



The Asset Procurement and Operating Partnership system (APOPS) for prisons in South Africa

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Abstract

The global shift from public to private financing of infrastructure development has led to a search for alternative and innovative procurement techniques. A public–private partnership is one innovative procurement strategy for infrastructure development. When the process described in this paper was initially developed, public-private partnerships for infrastructure delivery was a new concept in South Africa. The Department of Public Works (DPW), South Africa, developed the framework for Asset Procurement and Operating Partnership System (APOPS). As with other private finance initiatives, APOPS aimed to reduce governments' capital requirements, yet maintain the clear accountability of state ownership and embrace the capital efficiency savings and creativity of private enterprise. This paper provides a case study of the implementation of the APOPS process. Specifically, the paper examines the project management procedures and the difficulties faced in procuring infrastructure using public–private partnership in a developing country. © 2002 Elsevier Science Ltd and IPMA. All rights reserved.

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1. Introduction

Internationally, government-spending constraints have led the public and private sectors to seek alternative, innovative techniques for infrastructure development. One technique is public–private partnerships (PPPs). A PPP for infrastructure development can be defined as a collaborative arrangement between a government or its agency and one or more private sector parties [1,2].

One reason for choosing a PPP approach, and one that is of particular significance in South Africa, is the general lack of capacity to manage facilities and provide required levels of service within the public sector. Given the history of apartheid, which excluded most black people from senior managerial roles, and drastically restricted access to the higher education that is needed for these positions, the South African Government is

struggling to resource many of its service departments in line with its policies of Affirmative Action.

It became apparent to the Presidential Review Commission in South Africa [3] that a primary limit to delivery and perhaps Governance itself is sufficient and appropriate management capability at all levels in the public service. In almost all interactions with public sector agencies, whether at a national or provincial level, departments identified lack of qualified staff as one of their biggest constraints. Although the Presidential Review Commission did not explicitly advocate PPPs, it promoted the concept of Alternative Service Delivery (ASD), which can embrace PPPs. Both ASD and PPPs are largely strategies designed to overcome the limits of the state in an era of resource constraints “without government abdicating its ultimate responsibility for governance” [3, p. 225].

The concept of PPPs for infrastructure development was relatively new in South Africa, but is used in other countries with varying success. The Department of Public Works (DPW) in South Africa developed a framework to engage in Asset Procurement and Operating Partnership Systems (APOPS) as a programme within

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the broader PPP framework [4]. This programme aims to reduce the governments' capital requirements and utilise the private sectors' management expertise in the provision of public sector infrastructure projects. APOPS, like the Private Finance Initiative (PFI) in the UK upon which it was based, is about buying a service not an asset or a building. In terms of this definition, PPP's can range from service outsourcing to concessions.

2. An outline of the Asset Procurement and Operating Partnership System

In APOPS, a single private sector organization or consortium, the concessionaire will provide the functions of design, build, finance and operate (DBFO). This DBFO organization will be paid for the total services made available to Government. In addition, the concessionaire has equity throughout the project life cycle that ensures their long-term interest and commitment to maintaining the assets in order to ensure acceptable service standards. There is therefore an incentive in the design, construction, finance and operation of private finance projects to minimize the life-cycle costs yet maintain the appropriate and required standards. Since the Government will only take ownership and control of the asset at the end of the concession contract period (20–30 years in some instances), the Concessionaire must continue to ensure that the asset meets the service standards laid down by Government over the concession period or risk jeopardizing the transfer of assets at the conclusion of the concession period.

The objective of the Department of Public Works, as the primary procuring agent for the South African Government, is to provide accommodation to state departments. The department was faced with increasing maintenance costs of existing facilities and escalating development costs for new facilities, combined with a continuing decline in its budget allocation. DPW therefore adopted the APOPS pilot projects for correctional facilities on behalf of the client and user department, the Department of Correctional Services (DCS) in an effort to develop alternative procurement models. These projects were initiated in order to meet the increasing demand for correctional facilities due to:

- the need to expand capacity because of increasing prisoner population;
- the obsolescence and poor maintenance of many existing facilities; and
- new requirements for improved operating practices (in particular, direct supervision and unit management).

In these projects, the private sector concessionaire is expected to provide a DBFO service, and will be paid

for the total services rendered to Government (such as prison beds available per day). This differs significantly from the traditional procurement procedures that focused on acquiring a facility based on a design developed by DCS in conformance with traditional prison operating practices. In such cases, the management of the procurement process is largely concerned with identifying the lowest cost bidder in terms of a pre-established design and specification. With the APOPS, as with many other PPPs, the procurement team must manage an ongoing process of project refinement in which not only the successful bidder is identified, but the design and specification of a service rather than facility is determined. Given the extent to which bids may differ (both in facilities design and operational services), and given the extent to which the procuring agency needs to contribute to this process of refinement, the new process requires significantly greater project management than traditional procurement.

The extent of this process and some of the difficulties of implementing them the first time are described below. The process is based upon a step-by-step guideline developed in the UK [5]. The South African officials had extensive support from HM Prison Service in the UK and developed the APOPS process based on what they had learnt from the UK experience. The process described below contrasts the ideal process [6] with what actually happened in the procurement of two prisons in South African between 1996 and 2001.

3. A seven stage step-by-step process

The aim of this paper is to provide an overview of the APOPS Procurement Process from project initiation to the completion of negotiations with bidders. As such, it focuses on the management of the procurement process rather than on the project management of the construction phase. Following the documentation produced for the PFI in the UK [5], the South Africans created a step-by-step guideline based on extensive process maps of the specific APOPS process.¹ The APOPS step-by-step guideline includes the following seven stages:

1. Identify project requirements
2. Prepare Business Case

¹ Due to the dynamic environment in which APOPS was implemented, none of the authors were involved throughout the entire process. The first author participated in the initial stages and helped document processes until the early stages of negotiations. The second author was employed as a director of APOPS and formed the department during RFP evaluation until completion of construction stage. The third author became involved halfway through the process to assist in the recording activity. Due to levels of staff turnover, the process maps produced provide some of the only records of events that took place [6].

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