

Formulation of a PPP Policy for the Government of Swaziland

Work in progress

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The Approach Adopted

□ Steps

1 Interview Stakeholders

- Government ministries
- Labour
- Private sector

2 Prepare Situation Report

3 *Prepare draft Policy Framework*

4 *Final Policy PPP policy*

5 *Prepare Operational Manuals*

□ Phase completion

 *Consult Stakeholders*

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 *Government approval*

Situation Analysis

- Analyse Swaziland Government's Rationale
- Existing Policies with an impact on a new Policy
- Existing institutional arrangements
- Attitudinal perspective
- Previous and current PPP Initiatives
- Opportunities for PPP's
- Challenges to be resolved
- Preliminary conclusions

Existing policies

- Privatisation policy
 - Issued by the Public Enterprises Unit, 2004, briefly includes PPP-type arrangements:
 - Corporatisation
 - Contracting out
 - Management Contracts
 - Franchises
 - Leases
 - Concessions

Existing policies

- Crown Agents developing improved procurement systems, including input to Procurement Bill, 2008; aims to promote:
 - Transparency
 - Economy, efficiency and competition
 - More diverse private sector participation
- Bill proposes establishment of technical secretariat in Ministry of Finance
- Bill defines relationship between procuring entities and technical secretariat
- *“Contracts (for PPPs) shall be awarded in accordance with the principles and objectives of this act and government policy”*

Existing institutional arrangements

- Ministry of Finance
 - Public Enterprises Unit (may be transformed into semi-autonomous Public Enterprise Agency)
 - Tender Board
- Ministry of Economic Planning and Development
 - Co-ordination and management of government's capital programme
- Line Ministries (Public Works, Health etc)
 - Responsible for identifying and designing projects

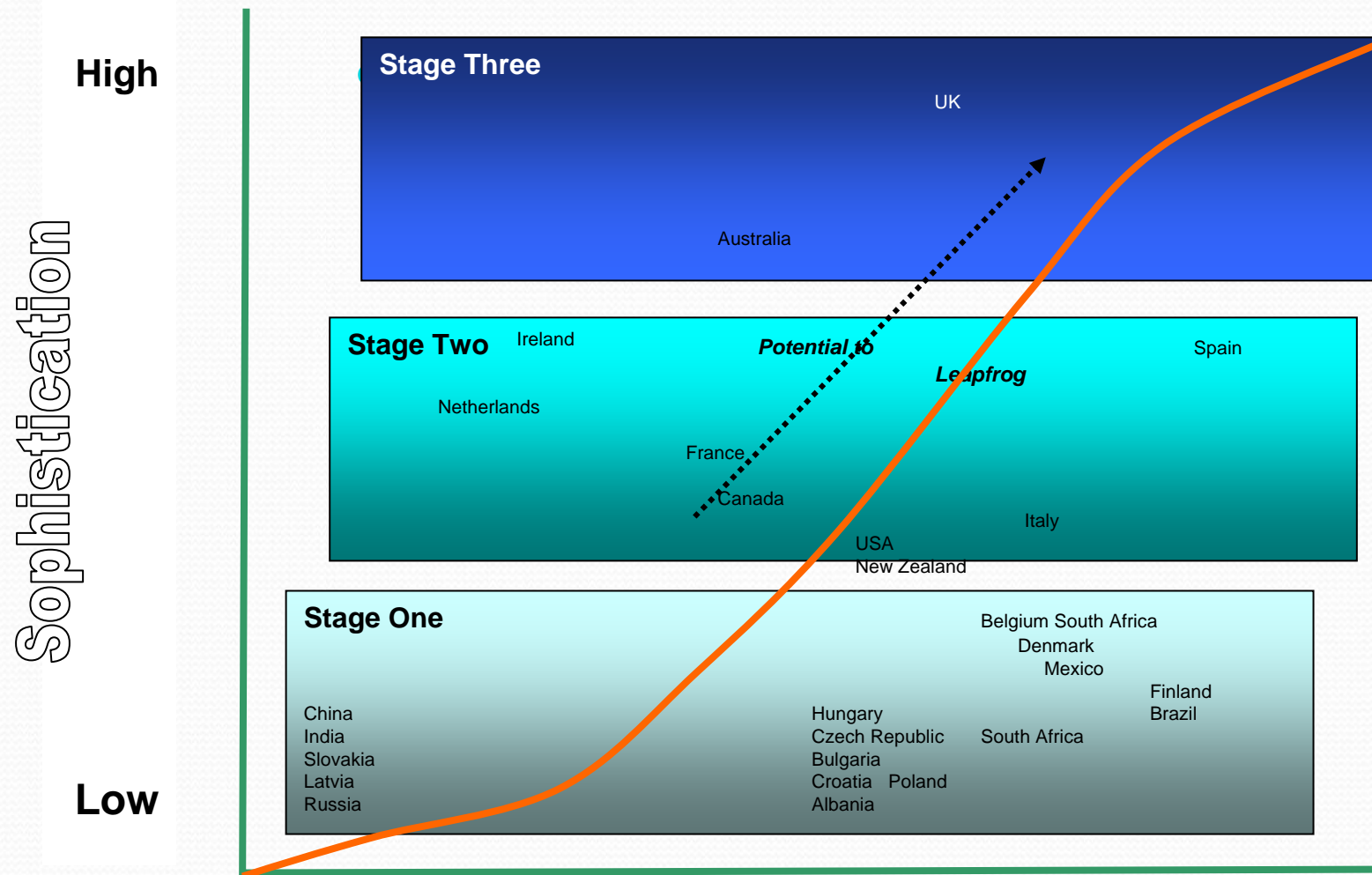
Previous and current PPPs

Description	Initiator	Classification	Status
Ezulwini refusal removal	Ezulwini Town Board	Concession	Failed during implementation
Various outsourcing	Swaziland Railway Board	Service outsourcing	Successful
Construction of factory shells	Swaziland Investment Promotion Agency	Turnkey project	Aborted
Mbabane parking garage	Mbabane municipality	Joint development (DBOF)	Successful
Mbabane township development	Mbabane municipality	Joint development	Failed due to collapse of cost recovery principles
Royal Swazi Airways	Government of Swaziland	Sale of government assets/concession	Successful

Previous and current PPPs

Agricultural PPP	Swaziland Water and Agricultural Development Enterprise	Joint Development	Successful
Manzani abattoir	Manzini Municipality	Outsourcing	Successful
Manzini street cleaning	Manzini Municipality	Outsourcing	Successful
Manzini shopping mall	Manzini Municipality	Joint development	Being advertised for second time
Catering in hospitals	Ministry of Health	Outsourcing	Moderately successful, but monitoring insufficient
Security services	Ministry of Finance	Outsourcing	Successful but expensive

Evolution of PPPs



Proposed PPPs

Government garage	Outsourcing
Airport management	Concession
Management of fuel reserves	BOOT
Pension administration/payouts	Service agreement
Security/cleaning/catering services	Service agreement
Telecommunications	BOOT
Residential development	DBFT

Issues

- Labour
 - Need to have clear policy on job losses, transfer of conditions of service etc
- Expertise
 - Lack of local expertise in PPPs and need for skills transfer
- Value for money
 - Need for value for money assessments
- Monopolies
 - Role of fair and effective regulation in relation to natural monopolies

Policy Principles to be debated

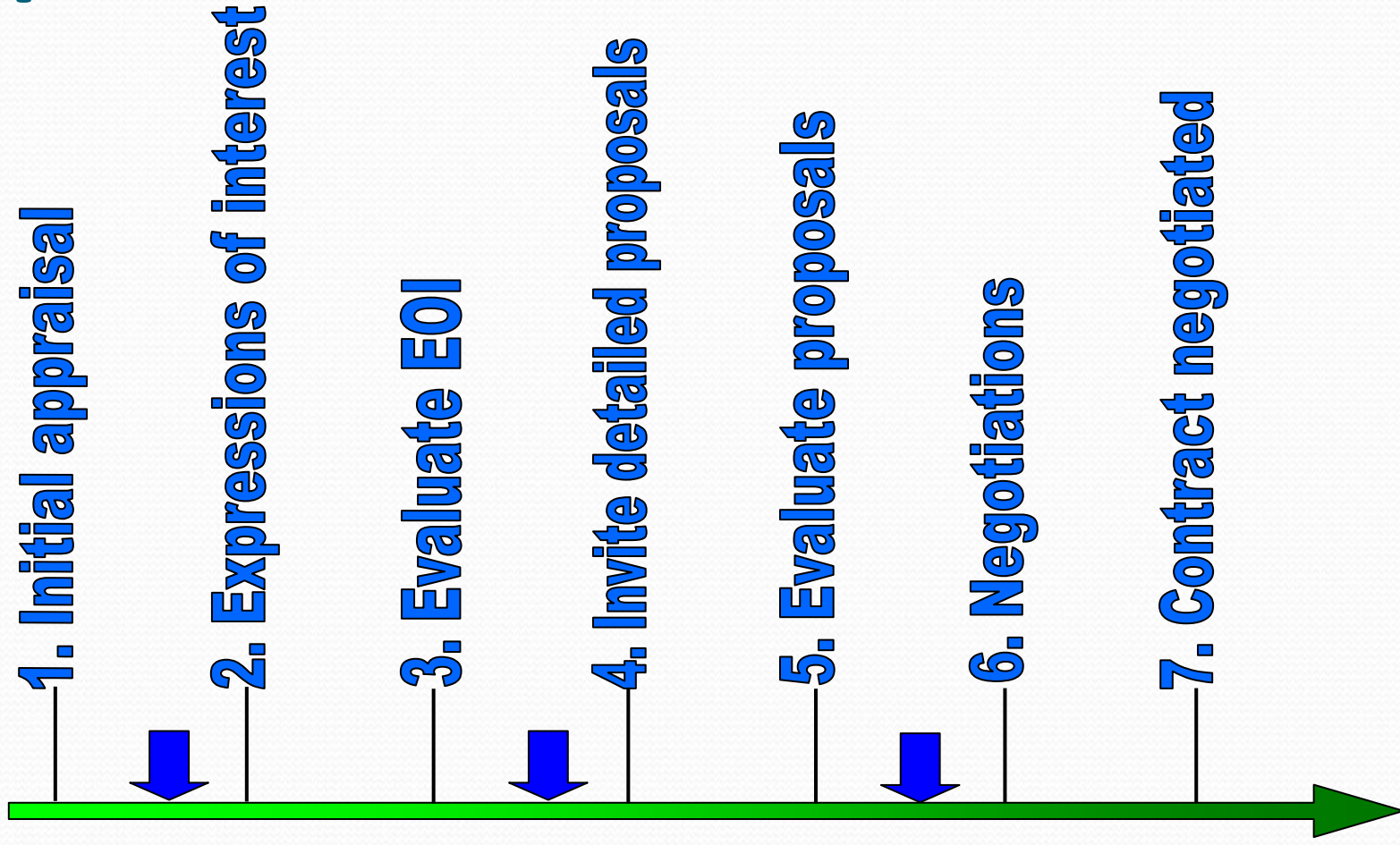
PPPs

- Only for non-core activities
- In the public interest
- Represent value for money
- To be developed and operated transparently
- Stakeholders to be fully consulted

Policy Principles to be debated

- Consumer rights to be respected
- Consumer access guaranteed
- Measurable performance
- Appropriate sharing transfer of risk
- Structuring contracts to manage future uncertainty
- Preference for Swazi Companies
- Support for employees becoming entrepreneurs

Approvals



Process

- Compulsory for
 - Government
 - Local Government?
 - State Owned Enterprises?
- Appointment of in-house team
- Requirements in terms of consultations
- Use of transaction advisers

Risks

- Poorly prepared
- Unfair risk sharing
 - Demand-side risk
 - Policy risk
 - Tariffs and approvals
- Hasty project preparation
- Inconsistent or inadequate project monitoring and administration
- Changing economic conditions
- Consumer rejection
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Technical Assistance

- Role of technical assistance and approvals
 - Who does what
 - Status of technical assistance agency
 - Operated by PPP?
 - Charge for services?
 - Different procedures for different types
- Appointment of transaction advisers
 - By whom
 - Approval?

Examples of Potential PPPs

Road tolling	Concession
Government buildings	BOOT
Hospital	BOT
Water Services	BOOT
Shopping Mall	DBOF
Municipal refuse removal	Outsourcing
Thermal power station	Concession