

OUTLINE OF THE PRESENTATION

- i. AFRODAD – Who We Are and What We Do**
- ii. Defining PPPs and their Origins**
- iii. Purpose and Rationale for Uptake**
- iv. PPP Models and Arrangements**
- v. PPP Success Factors**
- vi. PPP Implementation in Africa – Research Evidence – challenges and risks**
- vii. Recommendations from CSOs**



AFRODAD - Who We Are

- AFRODAD is a pan African civil society organization established in 1996.
- **Headquarters:** Harare, Zimbabwe
- **Our Vision:** A prosperous Africa based on equitable and sustainable development.
- **Goal:** To influence African Governments to institute and implement policies and practices for sustainable development and eradication of poverty.



What We Do?

AFRODAD work is centred on the following thematic areas:

- **Debt Management**- contribute to development and implementation of sustainable debt policies and practises in Africa
- **Domestic Resource Mobilisation**- contribute to development and implementation of transparent, accountable, and efficient mechanisms for mobilisation and utilisation of domestic resources in Africa
- **International Public Finance** -influence the quality, impact and effectiveness of international public finance in line with agreed development cooperation effectiveness principles

AFRODAD uses research, advocacy, networking and capacity building as key strategies in its programme and institutional development work.



International Public Finance

- Goal** – To influence the quality, impact and effectiveness of international public finance in line with the agreed development cooperation effectiveness principles.
- To influence African governments and development partners to implement DE principles.
 - To enhance the capacity of govts to understand and engage on implications of public finance from emerging sources
 - Build the capacity to understand the implications and and develop frameworks of PSPF and PPPs that contribute to SD.



Defining Public Private Partnerships

- Long-term contracts between a private party and a government agency for providing a public asset/service, in which the private party bears a significant risk and management responsibility. World Bank
- A form of **legally enforceable contract** between the public sector and private sector, which **requires new investments** by the private contractor (money, technology, expertise/time, reputation, etc.) and which **transfers key risks** to the private sector (design, construction, operation, etc.), in which **payments are made in exchange for performance**, for the purpose of **delivering a service** traditionally provided by the public sector. IP3



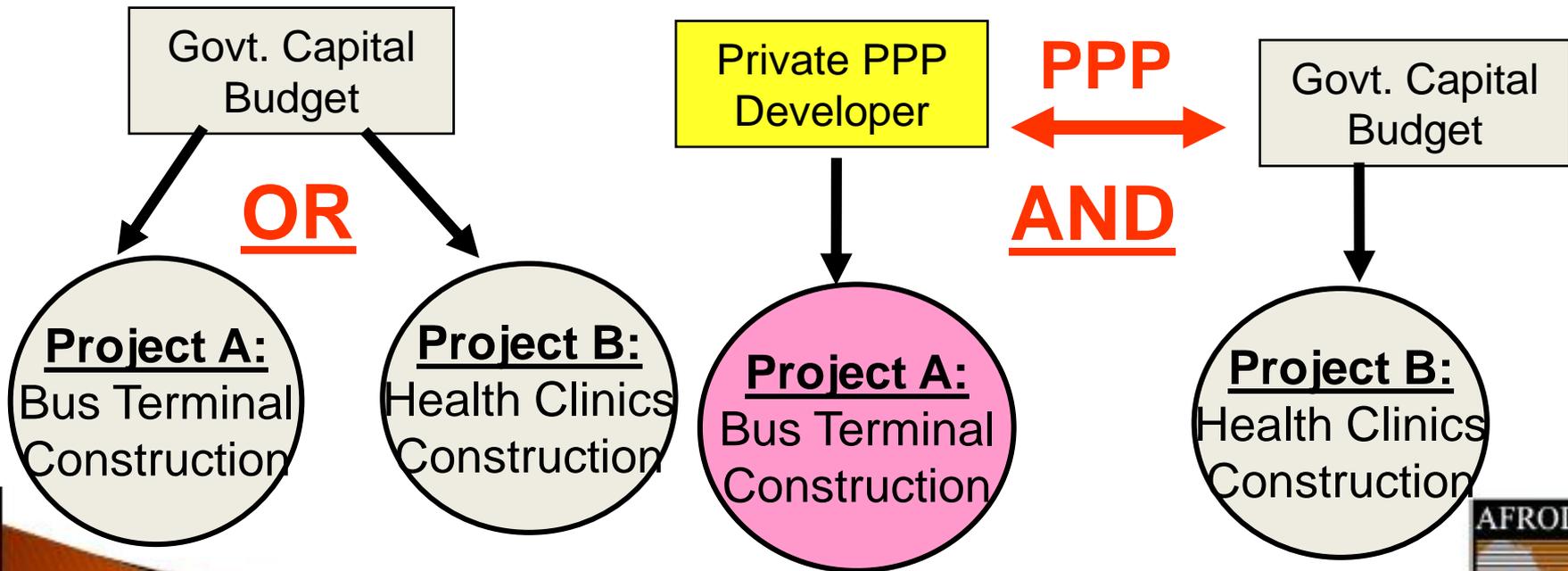
Rationale for PPP uptake

- Low public sector capacity - (lack of financial resources or inefficiencies) to increase the level of investment to meet excess demand – Africa infrastructure financing gap USD\$130-\$170 billion/yr. AfDB
- Growing back log of infrastructure of service provision in SSA- e.g. Less than of citizens 20% have access to electricity,
- Greater efficiency in project execution and service delivery
- Tends to offer better value for money (VfM)
- Limited fiscal space of governments to meet dvpt needs



Rationale for PPP uptake?

By contracting with the private sector to undertake a cost-recovering economic infrastructure project, scarce Government capital budgets can be directed to other priority social services (education, health care, etc.)



Rationale for PPPs and FfD in Africa

- PPPs are not new, but the uptake trend in Africa is rising +110 projects under PIDA, Why?
- The role of the World Bank Group + Position on Blending vs Dwindling ODA
- UN FfD, AAAA – paragraphs 30, 36 and 48
- Agenda 2063 Resource Mobilisation Strategy 10 YP – External Resources Mobilisation 10%-30% (PIDA etc)
- Various national development plans e.g. the Vision 2020, MGDS III – e.g. Sections 5.1.4, 8.3



Different Models of PPPs

Type of contract	Contract purpose	Private sector risk	Contract length (years)	Capital investment	Asset ownership	Common sectors	Provides sectoral Planning and regulates service
Service Contract	Infrastructure support services such as billing	Low	1-3	Public	Public	<ul style="list-style-type: none"> • Water utilities • Railways 	• Public
Management Contract	Management of a part/whole of the operations	Low/ Medium	2-5	Public	Public	<ul style="list-style-type: none"> • Water utilities 	• Public
Lease Contract	Management of operations and specific renewals	Medium	10-15	Public	Public	<ul style="list-style-type: none"> • Water sector 	• Public
Build – Own- Transfer contract	Investment in and operation of a specific component of the infrastructure service	High	Varies	Private	Public / Private	<ul style="list-style-type: none"> • Energy • Highways • Sanitation plants 	• Public
Concession	Financing operations and execution of specific investments	High	25-30	Private	Public / Private	<ul style="list-style-type: none"> • Transport • Energy 	• Public
Divestiture/ Privatisation	Transfer of ownership of public infrastructure to the private sector	High	Indefinite	Private	Private	<ul style="list-style-type: none"> • Telecoms 	• Public



Spectrum of PPP Arrangements

PPP Contract Instrument	Average Contract Term	Provides the Service or the Management	Provides the Working Capital	Receives the Net Income or Covers Net Loss	Provides Long-Term Finance	Legally owns the Assets	Provides Sectoral Planning & Regulates Services
Corporatization & Private Market Finance	in perpetuity	Public	Pub./Priv.	Public	Pub./Priv.	Public	Public
Service Contract	2-3 years	Private	Public	Public	Public	Public	Public
Management Contract	2-5 years	Private	Public	Public	Public	Public	Public
Lease/Affermage	7-15 years	Private	Private	Private	Public	Public	Public
BOT	20 - 30+ years	Private	Private	Private	Private	Public	Public
BOO	20 - 30+ years	Private	Private	Private	Private	Private	Public
Concession	20 - 30+ years	Private	Private	Private	Private	Public	Public
Divestiture & Asset Sales	in perpetuity	Private	Private	Private	Private	Private	Public

So, how does a PPP work??

- Public authority specifies its requirement as OUTPUT
- Private sector designs, finances, builds and operates to meet OUTPUT specification
- Public authority regulates the service



PPP Success Factors – Country Level

- Favorable **investment climate**
 - Strong political will
 - **Comprehensive public awareness and participation**
 - Stable macro-economic environment
 - Deep financial system
 - The rule of law and property rights
 - Dispute resolution mechanism
- Transparent **regulation**-do regulators help or hurt PPPs?
- Competitive **procurement** – fewer problems if there's more than one bidder



PPP Risks and Challenges (AFRODAD and other Actors' Research Evidence)

- *What lies beneath?: A critical assessment of public private partnerships and their impact on sustainable development. 2015*
- *Public Private Interfaces in Development Financing: Issue Paper to inform the Financing for Development Process. 2017*
- *History RePPeated: How Public Private Partnerships are failing. 2018*
- *Privatisation of education and health service delivery in SADC. 2018*



Findings

- PPPs are, in most cases, the most expensive method of financing, significantly increasing the cost to the public purse;
- PPPs are complex to negotiate and implement and all too often entail higher construction and transaction costs than public works;
- PPPs are a risky way of financing for public institutions;
- Impact of PPPs on efficiency is very limited and weak;
- Challenges in reducing poverty and inequality, while avoiding negative impacts on the environment;



Findings

- Problematic Investor State Dispute Settlement included in PPP contracts
- Limited domestic private sector involvement in PPP projects
- Capacity constraints to the public sector, particularly in developing countries;
- Low transparency and limited public scrutiny, which undermines democratic accountability and leads to corruption and illicit financial flows.



Recommendations

- Do not promote more intensive and widespread use of PPPs until negative implications tied to PPPs are addressed
- Analyze the true costs of PPPs
- Be transparent and accountable
- Put development outcomes at the forefront



Thank you



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