



PUBLIC-PRIVATE PARTNERSHIP (PPP) IN AFRICAN DEVELOPMENT: A CASE STUDY ON THE STRENGTHENS AND CHALLENGES

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ABSTRACT

Public-Private Partnerships (PPPs) are complex, technical, demanding and time-consuming which needs to be understood by all stakeholders involved. Certainly under the right conditions, right personnel, at the right time and in the right sectors, they can offer significant benefits to government, the private sector and consumers which can even create a spill-over effect. It should always be taking into consideration that strong PPP systems require managers and personnel who are skilful in negotiation, managing differences, making partnerships, contract management, financial management, managing different networks of partners, development oriented and risk analysis. Requesting private partners to deliver government services places more responsibility and dedication on public officials. Therefore, for PPPs to be successful and sustainable, governments need to undertake thorough feasibility studies that address the issues of affordability, value for money and risk transfer in order to prevent any unnecessary failures which can have negative impact on the lives of the people.

Keywords: Citizens, Consumers, Governance, Good Governance, Leadership, Nationalisation, Privatisation, Public-Private Partnership, Public Procurement.

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1.0 INTRODUCTION:

Based on the limited resources at the disposal of states, Governments are looking to Public-Private Partnerships (PPPs) to radically improve the infrastructure networks within their countries and enhance effective service delivery to their citizens/people. Governments are hoping that this development finance model, where the state shares risk and responsibility with private firms/sectors but ultimately retains control of assets will improve services for the people, while avoiding some of the pitfalls of privatisation: unemployment, higher prices, unequal distribution of resources and income, monopolisation of the economy and corruption etc.

In theory, PPPs may have the potential to solve sub-Saharan Africa's profound infrastructure and service backlogs, where nearly 600 million people lack access to electricity, almost 300 million have no access to safe are just 8 telephones (either mobile or fixed line) per 100 inhabitants [1]. As this case study indicates that PPPs in Africa over the years is mixed, the process is complex, and governments should not expect PPPs to be a "magic bullet".

PPPs potentially bring the efficiency of business to public service delivery and avoid the politically contentious

aspects of full privatisation. PPPs allow governments to retain ownership of assets while entering into a joint venture or contracting the private sector to perform a specific function such as designing, building, maintaining and operating infrastructure like roads and ports, or providing to the citizens basic services like water and electricity. Both sides stand to benefit from the joint venture or contractual agreement. For example Government earns revenue by leasing state-owned assets [2] or alternatively pays the private sector for improved infrastructure and better service delivery. Often the private sector can do the job more efficiently than the public sector, which can lower prices and improve rollout to relief the public sector from pressure of the people in meeting their demands for services. The private operator gets reimbursed either by government or consumers (user fee) for doing its work by gaining profit.

Furthermore, there are several negatives as well. There is no doubt that the private sector is not always more efficient than the public sector and the service provision is often more expensive to the consumer. Governments should always make a proper feasibility studies to determine if they have the capacity to do the work

without a getting into a joint venture or contracts with the private sector as governments are sometimes complex and demanding. For a partnerships to be most successful in Africa, there must be thorough planning, good communication, strong commitment from parties and effective monitoring, regulation and enforcement by government. The issue of pricing is crucial both to avoid political fall-out and to ensure the viability of the contract for business. Leaders need to talk openly with their citizens about their inability to continue to offer free, undervalued or heavily subsidised services, and their plans for holding the private sector accountable for providing these services [3]. If Management is a process of planning, leading, organizing and controlling people within a group in order to achieve goals and also the guidance and control of action required to execute a programme for the benefit of the citizens the leadership must be result oriented.

The case study on the Provision of Water and Sanitation in Dolphin Coast-South Africa 1999 further suggests that PPPs are complex, demanding and time-consuming but that under the right conditions, and in the right sectors, they can offer significant benefits to government, the private sector and consumers. They have been generally more successful in sectors such as ports, telecommunications, transport and eco-tourism projects than power and water. But with the correct regulatory framework and strong political commitment, they do offer value for money to governments and good opportunities for investors [3]. A recurring theme is that for PPPs to be successful, governments need to undertake thorough feasibility studies that address the issues of affordability, value for money and risk transfer etc.

1.1 Objective of the study

The objective of this study was to examine and give a critical account on a Public-Private Partnership (PPP) implemented in an African country (Provision of Water and Sanitation in Dolphin Coast-South Africa 1999) taking into consideration the different concepts and models of PPP in order to portray the strengthens and challenges of PPP.

1.2 Methodology

The study mainly centred on the collection of data from secondary sources such as books, articles etc. through online/internet for my analysis in order to give a Critical Account on a PPP – Water and Sanitation Provision (Dolphin Coast-South Africa) in South Africa's KwaZulu-Natal Province, the Borough of Dolphin Coast (BODC) 30-year concession contract in 1999 with Siza Water Company (Siza).

2.0 DEFINITION OF TERMS

As discussions centred on the following keywords/terms (Public-Private Partnerships, Nationalisation, Privatisation, Public Procurement, Governance, Good Governance, and Leadership) there is a need to define them in order to make the readers to better understanding the usage of these concepts in this article. Thus generally speaking, a PPP refers to medium to long term arrangements between the public and private

sectors whereby the provisioning of some of the socio-economic services that traditionally fall under the responsibilities of the government are handed over to the private sector for delivery with clear contract on shared objectives [4].

2.1 Nationalisation

Nationalisation is the takeover of privately owned corporations, industries, and resources by a government with or without compensation. Common reasons for nationalization include prevention of unfair exploitation and large-scale labour layoffs, fair distribution of income from national resources, and to keep means of generating wealth in public control [5].

Also nationalisation means the taking of control by the government over assets and over a corporation, usually by acquiring the majority or the whole stake in the corporation. There are two basic means by which government may take assets or corporations into public ownership. The first of these is via appropriation or confiscation of the assets. The second is by purchasing the assets from their current legal owners [6].

2.2 Public-Private Partnerships

According to the earlier reported method by some researchers that Public-Private Partnerships (PPPs) aim at financing, designing, implementing and operating public sector facilities and services. Their key characteristics include:

- (a) Long-term (sometimes up to 30 years) service provisions;
- (b) The transfer of risk to the private sector; and
- (c) Different forms of long-term contracts drawn up between legal entities and public authorities [7].

In addition, innovative methods used by the public sector to contract with the private sector, who bring their capital and their ability to deliver projects on time and to budget, while the public sector retains the responsibility to provide these services to the public in a way that benefits the public and delivers economic development and an improvement in the quality of life" [7].

Furthermore, PPPs allow governments to retain ownership while contracting the private sector to perform a specific function such as building, maintaining and operating infrastructure like roads and ports, or providing basic services like water and electricity. Both sides stand to benefit from the contractual agreement. Government earns revenue by leasing state-owned assets or alternatively pays the private sector for improved infrastructure and better service delivery. Often the private sector can do the job more efficiently, which can lower prices and improve rollout. The private operator gets reimbursed either by government or consumers for doing its work, at a profit but there are several negatives issues as well. The private sector is not always more efficient and the service provision is often more expensive to the consumer. Big government contracts are complex and demanding and prone to abuse by unscrupulous individuals, firms or politicians, unless controlled by disciplined, highly transparent procedures. This suggests that governments must fundamentally improve their systems for dealing with

the private sector to realise the efficiency and effectiveness gains that these partnerships promise [7].

2.3 Privatisation

PPPs are not privatisation. Under PPPs, accountability for delivery of the public service is retained by the public sector whereas under a privatization, accountability moves across to the private sector (the public sector might retain some regulatory price control). Under PPPs, there is no transfer of ownership and the public sector remains accountable [7]. In a nutshell, Privatisation means usually the giving up of control, by the general government over a public enterprise, primarily by the disposal of shares and other equity in this enterprise [6].

2.4 Governance and Good Governance

Governance matters in PPPs if governments are to climb the maturity curve. This process requires putting into place the enabling institutions, procedures and processes surrounding PPPs in order to fully benefit from PPPs. This means also helping governments to play a critical role in the process and involving citizens as well as other stakeholders. Many governments, regional, international organisations and NGOs now recognize the importance of governance for economic development. Governance refers to the processes in government actions and how things are done, not just what is done. It covers the quality of institutions and their effectiveness in translating policy into successful implementation. Institutions are in general understood to be the bodies setting formal rules (property rights, rule of law etc.) while taking into account informal constraints (beliefs, traditions and social norms) that shape human interactions [7].

Good governance is open to much interpretation but overall six core principles have become widely accepted: (a) Participation: the degree of involvement of all stakeholders; (b) Decency: the degree to which the formation and stewardship of the rules is undertaken without harming or causing grievance to people; (c) Transparency: the degree of clarity and openness with which decisions are made; (d) Accountability: the extent to which political actors are responsible to society for what they say and do; (e) Fairness: the degree to which rules apply equally to everyone in society; and (f) Efficiency: the extent to which limited human and financial resources are applied without waste, delay or corruption or without prejudicing future generations [7].

Other institutions like the Organization for Economic Cooperation and Development (OECD) and the United Kingdom's Overseas Development Agency buying the idea of governance as 'the action or manner of governance', go further to link governance with participatory development, human rights and democratization. With this governance is conceptualized and focuses on such issues as 'legitimacy of government (degree of 'democratization'), accountability of political and official elements of government [media, freedom, transparency of decision-making, accountability mechanisms] and competence of governments to formulate policies and deliver services, respect for human rights and rule of law [individual and group rights and security, framework for economic and social

activity, participation]. This article as earlier stated by other authors identifies three distinctive aspects of governance and that is Political regime structure; Process of exercising authority in the management of the resources of the nation, economic and social resource and the capacity of the government to design, formulate and implement policies as well as discharge or execute functions [8].

In practice good governance involves promoting the rule of law, tolerance of minority and opposition groups, transparent political processes, an independent judiciary, an impartial police force, a military that is strictly subject to civilian control, a free press and vibrant civil society institutions as well as meaningful elections. Above all, good governance means respect for human rights [9].

2.5 Leadership

Leadership as defined by other authors is "the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives". Also earlier researchers defined leadership as "a process whereby an individual influences a group of individuals to achieve a common goal." These definitions suggest several components central to the phenomenon of leadership. Some of them are as follows: (a) Leadership is a process, (b) leadership involves influencing others, (c) leadership happens within the context of a group, (d) leadership involves goal attainment, and (e) these goals are shared by leaders and their followers. The very act of defining leadership as a process suggests that leadership is not a characteristic or trait with which only a few, certain people are endowed with at birth. Defining leadership as a process means that leadership is a transactional event that happens between leaders and their followers. Viewing leadership as a process means that leaders affect and are affected by their followers either positively or negatively. It stresses that leadership is a two-way, interactive event between leaders and followers rather than a linear, one-way event in which the leader only affects the followers [10].

Therefore, leadership is basically about the ability to influence your subordinates, followers, your peers, and your bosses in a work or organisational context and in the absence of influence, it is impossible to be a good leader. There is no doubt that having influence over people means that there is a greater need on the part of the leaders to exercise their influence and powers in general but must be done ethically. Therefore, the leadership of Africa must work toward a common interest or goal in order to positively impact on the life of the people they are mandated to serve through an effective partnerships with private sector and Civil Society Organisations (CSOs).

2.6 Public Procurement

PPPs are also differing from public procurement. Public procurement refers to the purchase, lease, rental or hire of a good or service by a state, regional or local authority. Procurement is chosen because of the simplicity of goods or services desired the possibility to choose from

numerous providers, and the wish to contain costs. PPPs are more complex, frequently larger in financing requirements, and are long-term as opposed to one-off relationships. PPPs frequently provide the developer with the right to operate over an extended term, to charge fees to users and to assume key responsibilities e.g. design, construction, finance, technical and commercial operation, maintenance, etc. However, PPPs are related to traditional public procurements in that PPP providers are often selected on the basis of public procurement procedures [7].

3.0 THE IMPORTANCE OF PPP

Many citizens around the world and especially in transition economies face an “infrastructure deficit”, as evidenced by congested roads, poorly-maintained transit systems and recreational facilities, deteriorated schools, hospitals, and water and water treatment systems, and other infrastructure assets which are either non-existent or in urgent need of repair. These problems in turn impose huge costs on societies, from lessened productivity and reduced competitiveness, to an increased number of accidents, health problems and lower life expectancy [7].

It is also important to note that Decentralisation offers partnerships between local government institutions, civil society organisations and the private sector for attainment of good governance and this is very crucial for a public-private sector partnership within the level of local government authorities for development.

Many governments have come to realize that the tax base alone cannot fund the huge needs for infrastructure. In some countries there is an acute need to rehabilitate existing infrastructure that was built decades ago. Furthermore, there is a critical challenge to find the funding for so called “greenfield projects” specifically the huge social projects required from rapidly growing economies and ageing populations. PPPs are one option to meet this challenge [7].

PPPs can provide a number of specific benefits to the public such as Better value (Lower cost; Higher levels of service; and Reduced risk), Access to capital (to access alternative private sources of capital allowing important and urgent projects to proceed), Certainty of outcomes (Certainty of outcomes are increased both in terms of ‘on time’ delivery of projects - the private partner is strongly motivated to complete the project as early as possible to control its costs and so that the payment stream can commence and in terms of ‘on-budget’ delivery of projects - the payment scheduled is fixed before construction commences, protecting the public from exposure to cost overruns), Off balance sheet borrowing (Debt financing that is not shown on the face of the balance sheet is called ‘off balance sheet financing’. Off balance sheet financing allows a country to borrow without affecting calculations of measures of its indebtedness), and Innovation (By combining the unique motivations and skills of both the public and private sectors and through a competitive process for contract award, there is a high potential for innovative approaches to public infrastructure delivery with PPPs) [7].

In addition to the above, PPPs can also be supplement to public sector limited abilities to meet increasing demand for infrastructures development and can enhance improved efficiency in public services delivery through private sector employment of technology and innovation to meet the needed demands of the population.

4.0 CONCEPTUAL FRAMEWORK

There are various types of PPPs, established for different reasons, across a wide range of market segments, reflecting the different needs of governments for infrastructure services. Although the types vary, two broad categories of PPPs can be identified: the institutionalized kind that refers to all forms of joint ventures between public and private stakeholders; and contractual PPPs [7]. With the help of other literatures, this section will present the different models of PPPs that can explore by African governments.

With a strong upsurge recently of the *contractual type* consisting of the *concession model* where the ‘user pays’. The Concessions, which have the longest history of public-private financing, are mostly associated with PPPs. By bringing private sector management, private funding and private sector knowhow into the public sector, concessions have become the most established form of this kind of financing. They are contractual arrangements whereby a facility is given by the public to the private sector, which then operates the PPP for a certain period of time. Oftentimes, this also means building and designing the facility as well. The normal terminology for these contracts describes more or less the functions they cover. Contracts that concern the largest number of functions are “Concession” and “Design, Build, Finance and Operate” contracts, since they cover all the above-mentioned elements: namely finance, design, construction, management and maintenance. They are often financed by user fees (e.g. for drinking water, gas and electricity, public transport etc. but not for “social PPPs” e.g. health, prisons, courts, education, and urban roads, as well as defence) [7].

In the below case study presented in this paper shows us that the “Concession” was not the best model for the project and even if the model could be the best but then a proper feasibility study was not done by the two parties. However, if the Concession was not the best model for the project other models could have being use. **Such PPP models are;** the Private Finance Initiative (PFI) Model, where the –“public sector pays”. Another model is based on the UK Private Finance Initiative (PFI), which was developed in the UK in 1992. This has now been adopted by parts of Canada, France, the Netherlands, Portugal, Ireland, Norway, Finland, Australia, Japan, Malaysia, the United States and Singapore (amongst others) as part of a wider reform programme for the delivery of public services in contrast to the concession model, financing schemes are structured differently. Under PFI schemes, privately financed contracts for public facilities and public works cover the same elements but in general are paid, for practical reasons, by a public authority and not by private users (public lighting, hospitals, schools, roads with shadow tolls, i.e., payments based on traffic volume, paid by the government in lieu of tolls) [7].

The capital element of the funding enabling the local authority to pay the private sector for these projects is given by central government in the form of what are known as PFI "credits". PFI is not just a different way of borrowing money; the loans are paid back over the period of the PFI scheme by the service provider who is at risk if the service is not delivered to standard throughout. The local authority then procures a partner to carry out the scheme and transfers detailed control and in theory the risk, in the project to the partner. The cost of this borrowing as a result is higher than normal government borrowing (but cheaper when better management of risks and efficiency of service delivery is taken into account). Currently, it does not always appear as borrowing in public accounts; although how it appears in public accounts may be changing as well [7].

There are other range of PPP models that allocate responsibilities and risks between the public and private partners in different ways which could have being explored by the South Africa's KwaZulu-Natal province, the Borough of Dolphin Coast (BODC). These typical partnership agreements are: "Buy-Build-Operate (BBO)": Transfer of a public asset to a private or quasi-public entity usually under contract that the assets are to be upgraded and operated for a specified period of time. Public control is exercised through the contract at the time of transfer. "Build-Own-Operate (BOO)": The private sector finances, builds, owns and operates a facility or service in perpetuity. The public constraints are stated in the original agreement and through on-going regulatory authority. "Build-Own-Operate-Transfer (BOOT)": A private entity receives a franchise to finance, design, build and operate a facility (and to charge user fees) for a specified period, after which ownership is transferred back to the public sector and also the "Build-Operate-Transfer (BOT)": The private sector designs, finances and constructs a new facility under a long-term Concession contract, and operates the facility during the term of the Concession after which ownership is transferred back to the public sector if not already transferred upon completion of the facility. In fact, such a form covers BOOT and Build Lease Operate and Transfer (BLOT) with the sole difference being the ownership of the facility [7].

Also other models includes: "Build-Lease-Operate-Transfer (BLOT)": A private entity receives a franchise to finance, design, build and operate a leased facility (and to charge user fees) for the lease period, against payment of a rent. "Design-Build-Finance-Operate (DBFO)": The private sector designs, finances and constructs a new facility under a long-term lease, and operates the facility during the term of the lease. The private partner transfers the new facility to the public sector at the end of the lease term. "Finance only": A private entity, usually a financial services company, funds a project directly or uses various mechanisms such as a long-term lease or bond issue. "Operation & Maintenance Contract (O & M)": A private operator, under contract, operates a publicly owned asset for a specified term. Ownership of the asset remains with the public entity. (Many do not consider O&M's to be within the spectrum of PPPs and consider such contracts as service contracts). "Design-Build (DB)": The private sector designs and builds

infrastructure to meet public sector performance specifications, often for a fixed price, turnkey basis, so the risk of cost overruns is transferred to the private sector. (Many do not consider DB's to be within the spectrum of PPPs and consider such contracts as public works contracts). And the "Operation License": A private operator receives a license or rights to operate a public service, usually for a specified term. This is often used in IT projects. The options available for delivery of public services range from direct provision by a ministry or government department to outright privatization, where the government transfers all responsibilities, risks and rewards for service delivery to the private sector. Within this spectrum, public-private partnerships can be categorized based on the extent of public and private sector involvement and the degree of risk allocation. A simplified spectrum including the above models for public-private partnerships follows [7].

Any of the above options of a PPP model could have being studied critically and the best one that suite the realities on the ground to be chosen by the South Africa's KwaZulu-Natal province, the Borough of Dolphin Coast (BODC) for the PPP to register a sounding success.

5.0 CRITICAL ACCOUNT ON A PPP - WATER AND SANITATION PROVISION (DOLPHIN COAST-SOUTH AFRICA)

In South Africa's KwaZulu-Natal province, the Borough of Dolphin Coast (BODC) signed a 30-year concession contract in 1999 with Siza Water Company (Siza), which is majority controlled by French multinational SAUR Services. Siza has Metropolitan Life and three local black empowerment partners as minority shareholders. The contract stipulated that Siza would oversee, manage and implement the provision of water and sanitation services (WSS) within the then BODC municipal boundary. As a result of South Africa's local government demarcation and municipal restructuring process, the BODC municipality has subsequently been absorbed into a much larger structure, the Ilembe District Municipality, which has a population of approximately 560,000 people [11]. The concession area, the former BODC, has a population of approximately 45,000 people and is a mix of extremes of wealth and poverty but lack proper sanitation and water supply for the citizens. When an extra population is added to another demography it means the demand for basic needs will increase and if this is not considered in the early stages of the project it will affect the output which seems to be the case in this particular PPP Scheme.

The BODC municipality chose the private sector for WSS provision in 1996 since projections in developmental growth (both in terms of high income and low income residents), combined with the very poor state of existing bulk infrastructure, presented the BODC with a growing investment and management responsibility that it felt could best be met through seeking an alternative model [11]. The municipality was short of money to upgrade and expand services and lacked the experience to provide a comprehensive WSS service for the population. I think that whereby the municipality lacks the financial muscles to carry a project for their people is still

incumbent upon the Central Government to intervene before engaging into a PPP.

In 2005, the concession entered its sixth year and while WSS targets in the wealthier areas have been achieved, those in the poorer areas have not all been met. A study by the Palmer Development Group (PDG) said that communities have expressed considerable frustration at receiving a lower level of service than they expected. There are two levels of service: level 4 service comprises water-borne sewerage and indoor plumbing while level 2 service consists of ventilated improved latrines and community stand-pipes which operate using pre-paid water cards. Siza initially rolled out level 4 service to many houses, but non-payment by many households led to cut-offs and a reversion to level 2 service [11]. The question here is that where the citizens consulted and brief on the implications of the scheme and what is expected from them as beneficiaries in order avoid lack of payment by the users?

Siza found itself unable to pay its concession fees in 2001, partly because of a 20% increase in the cost of water charged by the bulk supplier, Umgeni Water [11]. This led to a substantial adjustment to the contract by the municipality, including halving the annual concession fee to be paid to the municipality until 2006, reducing the investment commitments from the concessionaire to R10 million for the first five year period, and increasing prices for consumers. This indicates that a proper feasibility studies was not done in the PPP to take care of the unforeseen circumstances in the project.

Prices for level 4 customers have increased by 119% from pre-concession levels and the volumetric water charge for level 2 users has risen by 80%. The PDG study found that despite the problems encountered, in broad terms a case can be made that delivery is on track in terms of approved commitments [11]. The quality of the service has improved with regards to water loss, water purity, total number of leaks, the number of faulty meters and the number of maintenance actions carried out. An important difference between the water services offered by Siza and those of the Ilembe District Municipality is that Siza is obliged to make investments in maintaining and upgrading services while the municipality is only investing in extending services but those this guarantee sustainability which the partners failed to underscore.

While Siza is not making a profit out of the concession, SAUR has apparently been getting a 21% return on its investment from the first year of the concession, which means SAUR appears to have secured better terms for it than received by its partners in Siza. David Hemson from the Human Sciences Research Council says that small municipalities are no match for multinational corporations when it comes to negotiations [3]. Notwithstanding the improvements in infrastructure and service delivery, there have been a number of criticisms levelled both at the concessionaire and the municipality in regulating it for the best interest of the people is meant to service. "In the first year after Siza took over, there were 140 cases of cholera in the area as a result of people drawing unhygienic water from streams rather

than paying for treated water; The poor people in the area were not cushioned from the impact of tariff increases; In 2001, national government changed policy to give each family 6,000 litres of free water before service charges apply. However, this policy has not been applied to those on level 2 using prepaid meters, arguably the neediest customers; and poor level 4 customers, while getting the 6kl free, must still pay the basic monthly connection fee; and the contract did not anticipate changes to municipal boundaries or high non-payment rates. As a result the deal would have collapsed if the municipality had not cushioned the concessionaire from failure [11]". The lack of a proper feasibility study and probably the lack of a clear contract terms on who bears what amount of responsibility and risks has led to the above problems.

The above case study has shown that the lack of proper feasibility studies and the involvement of the people at the initial stages created a huge problem to the success of the PPP scheme. If a proper study was done certainly the government may have choose to either go for any of the Build-Operate-Transfer model, Lease/Affermage, Privatisation or even Nationalisation by strengthening all the needed capacity of the Government to be in charge.

6.0 CHALLENGES IN THE IMPLEMENTATION OF THE PPP

Indeed moving up the maturity curve level is not automatic and PPPs have proved difficult to implement in many countries. The main reason for this is the need to develop institutions, processes, and procedures to deliver PPP projects. The lack of well performing institutions in many countries is reflected in several things such as the protracted length of negotiations between public and private partners, the slowness of reaching closure, the lack of flexibility in risk-sharing, and the cancellation of many projects with all the resultant waste [7]. Institutional "certainty" moreover is critically important in success, as private investors will readily shy away from an opportunity where they are asked to take on a project that contains unforeseen risks. These "institutions" consist of two types: the 'formal', meaning the legal and regulatory frameworks and policy coherence, the 'enabling institutions' for PPPs, such as PPP units, and the "informal", such as the 'forums' where public and private sectors meet to smooth over the misunderstandings and frictions that can arise on specific projects. The challenge in PPPs then is developing the institutions, procedures and processes for effective PPP delivery. This can be defined as building "governance". If governments are to move up the maturity curve they will have to devote considerable effort to improving governance [7].

PPPs raise significant challenges to African governments wishing to conduct successful public-private partnerships. The complexity of such arrangements and the high costs involved should cause African governments to take a careful approach to PPPs. They should also recognise that PPPs pose many of the same problems inherent in procurement or privatisation and are not a panacea for development. But whether or not

African governments decide ultimately to follow the PPP route for any or all sectors of infrastructure and service provision, the principles that underlie PPPs such as affordability, cost effectiveness, value for money, transparency and risk management should form part of the way that they approach service delivery in general. Such partnerships are a *means* towards the goal of better service delivery and improved infrastructure [3].

As Kairuki points out: Governments should not slowdown in their efforts to utilise various forms of private sector participation in the development of infrastructure and the improvement of service delivery just because they don't know all the answers. Instead they should seek to learn from their mistakes and share their lessons learnt with the intention of improving on their performance. This is the only way that governments who are really constrained in terms of ... be able to effectively and innovatively continues to provide service to the public [3].

In the case of Dolphin Coast PPP Scheme, the case study illustrates the difficulty of water concessions at the municipal level which was clearly spell out in the critical account of the above PPP Scheme. David Hemson argues that more research is needed to determine whether governments or private companies provide a better value-for-money service in the water and sanitation sector. Such research would need to do cost effectiveness analyses of alternate forms of delivery of the same service. For basic infrastructure projects to be a success, he says they need to have good communications between communities and local government, an appropriate technology, effectively functioning councillors, and empowered communities [12].

7.0 CONCLUSION AND THE WAY FORWARD

The challenge is not just to create new institutions but also to develop the public expertise to administer projects. PPPs demand a strong public sector, which is able to adopt a new role with new abilities. In particular, strong PPP systems require managers who are not only skilled in making partnerships and managing networks of different partners, but also skilled in negotiation, contract management and risk analysis. Indeed, asking private partners to deliver government services places more, not less, responsibility on public officials. A recurring theme is that for PPPs to be successful, governments need to undertake thorough feasibility studies that address the issues of affordability, value for money and risk transfer [3]. Based on the analysis above the followings should have been address in order to make the PPP a sounding successful one;

1. Greater transparency on the part of the municipality and the private operator would lead to a greater level of trust and acceptance amongst consumers which they fall short of.
2. There was a need for water and sanitation authority capacity building at the municipal level to ensure better performance and sustainability of this very import scheme for people.
3. Small water concessions are less commercially viable than larger ones as the private operator is less

able to take advantage of economies of scale has created more damaged than good.

4. There was lack of adequate information and therefore more accurate information was required in the feasibility studies which form the basis of the concession, particularly with regard to data used in projections and taken into consideration future changes.
5. Given the difficulties with the concession, a management contract with an emphasis on training up local staff to assume management of the water utility might have achieved better results with fewer price hikes to consumers and ensure sustainability.
6. Policy clarity is needed on issues such as free water and allocation of grants in concession areas, and contracts should specify what process should be followed in the event such terms change which was absent in this PPP scheme.
7. Some of SAUR's initial investment of R7 million was used to pay for the black economic empowerment partners [13], which meant the concession required additional funds in the form of a loan from the DBSA for maintenance and upgrading of services and therefore unforeseen circumstances should always be budgeted for in a PPP arrangement.
8. Countries need a secure, predictable, stable, consistent and commercially-oriented framework of law and regulation, so that PPPs can flourish. Must be based on key principles and priorities: Protection of rights of investors to dispose of their property and assets; Promoting a better quality of legislation under the banner of fewer, better and simpler rules; Making enforcement more business sensitive; Improving the effectiveness of the judiciary in the enforcement of contracts; and Developing the legal framework for PPPs on the basis of thorough consultation in those areas which most directly affect the start-up of the project and its operation, including concession, tax, competition, procurement and company laws [7].

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