

German Development Co-operation with South Africa

Short Version of the Evaluation “Public-Private Partnership (PPP)” - Country Study South Africa -

Summary

In South Africa the overall situation for PPP is generally good. The 11 projects evaluated are all financed from the so-called "facility". With four of the projects being in the field of education this sector is a focal area.

The projects show strengths and weaknesses. Strengths can be found in particular in the rapid implementation and in the overall development impact. Weaknesses are shown in the process of identification, planning and steering of the projects as well as in the sustainability of the impacts reached so far or expected. All in all, the projects are significant, both from the point of view of the private and the public side, and are for the most part effective and efficient in terms of design.

The instrument PPP can be still improved in many areas. In particular it needs a precise theoretical foundation and a planning procedure based on this, and also an evaluation of the public benefits. Documents which are more operational and an intensification of the dialog between the executing agencies (EA) and the private enterprises seem to be necessary.

South Africa offers numerous possibilities for PPP projects. This applies to both the integration of PPP into bilateral development cooperation (mainstreaming) and to other projects financed from the facility.

Observations

Since the end of apartheid South Africa is pursuing a market oriented economic policy including integration into the flows of international trade. The macro-economic environment offers a mixed picture. All in all the chances for PPP can be judged as quite good. Of the evaluated projects four are in the educational sector. Two deal with HIV/AIDS, a subject neglected by government policy. The other five projects are distributed over different sectors.

Identification of projects is more erratic than systematic. All the projects are concerned with areas of intervention relevant for development policy and show a “win-win-situation” for the public and private sector, but sustainability does not always seem secured. In view of the short duration of activities depending on financing from the facility, some of the set objectives seem to be too ambitious. The dialog between the EA and private enterprises during the processes of setting objectives and doing the planning was not always intensive enough. The objectives of the private sector are not adequately expressed in the documents of the EA. The operational quality of the planning documents is not in always satisfactory. The implementation of the projects is driven especially by the dynamics of the private enterprises, which receive too little support from the EA. The internal steering of the projects by the enterprises is generally quite good, but there is little external steering by the EA. Monitoring is more directed towards inputs than towards the impact of the projects.

Despite certain weaknesses in concepts and planning the implementation findings range from satisfactory to good. The projects are contributing significantly to particular areas of objectives which are relevant for the development process and/or are supporting other bilateral development projects. Often the pilot character of the projects and the expected linkages are more important than the direct impacts. This is why the aspect of sustainability is of particular importance, although it is not (yet) secured in all cases. All in all, the impacts already realized and still expected do justify the spending of public funds, which was for the most part carried out in an effective and efficient way.

Recommendations

The recommendations mainly relate to particular aspects of certain projects and the relevant sectors and cannot be repeated in detail here. The essence of these recommendations and the lessons learnt with relevance to the instrument of PPP, as well as reflections as to how to optimize PPP are dealt with in the following section.

Conclusions/Lessons learnt

Conceptual development of the instrument PPP as a project type

There seems to be a need to clarify who or what is "public", since the partner country is not officially involved in projects financed from the facility. The realization of "win-win-situations" depends on a participatory process for defining (at least partially) congruent objectives and the commitment of both the public and private side until the development process is self-sustaining.

It does not make much sense to talk about the advantages/disadvantages of PPP compared with traditional measures of DC, as reaching an optimum may make one form of co-operation or the other necessary. Neither should PPP be kept separate from other instruments of economic promotion, instead these other instruments should be incorporated into the PPP approach. Real declining DC budgets and increasing challenges within the partner countries require an extension of the PPP approach, incorporating more private enterprises (regardless of their nationality).

PPP in practice lacks a clear theoretical orientation with regard to the differences between the private and the public optimum (key words: external effects, meritoric and public goods). It is necessary to consider opportunity cost instead of a pure orientation on market prices and distinguish between recurrent cost and investments (risk sharing instead of cost sharing). (Not only for this reason) an accounting system designed for PPP projects and differentiating between these cost categories would be welcome. Mutual learning between the public and the private sector is not sufficiently developed. Harmonization is often more a matter of a one-sided adaptation to DC objectives by the private players.

It is not necessary to fulfill all PPP criteria as long as a "public benefit" exists. The criteria "compatibility with development objectives", "complementarity" and "the private sector's own contributions" do not pose any problems and are self-evident for a PPP project. The intention of the criterion "subsidiarity" is easy to understand and may be relevant in some cases but it need not be fulfilled in each and every case. The criterion "neutrality in competition" is generally in contradiction to corporate objectives and should be understood as equal opportunities to gain access to PPP projects. Early and comprehensive publication of insights obtained using public funding seems appropriate.

Even profitable PPP projects may suffer at times from a lack of liquidity. After a technically successful start a private partner may need financing to extend his activities. As capital markets do not always offer financing at acceptable (and economically justified) conditions, instruments ranging from (revolving) funds to venture capital may be needed.

Institutional, organisational und procedural development of the PPP Instrument

The simplification and increased flexibility of procedures requires a rapprochement between different "cultures" in the private and public sector. A leading idea could be: "creation, not administration". A stronger focus on performance instead of counting inputs would make sense, but requires greater willingness to take risks on both sides. Key persons (with a profile like system analysts in EDP and/or mediators) could act as "communicators" to speed up the process. They would need access to a network providing them with regional and/or sectoral information.

During the course of planning a Business Plan should be prepared as standard. It needs to cover at least the time span until the project reaches normal capacity and should contain a Profit-Loss Statement, a Cash Flow Analysis and a Balance Sheet. Based on these

documents an economic evaluation needs to be done. Some planning and evaluation steps could be standardized leaving space for special aspects of individual projects. Standardized monitoring does not make much sense, as a good M&E needs to try to replicate a "model" of the particular project in question. However, some common modules could be helpful. M&E needs to be seen as a management instrument.

There are justifications for a PPP facility and for integration into the "main stream" of bilateral DC. There should be greater integration of PPP into the structures of the EAs assisted by the "communicators". Active steering by the BMZ should make use of the advantages of the individual EAs, while competition between the EAs offers no positive advantage. (Foreign) Chambers of Industry and Commerce and Chambers of Handicrafts could play a more important role as a link to the private sector and as partners in preparing PPP projects.

Chances, risks and outlook for PPP measures within bilateral DC with South Africa

Despite certain obstacles South Africa offers, all in all, quite good opportunities for PPP measures. DC needs to put the advantages "into the right light" and to offer assistance to the private enterprises to deal with the frictions. The focal points of German DC with South Africa: Communal Development, Public Administration and Decentralization, Education (especially vocational training and basic education) and Promotion of Economic Activities and Employment (with priority on the SME sector) offer a range of possibilities for PPP projects.

The increased responsibility of provinces and communities for services like public transport, water and wastewater, waste removal and disposal, street cleaning and, to some extent, health and education provide a large field for PPP approaches, which may also cover the planning aspects of these services. The four evaluated PPP projects in the education sector can be all integrated into the mainstream of DC. More PPP measures are possible in this heavily commercialized sector. The promotion of economic activities and employment is simply crying out for private partners. Economic promotion and communal development can be connected with each other. The crosscutting issue of HIV/AIDS continues to be an important field of activity. A possibly increasing awareness within private enterprises could provide opportunities to offer services to companies against payment.

South Africa continues to be attractive for projects financed from the PPP facility. The diversity of the national flora offers possibilities for activities in the field of pharmaceutical and cosmetic products. In view of South Africa's leading role of in technology in the southern part of the continent, strongly growing sectors like measuring and testing equipment, and electronic office and communication equipment are highly interesting for PPP projects.

PPP may gradually replace traditional bilateral DC in some fields, which already show a high level of development. Especially in projects financed from the PPP facility, cooperation with other donors is advisable in order to fit smaller projects into their environment better. In South Africa an expert for general advice on PPP issued and to "screen" ideas and requests, serving the needs of all German EAs, could make sense.

Basic data

Vocational Training - SPI

Start of the Project:	11/2000
End of the Project:	05/2003
Budget allocated in DM millions:	0.395
Executing Agency:	GTZ
Division responsible for the project in the BMZ:	410

Internet-based Training Institute - Kühne & Nagel or GTT

Start of the Project: 09/2001
End of the Project: 01/2003
Budget allocated in DM millions: 0.392
Executing Agency: GTZ
Division responsible for the project in the BMZ: 410

HIV/AIDS and the Private Sector - DCSA

Start of the Project: 11/2000
End of the Project: 12/2003
Budget allocated in DM millions: 0.4
Executing Agency: GTZ
Division responsible for the project in the BMZ: 410

Devils Claw from South Africa - Salus-Haus

Start of the Project: 01/2000
End of the Project: 12/2001
Budget allocated in DM millions: 0.22
Executing Agency: GTZ
Division responsible for the project in the BMZ: 410

Otto Waste Removal Systems - Otto

Start of the Project: 12/1999
End of the Project: 11/2000
Budget allocated in DM millions: 0.25
Executing Agency: DEG
Division responsible for the project in the BMZ: 410

Software for School Administration - Haneke

Start of the Project: 10/2001
End of the Project: 10/2003
Budget allocated in DM millions: 0.208
Executing Agency: GTZ
Division responsible for the project in the BMZ: 410

Advice for Training Institutions - train

Start of the Project: 07/2000
End of the Project: 09/2001
Budget allocated in DM millions: 0.178
Executing Agency: GTZ
Division responsible for the project in the BMZ: 410

PPP Aids Fund – Diverse Companies

Start of the Project:	05/2001
End of the Project:	04/2004
Budget allocated in DM millions:	0.4
Executing Agency:	GTZ
Division responsible for the project in the BMZ:	410

Companies into the Internet – AHK

Start of the Project:	05/2000
End of the Project:	10/2001
Budget allocated in DM millions:	0.1425
Executing Agency:	GTZ
Division responsible for the project in the BMZ:	410

Rapid Tooling - MK Technology

Start of the Project:	11/2000
End of the Project:	12/2001
Budget allocated in DM millions:	0.160
Executing Agency:	GTZ
Division responsible for the project in the BMZ:	410

IFU Electronic Components - IFU

Start of the Project:	06/1999
End of the Project:	01/2000
Budget allocated in DM millions:	0.244
Executing Agency:	DEG
Division responsible for the project in the BMZ:	410

Date of the Evaluation: January 2002