Privatisation of Education and Health Services Delivery in Southern Africa

Risks, Challenges and Opportunities

(Botswana, Malawi, Mozambique, Swaziland, Lesotho, South Africa, Namibia, DRC, Zambia and Zimbabwe)

Adrian Chikowore
AFRODAD IPF Policy Analyst
SADC People's Summit Side Event
14 August 2019
National Museum of Tanzania, Dar Es Salaam, Tanzania

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OUTLINE OF THE PRESENTATION

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ii. Defining PPPs
iii. Rationale for PPP, Privatisation uptake
iv. State of Service Provision in SADC
v. Privatisation of education and health in SADC – Research Evidence – challenges, risks and impacts
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Scope of Study

- To document the rationale, status, extent and forms of privatisation in the target countries in Southern Africa.
- To critically assess the impact (negative and positive) of privatisation on education and health rights of all citizens.
- To analyse and identify gaps in regulatory and policy instruments governing privatisation in the focus countries and at the regional level with a specific focus on challenges, successes and best practice in the conceptualisation, implementation of and adherence to the regulatory frameworks.
- To analyse the role of CSOs and development partners in the area of privatisation in the region.

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Defining Privatisation

- **Privatisation -** a variety of policies aimed at transferring, fully or partially, ownership and control of public enterprises to the private sector to encourage competition and emphasize the role of the market forces in place of statutory restrictions and monopoly powers"(
- *Used Interchangeably with the phrase Public Private Partnerships*
- **Public Private Partnerships -** 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

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Defining Privatisation

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	• Water utilities • Railways	• Public
Management Contract	Management of a part/whole of the operations	Low/ Medium	2-5	Public	Public	• Water utilities	• Public
Lease Contract	Management of operations and specific renewals	Medium	10-15	Public	Public	• Water sector	• Public
Build – Own- Transfer contract	Investment in and operation of a specific component of the infrastructure service	High	Varies	Private	Public / Private	• Energy • Highways • Sanitation plants	• Public
Concession	Financing operations and execution of specific investments	High	25-30	Private	Public / Private	• Transport • Energy	• Public
Divestiture/ Privatisation	Transfer of ownership of public infrastructure to the private sector	High	Indefinite	Private	Private	•Telecoms	•Public

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Defining Privatisation

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

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Privatisation Models

- Contracting out - The state enters into agreements with private vendors to provide services and the state pays contractors to provide the services.
- Deregulation - This model entails that the state removes its regulations from the service previously monopolized by government in favour of private provision of the service and competition against government agencies.
- Subsidies and Grants - in this model the state makes monetary contributions to help private vendors deliver a public service
- Asset Sale : In this model, the state sells or cashes out its assets to private providers to enlarge the tax base.
- Franchise - The state gives monopoly privileges to a private vendor to provide a service in a specific geographical area.
- Private donations - The state relies on private sector resources for assistance in providing public services. Private firms may loan personnel, facilities, or equipment to state agencies
- Vouchers - The state allows eligible clients to purchase services available in the open market from private providers. As with contracting, the government pays for the services.
- Service Shedding - The state drastically reduces the level of a service or stops providing a service so that the private sector can assume the function with private sources.
- Volunteerism - The state uses volunteers to provide public services

Rationale: Why Privatise

- Limited fiscal space for governments to meet development needs
- Low public sector capacity to increase the level of investment to meet increasing demands for education and health $66 billion/yr. (AfDB)
- Greater efficiency in project execution and service delivery
- Tends to offer better value for money (VfM)
- SADC Protocol on Education, Health are also promoting
- Various national development plans e.g. the Vision 2020s, Vision 2030, MGDS III, TSP
- Agenda 2063 Resource Mobilisation Strategy 10 YP – External Resources Mobilisation 10%-30%
- UN FfD, AAAA – paragraphs 30, 36 and 48
- The role of the World Bank Group + Position on Blending vs Dwindling ODA

State of Service Provision

Overview of Institutional and Legislative Frameworks

- Public provision of education and health care are enshrined in the Constitutions which states that the States are obliged "to provide adequate health and education services commensurate with the health needs of their citizens and international standards that they acceded to.
- **Exceptions** are for Botswana whose Constitution does not speak on the right to Education
- Public sector is run by government through the respective MoH & MoE, district/town/city councils, Ministry of Defence, Ministry of Internal Affairs and Public Security (Police and Prisons)
- Both Education and Health services are provided by public, private for profit (PFP) and private not for profit (PNFP) sectors.
- PPP Policy – South Africa, Malawi, Zimbabwe (JVA & Unit), Zambia,
  - Lesotho, Swaziland, Namibia, Botswana, DRC, Mozambique
- They set out the Institutional Arrangements
- Also set out the procurement procedures

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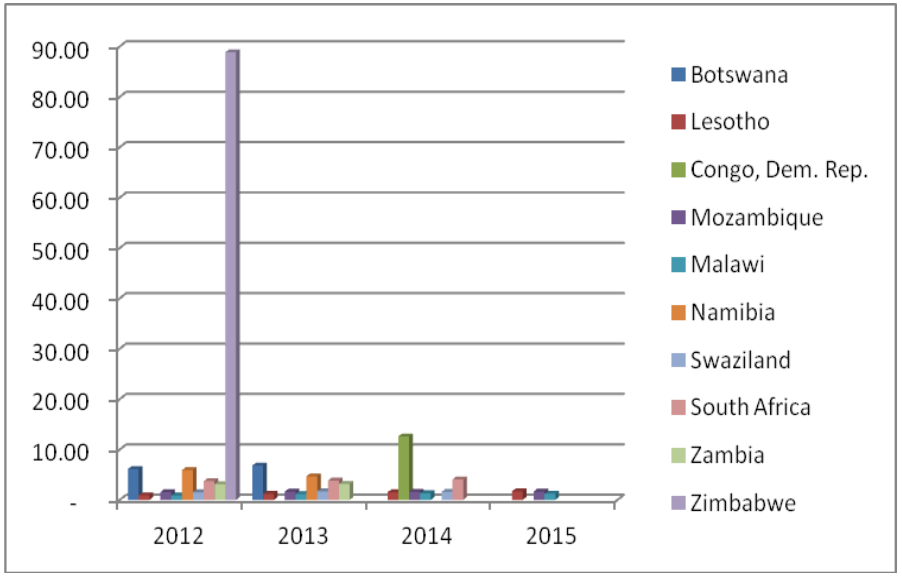
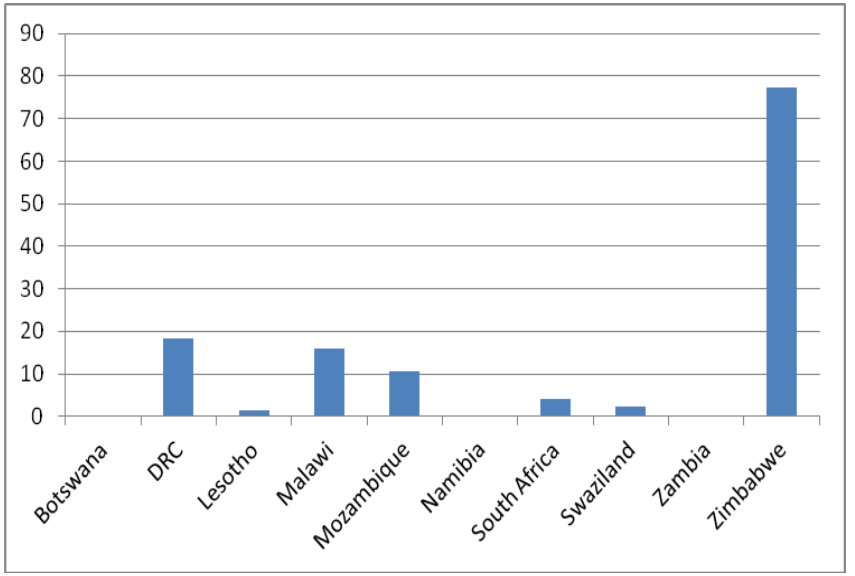
State of Private Sector Penetration,

Education Enrolment

Private Institutions Primary School Enrolment (%)



Private Secondary Institutions Enrolment % 2015



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Challenges with Privatisation of Education and Health Services in SADC

- Outdated Laws on Education and Health e.g. Lesotho Public Health Order of 1970, Malawi Public Health Act 1948, Zimbabwe Health Act 1928 (2002 with limitations), Botswana Education Act Chapter 58:01 of 1966, Swaziland Education Act 1981
- Non-existence of PPP Laws and Units – Lesotho, Namibia, (research period)
- Limited Scope of PPP and Investment Laws
- Limitations in Regulatory Frameworks – Medicines Control Act, Health Services Act, Health Professions Act, Medical Services Act 1985 (Zm)
- Under-funding of regulatory bodies, (health professions, medicines control),
- Limited coordination between Ministerial Departments and Agencies

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Impacts of Privatisation on Education and Health in SADC

- High User Fees and Out-of-Pocket expenses for Public Goods and infringement of basic human rights.
- Limited access to services by ordinary citizens - Inequality
- Crowding Out of Expertise and resources from public to private sector services delivery
- Commodification of education and health services
- Leads to Corruption esp. tendering & soliciting
- Compromises quality because of private vendor profit motive.
- Lowers state employee morale and contributes to fear of displacement.
- Government accountability will be diminished due to cover-ups by the private sector.
- National policy makers usually lose control over privatised services as they are governed by corporate institutions.

Recommendations

- **Governments**
  - Increase education and health budgetary allocations to revive the two essential sectors in line with global standards .i.e. Abuja Declaration, Dakar and Incheon Frameworks as well as the Abidjan Principles
  - Review outdated national education and health policies, with inputs from other stakeholders inclusive of the private sector, academia and civil society organizations.
  - Improve efficiency in both education and public health sectors by constantly monitoring outcomes from public institutions.
  - Ensure that there is clear rationale to engage private players in education and health.
  - Domestic resource mobilisation remains key for the governments to have resources to use in education and health. They can broaden their tax base by curbing illicit financial flows, increasing their revenue streams and ensuring that private sector to pays taxes
  - When engaging in PPPs government should ensure that they do due diligence to evaluate the merits and de-merit to such ventures. Besides financial costs, they should also assess the capacity of the communities to pay for the services that the PPPs project will bring.
  - Governments should develop clear policies on PPP project implementation.
- **Private Sector**
  - That private sector engagement in the two sectors be strengthened by Memorandum of understanding (MOU) between the private sector players and the governments. In the MOUs private sector should ensure that they mirror government efforts to provide quality and affordable services.
  - Private sector should **conform** to state laws and policies - Private sector not directly engaging in education and health can contribute through meeting their tax obligation and through corporate social responsibility.

Recommendations

- **Civil Society Organisations**
  - Advocacy for governments to increase their contribution to the education and health sectors.
    - Push against the commercialization of public goods i.e. of education and health services .
    - CSOs to advocate for governments to meet international and regional commitments, such as the Abuja Declaration, in which member states committed to allocate 15% towards health.
    - Technical assistance in revamping regulatory frameworks in both education and health sectors.
  - Further research on expanding on Privatization, the actors, motivations and above all the impact of privatization of public goods on women and children.
- **The Media**
  - Capacity development for the media as they are critical in shaping public opinion
- **Multilateral Development Organisations**
  - Stop Pushing for PPPs and Privatisation without fully addressing the negative impacts caused by ill-advised PPPs within the region

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