Privatisation of Education and Health Services in SADC
(Botswana, Malawi, Mozambique, Swaziland, Lesotho, South Africa, Namibia, DRC, Zambia and Zimbabwe)
Challenges, Risks and Opportunities

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OUTLINE OF THE PRESENTATION

i. AFRODAD – Who We Are and What We Do

ii. Defining PPPs & Rationale for uptake

iii. PPPs and FfD in Africa

iv. PPP implementation – Success Factors

v. PPP Implementation in Africa – Research Evidence – challenges and risks

vi. Recommendations
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.
AFRODAD work is centred on the following thematic areas:

- **Debt Management** - contribute to development and implementation of sustainable debt policies and practices 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 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
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

<table>
<thead>
<tr>
<th>Type of contract</th>
<th>Contract purpose</th>
<th>Private sector risk</th>
<th>Contract length (years)</th>
<th>Capital investment</th>
<th>Asset ownership</th>
<th>Common sectors</th>
<th>Provides sectoral Planning and regulates service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Contract</td>
<td>Infrastructure support services such as billing</td>
<td>Low</td>
<td>1-3</td>
<td>Public</td>
<td>Public</td>
<td>• Water utilities • Railways</td>
<td>• Public</td>
</tr>
<tr>
<td>Management Contract</td>
<td>Management of a part/whole of the operations</td>
<td>Low/Medium</td>
<td>2-5</td>
<td>Public</td>
<td>Public</td>
<td>• Water utilities</td>
<td>• Public</td>
</tr>
<tr>
<td>Lease Contract</td>
<td>Management of operations and specific renewals</td>
<td>Medium</td>
<td>10-15</td>
<td>Public</td>
<td>Public</td>
<td>• Water sector</td>
<td>• Public</td>
</tr>
<tr>
<td>Build – Own- Transfer contract</td>
<td>Investment in and operation of a specific component of the infrastructure service</td>
<td>High</td>
<td>Varies</td>
<td>Private</td>
<td>Public/Private</td>
<td>• Energy • Highways • Sanitation plants</td>
<td>• Public</td>
</tr>
<tr>
<td>Concession</td>
<td>Financing operations and execution of specific investments</td>
<td>High</td>
<td>25-30</td>
<td>Private</td>
<td>Public/Private</td>
<td>• Transport • Energy</td>
<td>• Public</td>
</tr>
<tr>
<td>Divestiture/Privatisation</td>
<td>Transfer of ownership of public infrastructure to the private sector</td>
<td>High</td>
<td>Indefinite</td>
<td>Private</td>
<td>Private</td>
<td>• Telecoms</td>
<td>• Public</td>
</tr>
</tbody>
</table>
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 Legal Framework - Malawi

- PPP Policy 2011
- PPP Act passed by Parliament 2011
- The Act combines Privatization and PPP
- The Policy/Act sets out the Objectives of PPP and areas of involvement
- It sets out the Institutional Arrangements
- It also sets out the procurement procedures
PPP Institutional Framework - Malawi

- Cabinet – responsible for overall authorization of PPP Projects.
- OPC – responsible for political leadership of the PPP framework.
- Line Ministries/Depts. (Contracting Authorities) – project development and ownership and Project monitoring.
- Department of Economic Planning and Development – responsible for coordinating and appraising the public investment and infrastructure programme. Ensuring consistency with economic and development strategy.
- PPP Commission – for overall transaction/technical support and procurement of private partners.
- Regulators - Approves service standards to go into the concession - the concession signed by the CA must be consistent with the terms of the license issued by the RA.
- PPP Steering Committee. Chaired by MoF.
PPP Project Lifecycle - Malawi

**Phase 1:** PPP Project Initiation, Screening, & Selection
- Cabinet approval of PPP project
- CA with assistance from PPC

**Phase 2:** PPP Feasibility Analyses & Proposed Risk-Allocation Structure
- Min of Fin approval of feasibility study report
- PPC, CA with guidance from Advisors

**Phase 3:** PPP Tendering & Procurement
- PPC and Advisors with input from CA

**Phase 4:** Final PPP Contract Signing & Financial Closure
- Commission's approval - preferred bidder then Minister's approval for contracts signing
- CA with input from PPC and RA

**Phase 5:** Post-Award PPP Performance Monitoring
AFRODAD’s Work on PPPs / Privatisation

- What lies beneath?: A critical assessment of public private partnerships and their impact on sustainable development. 2015


- History RePPPeated: 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;
- Capacity constraints to the public sector, particularly in developing countries;
Recommendations

- Do not promote more intensive and widespread use of PPPs until some issues raised above have been addressed
- Analyze the true costs of PPPs
- Be transparent and accountable
- Put development outcomes at the forefront
Findings – Privatisation of Health Services in Malawi.

- High user fees:
- Inspection from the regulatory authorities is very poor.
- Regulatory bodies including Medical Council of Malawi, the Nursing Council and the Pharmacy, Medicines and Poisons Board are inadequately funded and equipped with both human and material resources,
- A growing number of unlicensed providers, a weak re-licensing system,
- Outdated laws - e.g. Public Health Act of 1948.
• Inadequate budgetary allocation for health and high dependency on external resources for financing. Malawi does not meet the minimum threshold of financing for health under the Abuja Declaration 15%.

• **Composition of total government budget 2013/14-2016/17**
Privatisation of Education in Malawi.

- Private schools enrol one quarter of all secondary students in the country as public schools fail to cope with the graduates from primary school.
- Private schools are very unevenly distributed geographically; wealth inequalities.
- Private schools remain unaffordable to the majority except the affluent households i.e. ‘low-fee private schools’ cost poor families at least one-third of their available income vs poverty line.
Inequality – i.e. access and progression, private school vs public school and entry to university
Governance of private schools varies greatly and most have accountability only to their owners
Plausible budgetary allocations vs Dakar and Incheon Frameworks Commitments however recurrent expenditure vs devt expenditure.
Recommendations

• Government of Malawi should increase its budgetary allocation for health and better prioritisation for education services and programs through domestic resource mobilisation by plugging IFFs so that they are funded adequately and more sustainably.

• The Government of Malawi should re-assume overall responsibility of public health and education services delivery. This should be accompanied by an introduction of subsidised, low or free services fee regime.

• The GoM and its respective ministries of health and education should adequately fund their regulatory bodies so that they effectively implement their regulatory mandates. The private sector should be guided by the policies on service delivery enacted by the State.
Thank you

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