PUBLIC-PRIVATE PARTNERSHIPS IN ICT INFRASTRUCTURE: AN EFFECTIVE WAY TO ACHIEVE SA'S 4IR GOALS

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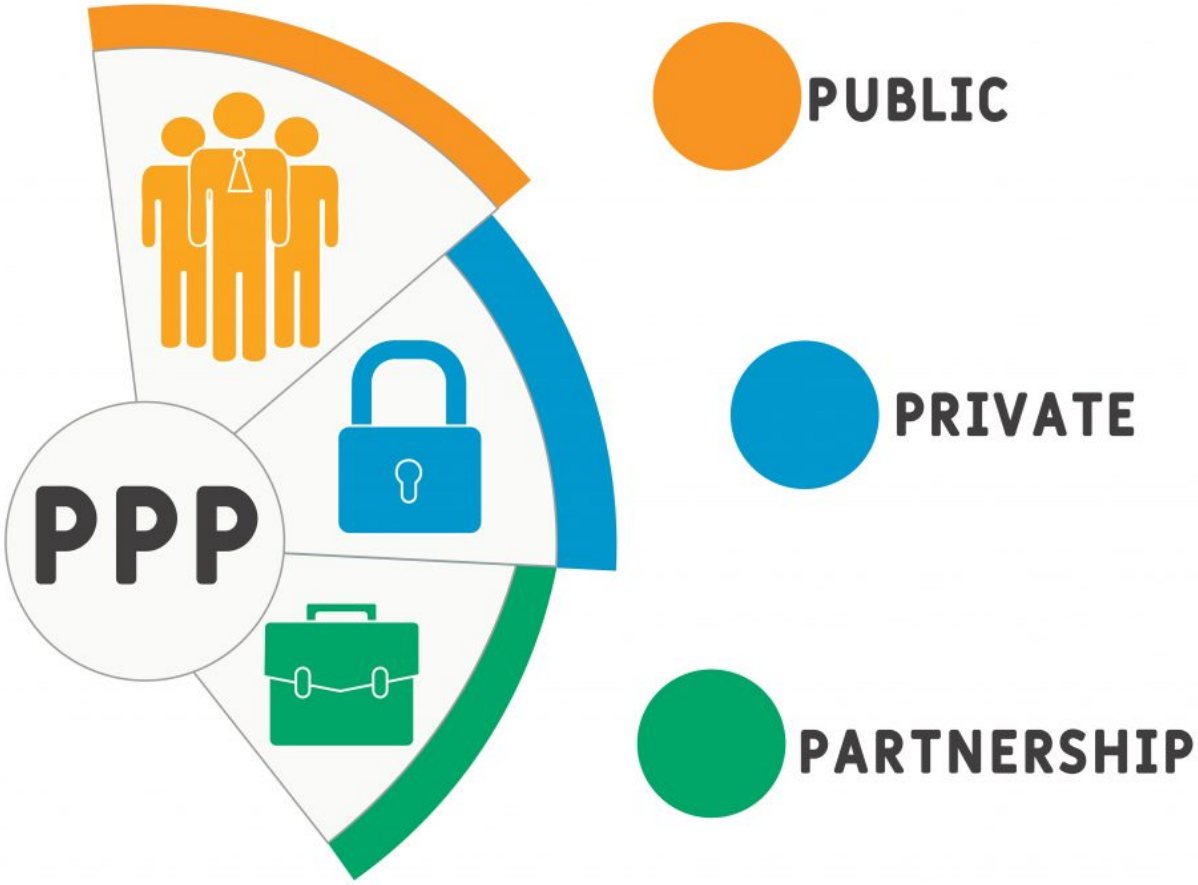

Introduction

A Public Private Partnership ("**PPP**") is broadly defined as a commercial transaction between an institution and a private party in terms of which the private party either performs an institutional function on behalf of the institution for a specified or indefinite period; or acquires the use of state property for its own commercial purposes for a specified or indefinite period. It can also be defined as instances where the private party receives a benefit for performing the function or by utilising state property, either by way of compensation from a revenue fund, charges or fees collected by the private party from users or customers of a service provided to them or a combination of such compensation and such charges or fees.

There are two basic types of PPP. One involves the 'performance of an institutional function' in which the institution sets out service delivery objectives and pays the private party for the service, usually in the form of a constant unitary payment, or the users pay for the service. Another form of PPP involves the 'use of state property by a private party for its own commercial purposes'. With this type of PPP, an institution's assets, which could include land, equipment or intellectual property, are used to generate revenue for the institution. A good example of such a PPP is the concessioning of

conservation land to private eco-tourism operators in return for a share of revenues.

From a legal perspective, PPPs involve many areas of the law, but stem from Regulation 16 of the Public Finance Management Act, 1999. They traverse areas of law such as administrative, procurement and broad-based black economic empowerment law. They would also address aspects such as finance, corporate structures, and a broad range of contractual matters. In addition, the PPP process involves multiple phases. As set out in the Public Private Partnership Manual, these include the inception phase, the feasibility phase, the procurement phase and the PPP contract management phase.

Benefits and Risks of Public-Private Partnerships

While PPPs have been around for a long time, recent times have seen a renewed interest in them because of some of their benefits. These include the ability of governments to use PPPs to introduce private sector technology and innovation in providing better public services. PPPs can also be used as a means to incentivise the private sector to deliver projects on time and within budget and also as a means to supplement limited public sector capacities to meet the growing demand for infrastructure.

Although PPPs have substantial benefits, they also carry significant risks. These include significantly higher costs because the development, bidding and the ongoing costs of PPP projects are greater than for traditional government procurement processes. The long-term nature and complexity of some PPP projects can open them up to certain vulnerabilities such political and social issues, and changes in policy. This could in turn affect the success and costs of the project.

Public-Private Partnerships in South African ICT Infrastructure

According to the 2021 Budget Review , PPPs were first introduced in South Africa in 1998 and to date 34 PPP projects valued at R89.3 billion have been completed. Although PPP transactions have been largely successful in South Africa, in the 2021 Budget Review the National Treasury recorded a decline in new PPP transactions from an estimated R10.7 billion in 2011/12 to R5.6 billion in 2019/20. A factor it, in part, attributed to the high costs that are perceived to be associated with such projects.

The advent of the 4th Industrial Revolution has necessitated the need for a shift from analogue to digital infrastructure in order to improve access to information and to build interconnected and empowered communities. Digital infrastructure is infrastructure that is software-based, data enabled and has cloud access. Key digital infrastructure includes Fibre, Data Centres, Wireless Infrastructure, and Computing and Storage facilities. One of the key recommendations made by the Presidential Commission on the 4th Industrial Revolution is the building of digital infrastructure such as hyperscale data centres, fibre-optic networks and undersea cables in order for South Africa to successfully transition to the 4th Industrial Revolution. However, previous ICT infrastructure projects like the SA Connect Project, brought to light that the biggest challenge to ICT infrastructure development is lack of finances.

Due to weak economic growth, South Africa faces challenges in long-term finance, particularly in the infrastructure sector. It has therefore become imperative for the government to find a way to address the “infrastructure financing gap” to ensure that it gives effect to the 4IR Report recommendations and achieves the objectives set out in the National Development Plan 2030. PPPs could be the way to bridge the infrastructure financing gap.

The government has asserted the importance of PPPs as a method of delivering universal ICT access. It did so most recently in its draft National Infrastructure Plan 2050 (NIP 2050). To achieve universal access, the government takes the view that there "must be sufficient and sustainable public and private finance that enables continuous improvement in delivering universal broadband and supportive ICT services to currently underserved communities and households and to public institutions."

Through properly structured PPPs and in partnership with development finance institutions like the Development Bank of Southern Africa and the World Bank, and the use of innovative blended-finance models, the government can play a key role in building modern, sustainable, and reliable ICT infrastructure. This will provide an opportunity for the development of ICT infrastructure without placing the full financial burden on the ailing South African economy. In addition, it would ensure necessary investments into the public sector, more effective management of public resources, and a higher quality and timely provision of public services. Thereby enabling access to the latest technologies, increasing the efficiency of communications, and reducing the cost of ICT services in South Africa.

Possible challenges to Public-Private Partnerships in South Africa

Although PPPs offer a world of possibilities for the development of ICT infrastructure, they could be met with significant challenges in South Africa. Of the 34 PPP projects completed to date, none of them were in the ICT sector, it is therefore unexplored territory. Although not unique to South Africa, but the due to the nature of the ICT sector, rapid changes in technology could increase costs of the PPP projects significantly given their lengthy nature.

South Africa has a PPP regulatory framework, but there is room for improvement. PPPs are still regulated under Treasury Regulation 16 to the Public Finance management Act. South Africa could stand to benefit from the implementation of the recommendations of the Report of the review of the South Africa PPP regulatory environment. Including the integration of PPP policies into the infrastructure delivery management systems, establishing a PPP regulator, and amending regulations and legislation to exempt smaller projects from onerous requirements, taking specific conditions into consideration.

Advocacy for Public-Private Partnerships in the South African ICT sector

Speaking at a Workshop, former Minister of Communications and Digital Technologies Stella Ndabeni-Abrahams urged the ICT sector to collaborate and forge private and public partnerships to tackle the growing digital divide. She highlighted that access to broadband and connectivity is essential to achieve socio-economic inclusion. She further encouraged the spirit of collaboration between public and private sector to remove the barriers facing the most vulnerable members of society.

Case Studies: Public-Private Partnerships in Telecommunications Infrastructure Projects

Republic of Kenya

In Kenya, PPPs have played a significant role in the telecommunications sector. Under the advisory of the International Finance Corporation World Bank Group (IFC), Telkom Kenya Limited (TKL) was unbundled and privatised. This benefited approximately 22.1 million people through improved services and increased competition in the telecommunications sector. This contributed significantly to the acceleration of the pace of economic growth and development in Kenya.

Uganda

In Uganda, PPPs saw a complete restructuring and modernisation of the country's telecommunication system. Under the advisory of the IFC, Uganda Posts and Telecommunications Corporation was unbundled, separating postal and telecommunications services. In addition, Uganda Telecom Ltd (UTL) was privatized and a Second National Operator (SNO) license was awarded to the Mobile Telephone Networks (MTN). Within a year, it began a $70 million rollout of new products that cost 50 percent less than the existing private cellular service. Thus, making cellular an affordable mass market phenomenon.

Republic of Congo

In 2011, the World Bank conducted a study on Public-Private Partnerships in Telecommunications Infrastructure projects in the Democratic Republic of Congo. Through this study, the World Bank identified an Open Access Network (OAN) as the perfect choice for broadband PPP infrastructure. With an OAN, many service providers share the same infrastructure, network resources and equipment of a single network provider. This model represents a different approach in that a single network is shared among many different service providers thereby reducing costs of services for service providers and customers. This model can also be an important tool for economic development as it promotes universal access to technology.

Conclusion

As it stands, South Africa is lagging behind in terms of fully participating in the 4th industrial revolution. In part, it is due to the lack of ICT infrastructure. Since their introduction back in 1998, PPPs have, to a certain extent, benefited South Africans. It is imperative, therefore, that the use of PPPs to achieve universal ICT access goals, as envisaged in the NIP 2050, be encouraged and adopted. Their implementation in the ICT sector for the purpose of building infrastructure could go a long way in enabling South Africa to reach its developmental goals.

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