Public Pain for Private Gain? Namibia's slide towards PPPs

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Recent reports in The Namibian shed light on an extremely worrying and dangerous development. The currently constructed fuel storage facility at Walvis Bay which incurred public expenditure of over N$ 5 billion was reportedly considered to be leased to one of the largest oil trading companies for virtually nothing. It is indeed telling when one cabinet member has to warn another that "saddling the public with the cost of the project and privatising the profits should be avoided".

Given the mismanagement of funds and the generally poor and inefficient management at many State-Owned Enterprises (SOEs), it is hardly surprising that many Namibians have lost faith in public institutions. In addition, mainstream economists and the proponents of the neoliberal development approach have argued that government should merely be a regulator and create favourable investment conditions while leaving economic activities to the private sector. This line of thought also supports the creation of "Public-Private Partnerships" (PPPs) which are portrayed as a "win-win" arrangement. However, just as with the creation of Export Processing Zones (EPZs) several years ago, such glorified assessments of PPPs are contradicted by many international experiences. The recent development around the oil storage facility in Walvis Bay must thus serve as a warning.

Namibia's Public Private Partnerships are envisaged to become the main instrument of outsourcing to the private sector in the years to come. Namibia's PPP policy was approved by Cabinet in 2012 and a PPP Bill was promulgated in 2017 to establish the legal framework for its implementation. The International Monetary Fund (IMF), which is one of the key proponents of neoliberal economics, conducted the initial study on which Namibia's PPP approach is based. A private company was then appointed to develop a PPP framework for Namibia.

Government defines a PPP "as a medium to long term contractual relationship between the public sector and other private partners in the sharing and transferring of risks and rewards and in the provision of infrastructure and/or services in the performance of a Government function". PPP projects target economic, social and municipal assets and related services as well as industrial infrastructure and related services. They are likely to become the key strategy for public sector restructuring in the years to come. A study conducted by the Bank of Namibia in 2014 confirmed that PPPs are indeed likely to be the major strategy for infrastructure development.

Government pins high hopes on this approach and believes that "PPPs draw upon the best available skills, knowledge and resources, bring down infrastructure expenditure, generate efficiencies and cost-effectiveness in the delivery of infrastructure and related services through innovative and specialist expertise, and thereby deliver value for money". This, however, remains doubtful as some concrete experiences already illustrate. A few years ago, the Ministry of Health and Social Services outsourced the hospital catering and security services on a two-year basis to a private company. Kitchen staff was shifted to resort under the management of the company while being paid by the Ministry. The Ministry further provided fully equipped kitchen and storage facilities to the company and even paid for the energy and water costs. This resulted in numerous challenges such as poor management of staff, a lack of maintenance of equipment and poor catering services.

Similarly, the outsourcing of security at all health facilities through the Tender Board did not lead to the expected results as the Ministry struggled to secure its property. Another telling example is provided by the Gross Barmen game park which falls under the Namibia Wildlife Resorts (NWR). After spending millions N$ of public funds on upgrading the resort, the management was handed over to a private company and as a result, the entrance fees were raised to N$ 150 per person which prevents the majority of Namibians from ever enjoying these facilities.

These early experiences with PPPs highlight the logic that underpins them. Public resources are spent and effectively provide a subsidy for private companies to rake in the profits. A classic case of public pain for private gain! This has already happened with EPZ companies like Ramatex who received numerous benefits, paid no corporate taxes and in return exploited workers and polluted the environment. Now, PPPs are likely to become a key instrument of public sector restructuring and outsourcing with a focus on infrastructure development. Once more government seems to be caught in wishful rather than strategic thinking. Undoubtedly, our SOEs need to be improved dramatically which the Ministry of Public Enterprises is currently trying to achieve. However, poorly conceived PPPs are unlikely to provide the solution as they will lead to growing socio-economic inequalities if public resources are spent while private companies reap the benefits. The events surrounding the fuel storage facility provide a warning that cannot be ignored.

Herbert Jauch is a labour researcher and educator and serves as the chairperson of the Economic and Social Justice Trust.