



# **Global investments and PPPs – how can PACs oversight multi- national projects**

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# Introduction

- South Africa is the leading sub-Saharan African country on PPPs.
- South Africa, Latin America and the Asia Pacific region constitute the major rich and fast-growing markets in infrastructure PPPs in developing countries
- South Africa ranked 15th out of the top 25 developing countries on PPPs
- Approximately 14% of public sector infrastructure between 1990 and 2004 was provided through PPPs
- OECD reported that more than 75 000 greenfield projects initiated between 1998 and 2008 were PPPs.

# PPPs in SA

- A PPP is defined as a contract between a government institution and a private party.
- There are three models of PPP
  - State model (100% state funding)
  - Hybrid model (shared funding)
  - Private model (private funding)

# PPPs in SA

## Public Private Partnership framework

State model	Hybrid model	Private model
<ul style="list-style-type: none"><li>• State funding 100%</li><li>• Infrastructure ownership by state 100%</li><li>• Infrastructure operations and maintenance by state</li><li>• Private sector only employed as consultants</li><li>• Government own skills base</li><li>• Private retains own skills base to maximise revenue and financial sustainability</li><li>• Inefficient prolonged projects (scope creep in projects)</li><li>• Ineffective costing of projects – benefit to private sector and consultants</li><li>• State both a referee and player</li></ul>	<ul style="list-style-type: none"><li>• Mixed funding between state and private</li><li>• Infrastructure ownership by state</li><li>• Infrastructure maintenance outsourced</li><li>• Knowledge and skills transfer between private and public sector</li><li>• Room for creativity and innovation</li><li>• State focuses on the regulation of the private sector</li><li>• Operational efficiency and cost optimisation is achieved</li><li>• Projects completed within scope, on time, and within budget</li></ul>	<ul style="list-style-type: none"><li>• Private funding 100%</li><li>• Private ownership of infrastructure (100%)</li><li>• Private sector carries full costs and risks of the project</li><li>• State plays an effective regulator on behalf consumers and users</li><li>• Private retains own skills base to maximise revenue and profits and future business (financial sustainability)</li><li>• Strategic infrastructure is controlled by the private sector (water, energy, sanitation, etc)</li></ul>

# Global investments in PPPs

- **There are various mechanisms of global investments into PPP projects.**
  - international commercial banks
  - Capital markets and bondholders
  - Equity funds
  - Export credit agencies
  - Development finance institutions
  - Multilateral Development Banks
  - Sovereign wealth funds

# Accountability in PPPs

- Accountability is a complex, elusive, abstract, multifaceted and contested issue
- It can be approached in different ways, depending on:
  - The role,
  - Institutional context,
  - Era, and
  - Political perspective.

# Accountability in PPPs

- **the hierarchical perspective**
  - The core elements are principal–agent, answerability, giving account, accepting responsibilities, sanctions and redress, and structures through which accountability is achieved.
- **the horizontal perspective**
  - being open with stakeholders, engaging with them in an ongoing dialogue and learning from the interaction.

# Accountability in PPPs

- accountability by management of expectations
  - identifying partners' expectations, aligning goals, adjusting strategies, assessing implementation, communicating performance and facilitating learning.
- accountability as a virtue
  - entails formulating a set of standards for the evaluation of the behavior, compelling public managers to adhere to professional ethics and responsible behaviour.

# Oversight over PPPs

- **Administrative institutions**

- Enhancing Auditor-General's powers to include audit of PPPs
- Strengthening the independent authority of the National Treasury PPP Unit
- Establish project structure with management structure (Gautrain Management Agency vs Gautrain Construction Company)

# Oversight over PPPs

- **Parliamentary oversight**

- **PPP parliamentary committee**

- **Carefully examines contracts between the public sector and private sector provider from inception to development**
    - **Ensure that these contracts are delivered according to the contractual provisions**
    - **Conduct oversight visits and hearings on key projects**
    - **Tables its findings to parliament and make it available to the public**
    - **Should regularly disclose revenue figures from the concessions it awards**
    - **Ensure that the findings of the Auditor-General are followed up**
    - **Ensure that a transparency exists around the project**

# Oversight over PPPs

- **Community monitoring**

- Community engagement and participation in the policy and decision-making processes of PPPs
- Working with citizens to design, implement and evaluate services with each party, each of which holds the other accountable
- Sensitise the community through information awareness campaigns
- Establish clear and transparent channels of communication where elected officials, politicians and administrators are obliged to explain publicly, fully and fairly to the citizens how they are carrying out responsibilities
- Conduct service-delivery surveys through the use of household questionnaires, key informant interviews and community surveillance
- The systematic and institutional use of client feedback mechanisms such as citizen report cards, independent peer reviews and social surveys, will serve as a check mechanism

# Enhancing transparency in PPP

Key step	Considerations
<b>1. Regularly publish information on how transparency efforts are being implemented</b>	<ul style="list-style-type: none"><li>• The cabinet should regularly disclose revenue figures from the concessions it awards.</li><li>• The selection of bidders, pre-project analysis, tendering process and procurement procedures should also be subject to public examination and review</li></ul>
<b>2. Improve access to information</b>	<ul style="list-style-type: none"><li>• Strike a good balance between the public's desire to know and the private company's desire for commercial confidentiality</li><li>• move beyond providing superficial and inconsistent disclosure of PPP information online</li><li>• Information about eligibility, service delivery procedures, budget and expenditure should be made available through the media and websites</li></ul>

# Enhancing transparency in PPP

Key step	Considerations
3. Institute transparency initiatives	<ul style="list-style-type: none"><li>• Signing of a PPP integrity pact.</li><li>• The promotion of sound procurement procedures, such as conducting a pre-project analysis, setting up evaluation committees, selecting criteria for scoring bids, clearly defining the role of private partners and carrying out detailed assessment of PPP project risks</li></ul>
4. Reduction the opportunities for corruption	<ul style="list-style-type: none"><li>• The simplification of legal procedures and regulations in the procurement process</li><li>• Procurement policy should provide for more competition in the tendering process and a judicial review of the procurement decisions</li><li>• Impose legal constraints on government discretion during bidding processes, provide constitutional protection to private property</li><li>• impose strong disincentives to corrupt firms, including civil penalties and blacklisting</li><li>• sound financial management practices within the PPP arrangement,</li><li>• a strong value and ethical system with a code of conduct, internal review boards and professional associations</li></ul>

# Conclusion

- **PPPs are in their nature complex arrangements**
- **Their oversight can only be mastered through a multi-stakeholder approach**
  - **Establishment of management structures and construction structures on PPP projects**
  - **Provision of guiding frameworks and establishment of a transparency regime by National Treasury PPP Unit**
  - **Auditor-General' assurance provision**
  - **Community monitoring (CSOs, media, etc)**

# Conclusion

- **Parliamentary oversight would ensure that all the accountability and transparency measures are established:**
  - Receive briefings from the Auditor-General
  - Conduct hearings to check performance and compliance against frameworks and adoption of AG recommendations
  - Conduct oversight visits and engage citizens on their views
  - Receive briefings on in-year performance by departments and entities on PPP projects
  - Communicate their findings to parliament and public