sources such as property rates, levies and service charges, which include (electricity, water, sewage and sanitation and refuse removal), grants (conditional and unconditional) from the national government and borrowing. Property rates and service challenges are the two major sources of revenue for the Nelson Mandela Bay and Buffalo City Metros accounting for 65% of total revenue. The state is the biggest contributor to the municipal revenue in a form of grant accounting for 35% (capital grants and conditional grants). Furthermore, other significant contributors include water surcharges, agency fees, sale of stands and interest on investments (Nelson Mandela Bay Municipality Integrated Development Plan, 2014/2015, p. 57). As a result, it is pleasing to mention that both metros are becoming more self-financing in accordance with the provisions by the National Treasury Regulations.

President Jacob Zuma, in 2009, acknowledged and realized the serious need and importance to channel government funding such as the Neighborhood Development Partnership Grant (NDPG) to finance local economic development programs in local municipalities (The Presidency, 2009). This became one of the ground-breaking development-oriented policy initiatives with regards to regeneration of small town programmes as vehicles for sustainable economic development and growth. This led to the introduction of the Municipal Infrastructure Grants to fast-track the implementation of infrastructure development programmes in order to create vibrant local economies that are able to cater for the development needs of the municipality.

Municipal financial performance as the result of IDZs PPPs: According to Maphalla (2015, p. 16), municipal financial performance can be defined as "general measure of firm's overall financial health over a given period of time, and can be used to compare similar firms or organizations across the same industry or sector. However, municipality's financial performance can be measured by comparing financial statements which includes the statement of financial position (balance sheet), statement of financial performance, cash flow statement and explanatory notes". The MFMA requires municipalities to prepare credible and realistic budget in line with the act in order to ensure financial viability and sustainability. Complying with the Act may have positive benefits to the municipality such as to improve revenue and expenditure projections accurately and contribute to financial health of the municipality (Molobela, 2016, p. 2).

Venter and Landsberg (2011) from a different angle write that most of South African municipalities' financial positions have become so unwarrantable leading to unwanted bankruptcy and lack of cash flow. The financial position of both metros in the Eastern Cape Province are seemingly in good standing based on the recent municipal performance and financial audit report, as they both received unqualified audit reports. However, unqualified audit report does not necessarily mean success of the municipality in discharging on its mandate, because municipality is a custodian of government funds for the delivery and provision of services to the citizens (Gildenhuys, 1997, p. 15).

Table 1. A five (5) year audit opinion analysis

Audit opinion/outcome	2008	2011	2012	2013	2014	2015
Buffalo City Metro	Qualified	Qualified	Qualified	Unqualified	Unqualified	Unqualified
Nelson Mandela Bay	Unqualified	Qualified	Unqualified	Qualified	Unqualified	Unqualified

Source: Adapted Auditor General, General Municipal Audit Results (2015, p. 14).

Despite receiving unqualified audit by the two metropolitan municipalities, the introduction of the IDZs led to more economic vibrancy in the two metros. It is, however, pleasing to note that before the introduction of these IDZs the financial performance of these metros was extremely bad where they were both constantly received qualified audits (Auditor General, 2011). The decision that the Eastern Cape Provincial Government took in 2007 opened more doors and unique approach to economic development through PPP arrangements.

Consequently, municipalities must take appropriate measures just before any risky financial problems emerge in order to ensure financial viability of the municipality. In essence, this implies a municipality is able to fund its developmental programs with little intervention from the Provincial and National Governments. In order for the municipality to improve its financial performance may need to take into account municipal partnerships and municipal financial capacity as possible measures. In terms of the National Treasury Regulations (2016), in order to provide all interested stakeholders with credible municipal financial and non-financial performance information, data portal must be launched. This has been the case with the Nelson Mandela Metro and Buffalo City Metro apart from political instabilities.

The past regimes' history also contributed to the current skewed situation on infrastructure and underdevelopment which the country is attempting to turnaround, in line with its 1996 Constitution. However, through intensive negotiation the South African government engaged in a progressive process of rebuilding the economic status of the country through the introduction of development policies such as the Accelerated and Shared Growth Initiative of South Africa (AsgiSA), Provincial Growth and Development Program (PGDP), New Growth Path (NGP) to name but a few endeavors. The objective was to create a better life for all through intensive local economic development with viable local economies, which are located at local municipal level. In essence, this was to be achieved by increasing the economic growth rate and reducing both the unemployment rate, and the unequal distribution of income.

In the recent past, government envisioned to grow the economy of the country and improve the social welfare of communities' through the establishment and development of the National Development Plan 2030 as a long-term strategy. The NDP captures the Public-Private Partnerships of all sectors towards building the ideal South Africa which is able to respond to the needs of the citizens, and economic needs of the country at large (ANC, 2009).

Table 2. Economic indicator in terms of basic welfare

Unemployment	1996	2001	2011
Buffalo City Metro	39.0	53.2	34.8
Nelson Mandela Bay	36.3	46.4	36.6
Eastern Cape	48.2	54.3	37.5

Source: adapted and modified from Freund (2014, p. 14).

The outcomes of the development indicators are noted in terms of high unemployment, high poverty levels and underdevelopment of major parts of the Eastern Cape (StatsSA, 2011).

The leading and negative development indicator, is the level of unemployment. Due to inadequate economic vibrancy, and slow economic growth, unemployment has been relatively rising, calling for an urgent response towards inclusive and shared growth. According to Freund (2014, p. 11), the most useful method in making comparative figures is the use of municipal figures. The logic behind using municipal figures is probably based on the fact that municipalities reflect the actual status quo as the grass-root level arm of government where policy meets people, in terms of implementation and impact thereof. Edwards (2011) suggests that "no attempt is made here to consider the way unemployment is calculated". Between the period 1996–2001, large increases were registered, which reflected both decreasing capability and availability of sustainable government jobs, parallel to the shutting down of Bantustan administrations and the loss of jobs created through industrialisation, even agricultural linked jobs (ECSECC, 2014, p. 12). However, the two Eastern Cape metropolitan governments show a combined decrease of unemployment to 37.5% in 2011 from 54.3% in 2001; and 48.2% in 1996, respectively (see Table 1 above).

Notwithstanding the efforts, limited and capacity constraints for infrastructure development and service delivery in South Africa, has created a financial capacity gap and various PPP initiatives have emerged over the past two decades to provide assets and services that traditionally have been provided by the public sector. The involvement of the private sector, in partnership with government, has been advocated as a means of improving the development of infrastructure and service delivery in various sectors. This is largely due to internal pressure arising from increasing levels of unemployment, competing demands for dwindling national resources, escalating crime and the deteriorating state of existing infrastructure, as mentioned before (Budget Speech, 2014).

According to Rintala and Root (2005), PPP is an umbrella term for a wide range of procurement methods that are alternatives to traditional procurement. Concession procurement is one of the PPP procurement methods. PPP is just one name for the involvement of the private sector in the delivery of public services (Ramaema, 1997). Roberts (2002) contends that "project financing is a method of structuring debt finance for capital intensive projects. In such structures, lenders are primarily concerned with cash flows to be generated by the project for the repayment of the loan and with the assets of the project including rights arising under the project contracts (most particularly revenue flows). Lenders look to cash flows, project receivables and assets, rather than to the general creditworthiness of the private sector sponsors, as collateral for the loan. Lenders' involvement in project structuring creates a discipline that is often beneficial for the project, as it creates the appropriate incentives for the private sector to deliver on time and within budget".

Legislative requirements. Firstly, local government in isolation cannot meet its constitutional mandate unless there are structured service delivery partnerships that are aimed at improving the status of local government. In this regard, the interdependence of local government in relation to other spheres of government connotes a relationship for shared responsibilities and supervision thereof. The role of the national government is to establish institutional frameworks for both provincial and local government throughout the nine provinces, uniformly. Municipalities are monitored by national and provincial governments in relation to performance for them to discharge their development and service delivery responsibilities (Constitution of the Republic of South Africa 1993, s. 155(6) and (7)). In terms of Section 96 of the Local Government: Municipal Systems Act (MSA), 2000 (Act 32 of 2000) municipality:

- must collect all (money) that (are) due and payable to it, subject to this Act and any other applicable legislation; and
- must adopt, maintain and implement a credit control and debt collection policy which is consistent with its rates and tariff policies and complies with the provisions of this Act.

For the municipality to achieve increased revenue base it is necessary to carefully and constantly revisit MFMA and MSA, as they explicitly require the Municipal Manager (Accounting Officer) to ensure that the Municipality develops and puts in place all the necessary legislative frameworks such as policies, systems and procedures, and in this context, include, amongst others, debt collection policy, credit policy, indigent management policy, information system policy, and traffic policy. Furthermore, the accounting officer is required to take all reasonable steps in ensuring that:

a) the municipality has an effective revenue collection system consistent with the municipality's credit control and collection policy;

b) accounts for municipal tax and charges for municipal services are prepared every month, or less often if the monthly accounts are uneconomical;

c) revenue due to the municipality is calculated every month.

However, this paper does not in any way exclude other important legislative frameworks that relate to municipal finance management. For example, Section 160(2), 215 and 227 of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) details the municipal financial aspects such as municipal budget, revenue and expenditure. On the other hand, chapter three of the Local Government: Municipal Property Rates Act (MPRA), 2004 (Act 6 of 2004) provides ways on how a municipality must recover rates from property owners, and chapter four deals with how municipalities must value and prepare for general valuation of rateable property, such as preparation of valuation rolls, inspection of properties and appointment of values.Moreover, the MFMA as one of the Acts is meant to regulate municipal financial management and also to set requirements for the efficient and effective management of revenue, expenditure, assets and liabilities of municipality.

2. Research methodology

Research methodology is a procedural logic followed to conduct a scientific inquiry to test a key hypothesis or answer a research question (Palys, 1997, pp. 3-4), to enable the researcher to predict and explain specific phenomena by amassing various scientific facts in an endeavor to "tacitly agree to the epistemic imperative, meaning a quest for truthful knowledge" (Mouton & Prozesky, 2001, p. 4). In social research there are two methods, namely: quantitative research and qualitative research that are predominantly used in conducting any scientific research. For the purpose of this study, a quantitative research method was employed. Emphasised in this method is the quantification of data into numerical variables, regarded as scientific observations that recorded in a numeric or some other standardized coding format (David & Mutton, 2004, p. 36).

Data were collected by means of a structured questionnaire which was administered to purposely selected representatives heading the portfolio of Local Economic Development (LED), Integrated Development Plan (IDP), Senior Members affiliated to the Business Unit of Local Economic Development, Senior Managers of the Municipal Infrastructure Investment Unit (MIIY), Municipal Executive Managers. 50 questionnaires were distributed to the respondents. The respondents were the only officials who were/are mandated or legislated to be involved in a PPP project. The above participants were purposefully sampled, because they were directly involved in the PPP project planning, development, implementation and monitoring of the operations of the PPP projects in NMMM and BCMM, namely Coega IDZ and EL-IDZ.

3. Results

The aim of the study was to assess the financial, socio-economic spin-offs resulting from the adoption and implementation of the Municipal Public-Private Partnerships in the two Eastern Cape Metropolitan government namely Buffalo City and Nelson Mandela respectively. In the same context, both the IDZs (Coega and EL IDZs) have been the objects of serious attention since their planning and establishment stages (Freund, 2014, p. 21). Both projects kick-started very well with positive prospects in terms of metropolitan financial management and economic development.

This section presents the results of the data collected and discussions thereof, in order to ascertain whether the two metros benefited from the establishment of the two IDZs in their respective regions. A total number of 50 (25 BCM and 25 NMMM) questionnaires were administered, as mentioned earlier. In both metros, officials were targeted who had a direct role to play, or who worked in a PPP environment within the BCM and NMMM. Out of 50 questionnaires administered, 38 (76%) questionnaires where retuned. 20 (4%) from NMMM and 18 (72%) from BCM. The questionnaire was designed in such a way to trigger practical reflections by the respondents covering the following aspects of theoretical propositions in line with the study's research objective.

Frequency	Response		Mean score
	No	%	
Always	8	2.3	68.4
Often	243	71	
Sometimes	83	24.3	
Rarely	8	2.3	
Never	0	0	

Figure 1. Theoretical proposition 1: PPP cost efficiency

Figure 1 above, with a mean of 68.4, shows that more than 70% of respondents within the financial and economic development space in both metropolitans consider PPP procurement as the most cost-efficient approach in improving local economic development, compared to traditional procurement. 2.3% of respondents did not see any difference between PPP procurement and traditional procurement. This result therefore relates to the application of cost-effective measures in providing services to the people by the local government in realizing its constitutional mandate as provided for in Section 152 of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) and National Treasury Regulations (Note 4 of 2004). In essence, by injecting financial muscle into IDZs, the provincial government facilitated the use of cost-saving innovations and enabled the IDZs management to take advantage of a broad array of specialized resources that were available to its team. As a result, both metros benefited largely in terms of financial management and investment as per the improved outcomes.

Frequency	Response		Mean score
	No	%	
Strongly agree	20	5.3	76
Agree	258	68	
Neutral	98	26	
Disagree	4	1	
Strongly disagree	0	0	

Figure 2. Theoretical proposition 2: PPP project management

Figure 2 above presents a fair reflection in terms of skills transfer by the IDZs to the metropolitan government, with specific reference to project management aspects. With a convincing mean of 76, 68% of respondents confirmed that the metros benefited from the IDZ to an extent that the IDZ-PPP improved the quality of the implementation of socio-economic projects by the metros concerned. In addition, the respondents emphasised that the slow manifestation off PPPs in South Africa at large, is due to capacity constraints at provincial government and municipalities. On the other hand, 26% of the respondents remained neutral on the topic at hand. Some respondents felt that in their metros there is a lack of PPP awareness and training and that this hinders the intended development and growth. Most importantly, the respondents felt that the PPP in their metro offered the opportunity for the private sector to apply its expertise to bring technical innovation to complex projects. It can be deduced that although many people were sceptical about the establishment of the IDZs, and the money injected into these projects, the province continues to benefit from the IDZs.

Frequency	Response		Mean score
	No	%	
Strongly agree	10	12	28.3
Agree	53	62	
Neutral	22	26	
Disagree	0	0	
Strongly disagree	0	0	

Figure 3. Theoretical Proposition 3: PPP - RISK SHARING/TRANSFER

Figure 3 in terms of risk calculation and transfer, with a mean of 28.3 shows that 62% of respondents agreed that the IDZ-PPP arrangement provided the municipality with shared risks opportunity with regards to economic development projects with private sector. 22% of the respondents showed neutrality on the subject which may imply that they are not familiar with the subject at hand. The results imply any form of municipal partnership must be bias towards social and economic growth, in order to enhance sustainable development. The development indicators of each municipality cannot be responded to overnight. A 'single window' of municipal service intervention and its coordination is required, according to Grimsey and Lewis (2004, p. 18) in order to maximize returns of partnerships.

Frequency	**Response**		**Mean score**
	No	**%**	
Strongly agree	37	9.5	78
Agree	318	81.5	
Neutral	31	8	
Disagree	4	1.03	
Strongly disagree	0	0	

Figure 4. Theoretical proposition 4: policy framework

In Figure 4 above, 81.5% of the respondents strongly suggest that South Africa has a credible PPP policy framework for implementation of PPP projects. This implies that the investment climate in South Africa promotes a viable and sustainable PPP project system, which is able to attract more investors. In addition, the respondents who considered South Africa to have a credible legal framework for PPPs, agreed that PPP policies are consistent with the socio-economic development of the metropolitan governments in South Africa.

Frequency	**Response**		**Mean score**
	No	**%**	
Strongly agree	86	22.6	75.8
Agree	263	69.4	
Neutral	30	8	
Disagree	0	0	
Strongly disagree	0	0	

Figure 5. Theoretical proposition 5: socio-economic impact of PPP projects

This study aimed to assess the socio-economic impact of the PPPs resulting from sound financial performance by the metropolitan governments. 69.4% of the respondents suggested that PPP projects in their respective metros had great benefits in terms of improving the local economic development. The automobile industry shows a positive recovery comparing data of 2000 and 2011, where the province's exports of vehicles increased from ZAR 4832m to ZAR 12253m and export of machinery from ZAR 2232m to ZAR 19786m (Freud, 2014, p. 22). The Municipal Finance Management Act (MFMA) is set to guide and regulate the budget processes of the municipalities.

4. Discussion

The above findings imply that the PPPs can be the most cost-efficient option for local economic development of the metros in question. The findings are in line with the Eastern Cape's Planning Commission Diagnostic Report of 2013 which contends that the only fundamental hope for the highly rural Eastern Cape Province is the use of PPP. Municipal Infrastructure development forms a basis for municipal economic development in creating vibrant. Ultimately, the engagement of metros in PPP procurement arrangements has benefited the metros in risk sharing and, as a result, IDZs transferred skills to municipal officials in terms of the PFMA and National Treasury Regulations.

The findings suggest economic development can possibly be achieved by employing a municipal PPP financing model in turning around the current status quo of the province, in the two metros in particular. Coega and EL-IDZs improved the local economic conditions of the metropolitan governments. This implies that the existence of the two IDZs have contributed towards job creation, poverty reduction and skills development of the community within their jurisdiction. Nonetheless, the findings endorse a view that the current PPP environment is conducive for investment promotion towards viable and sustainable PPP project system. In addition, the legal framework for PPP arrangements in South Africa is consistent with the socio-economic profile of the local government sphere.

PPP infrastructure projects provide a framework that enables both the public and private sectors to work together, to improve public service delivery through the provision of infrastructure and related non-core services. The partnership provides competitive and transparent mechanisms to pursue opportunities that bring together the ideas, experiences and skills of both private and public sectors, to develop innovative solutions to meet the community's needs and expectations.

Conclusion

This article concludes that for the metropolitan governments to ensure a good and sustainable financial performance standing, they need to constantly look into revenue planning and management, in order to engage in any municipal PPPs arrangements. Equally so, guiding legislative requirements were discussed. Key elements such as constant revue focus, sound planning of revenue and proper maintainance of municipal revenue base, in managing municipal revenue versus expenditure in realizing the constitutional mandate, were suggested. This paper contends that these important revenue elements can only be achieved by getting the right people in right position, putting in place sound financial management systems, procedures and frameworks in line with MFMA before engaging in any form of M-PPPs.

Recommendations

It is critical for both metros to engage in further beneficial municipal private partnerships in order to deal with the still prevailing socio-economic challenges. Such partnerships will assist the metros with the delivery of their constitutional mandate of effective and efficient service delivery to its citizens. Nyagwachi (2008) confirms that the public-private partnership model is both a unique political, and socio-economic experiment, which requires serious attention in assisting the South African metropolitan municipalities in enhancing service delivery, good governance and economic development. As the author contends, PPPs will thus contribute towards sustainable economic growth in general.

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