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Abstract

The Government of Zimbabwe introduced Public-Private Partnerships (PPPs) in 1998 with the aim to attract investors into infrastructure projects and State Owned Enterprises (SOEs) which were widely seen as a drag to the fiscal. Under the proposed framework, the private sector was to inject technology, capital and human capital into SOEs while the government would concentrate on infrastructure provision. However, there has been a low uptake and progress of PPPs from the private sector in some SOEs like the National Railways of Zimbabwe (NRZ) as signified by its continuous struggle for over a decade due to undercapitalisation, ageing equipment and a decline in business activities. This paper thus focuses on content and impact analysis of the PPPs since inception to ascertain what the policy entails in the transport sector, its prospects, and challenges and assesses whether it is a real panacea to the ailing NRZ or it’s just a theoretical fallacy. The NRZ case study is a clear indication of the minimum progress made by the government in the execution of the PPP policy. The private sector was reluctant to finance NRZ due to the general political and economic uncertainty, lack of confidence in the government’s commitment to implementing policies and the absence of a sound legal framework to guide implementation of PPP projects. PPPs theoretically have various merits and the research suggests that the government needs to finalise the policy’s legal and institutional framework, put in place rightful political, economic and financial frameworks and incentivise the private sector to participate if sustainable and prolific partnerships are to be realised.

Key words: Public-Private Partnership, Public Policy, Parastatals / State Owned Enterprise (SOEs)
1.0 Introduction

In 1998 the government of Zimbabwe took a policy position to adopt Public-Private Partnerships (PPPs), under which the private sector would partner the government in service delivery. A public policy is a purposive course of action followed by an actor or set of actors in dealing with a problem or matter of concern (Anderson, 2005). Policy Problems are those “conditions or situations that produce dissatisfaction on a wide spectrum of people and for which government redress is sought” (Anderson, 2005: 79). The government of Zimbabwe considered PPPs because most State Owned Enterprises (SOEs) like National Railways of Zimbabwe (NRZ) were under-performing, loss making and posing a financial burden to the national purse. PPPs were considered as a solution and a better way of delivering public infrastructure and related services. Public Sector Reforms (PSR) in Zimbabwe which started as early as the 1990s under the Economic and Structural Adjustment Programme (ESAP) used such strategies as privatisation and commercialisation to improve service delivery and they were successfully in some sectors. PPPs however were introduced as a new approach to compliment PSRs and accommodate the private players in the government business in the late 90s.

PPP is a “partnership between the public and private sector for the purpose of delivering a project or service traditionally provided by the public sector” (Ireland's Department of Public –Private Partnerships, 2001:1). It is a legally constituted relationship between the state or its agencies with the private sector firms in which the latter huddle with the former in the provision of public goods and services over a specified or indefinite period for mutual benefits (OECD; 2000). PPPs should not be confused with privatisation, where the management and the ownership of infrastructure are transferred to the private sector. PPP are collaborations between public and private sector in order to provide significant public infrastructure or other facilities and services.

In this context ‘public’ refers to the public sector organisations such as national, provincial and local government and ‘private sector’ refers to organisations which are for profit. A parastatal is a government- owned corporation/ state-owned company or state owned entity that undertakes commercial activities on behalf of the government.

The initiated strategy of expanding the role of the private sector in the provision of infrastructure services in the form of PPPs in 1998 however, failed to take off for a number of reasons leading to the government of Zimbabwe reviewing the policy. In 2004, the government revisited the issue and in December the same year issued a revised policy.
statement for the use of PPPs in various sectors to promote economic growth through collaboration of public and private sector in the provision of infrastructure.

The goal of the 2004 PPP policy document was to “promote sustainable economic growth and development through mutual collaboration between the government and the private sector in the efficient management and operation of infrastructure and other development projects in the country” (Government of Zimbabwe report 2004). The PPP policy document also provided a framework for private sector participation in the government’s drive to improve public enterprises reform. In addition the document outlined several forms of PPPs which can be subscribed and these include management contract, leasing concessions, and a ‘new entry’ through de-monopolisation. The document also provided the parameters for the development of an appropriate legal and regulatory framework, to protect the interests of the investors and the consumers.

PPPs were envisaged in a wide range of sectors, including transportation, water, telecommunications and energy (ibid). In an endeavour to incentivise the private sector interest, the government out-rolled a number of incentives on a case-by-case basis including duty exemptions and tax holidays. To NRZ, PPPs was not new or alien as it already had entered into some PPPs before. Bulawayo Beitbridge Railways line (BBR) was built under the Built Operate and Transfer (BOT) arrangement in 1996 and the 2004 PPP guidelines were seen as a milestone development that would enable it to accommodate more partners to improve the performance of the parastatal.

2.0 Research Design and Methodology
Public Private Partnerships are not new in Zimbabwe and there are several views and ideas written about them. A qualitative research approach was adopted and an intrinsic case study was used in order to gain a deeper understanding of the case. Data was collected largely from documentation, archival records, interviews, internet sources, newspaper reports and direct observation. The study also identified and selected key informants from the academia, House of Assembly members, private business and people from responsible the Ministry of Transport and Infrastructural Development. Purposive sampling of these possible respondents was utilised and it entails deliberate selection by the researcher of what he or she considers being a typical sample based on specialist knowledge. Content analysis was used in order to give the data a scholarly interpretation and tables were mainly used for data presentation.
3.0 The rationale for Public-Private-Partnerships (PPPs)

Most governments in both developed and developing countries are faced with difficult economic and political choices with regard to the provision of the much needed physical, social and economic infrastructure to their citizens. PPPs provide a mechanism for leveraging much needed finance and skills from the private sector for development (Harris; 2003). Thomson (2005) concurs adding that the private sector plays an important role in the financing and provision of services that were traditionally the domain of the public sector. Furthermore there are efficiency gains that arise from innovation, management and marketing skills that can be yielded from PPPs.

The Zimbabwean government like many governments has been unable to cope with the ever-increasing demands of its budget hence, the validation to opt for PPPs in 1998. Justifying in a press interview in 2010, the former Minister of Finance (Tendai Biti) and the Chief Executive Officer (CEO) of the Infrastructure Development Bank of Zimbabwe (IDBZ) (Mr Charles Chikaura) echoed the same sentiments that the solution to Africa’s quest for development is a win-win marriage between public and private sector collaboration and active participation of the private sector in the infrastructure development. This proves that a new approach to government business requires accommodation of private players.

In his study, Harries (2003) also identified a plethora of benefits associated with PPPs. These includes great asset utilisation, innovation, value-for-money, provide a platform for sector-wide cooperation, financing from the private sector, creation of synergy and capacity building, increase the value of business, better risk allocation, attain high efficiency and quality, and promote competiveness and fair competition and PPPs do not affect government responsibility.

PPPs operate at the boundary of the public and private sector, being neither nationalised nor privatised. Therefore politically, they represent a third way in which government deliver certain public services. The new wave of PPPs was started in 1980s in the United Kingdom by Margret Thatcher when she needed to mobilise resources for her country and it produced favourable results and proved that there is great value in partnerships. However, it was at the end of 20th century that the concept cascaded in most parts of the world. Countries such as Bulgaria, Croatia, the Czech Republic, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Netherlands, Poland Portugal, Romania, Slovenia, Spain, New Zealand and USA began to improve their local economies and combat poverty through PPPs (Grimsey and Lewis, 2004: 3).
Continued growth in demand for services, along with changing technology and regulatory approaches requires collaboration or a shift from the public to the private sector in infrastructure ownership and service delivery. PPPs facilitate government service delivery, promotion of public sector savings, public debt reduction, and value for money and attraction of private sector in public goods and service investments.

PPPs however, are not immune to criticism. Among the demerits that they suffer include the fact that they requires high capital, are mostly financed with debt over a long period, and are generally sensitive to high level risks.

3.1 Forms of Public Private Partnerships (PPPs)

There are various forms of PPPs and these include Build Operate Transfer (BOT), Build Own Operate Transfer (BOOT), Leasing, Joint Ventures (J.V), Management Contract or Operations, Cooperative Arrangements or Public Private Cooperation. The following table 1 shows and explains the different PPP typologies.

<table>
<thead>
<tr>
<th>Forms of PPP</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build Operate Own Transfer (BOOT)</td>
<td>An agreement where the private sector takes primary responsibility for financing, designing, building and operating the PPP project or concessionaire for the period of the concession (15-25 years). After the private sector has earned its capital and profit, it then transfer the control and ownership to the metropolitan government.</td>
</tr>
<tr>
<td>Build Operate Own (BOO)</td>
<td>An agreement where the private sector finances, designs, builds, operates controls and takes ownership of the PPP project in perpetuity.</td>
</tr>
<tr>
<td>Leasing</td>
<td>The financial risk is transferred to the private sector. The municipality designs and builds the facility and leases it out or contracts it out to the private sector</td>
</tr>
<tr>
<td>Model</td>
<td>Description</td>
</tr>
<tr>
<td>-------</td>
<td>-------------</td>
</tr>
<tr>
<td>Joint Venture</td>
<td>Both the private and the public sector with specific reference to the metropolitan government form a partnership to jointly finance, own and operate a facility or project for a specific duration.</td>
</tr>
<tr>
<td>Management Contract or Operations</td>
<td>The private sector is partially involved in the provision of infrastructure-related services or partially manages the operations of the facility for a period specified in the contract. The management contract or operations take the following forms of PPPs, namely: Design Build Finance and Operate (DBFO), Operate Maintain and Manage (OMM), Operate and Maintain (OM). The length of the management contract ranges from 5-15 years.</td>
</tr>
<tr>
<td>Cooperative Arrangement or Public Private Cooperation</td>
<td>These are informal partnerships between the public sector which is in this regard metropolitan government, and the private sector. The metropolitan government provides fiscal incentives and guarantees to attract the private sector to invest in physical or infrastructural development in their respective areas.</td>
</tr>
</tbody>
</table>

Source: Grimsey and Lewis (2004; 10-12)

These models and their variants, though not exhaustive, can be used to develop new infrastructure, to rehabilitate or expand existing infrastructure or to improve the performance of the existing ones.

### 3.2 Risk Allocation

One of the crucial factors in the design of a PPP arrangement and management of risk is the allocation of risk. The importance of it is that it helps the public and the private sector achieve a balanced distribution of responsibilities. As Akintoye, Edwards and Hardcastle (2005) define; risk allocation is a primary measure of assignment between the public and the private sector. These risks can be categorised as follows:
### Tables 2: Forms of Risks

<table>
<thead>
<tr>
<th>RISKS</th>
<th>EXAMPLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political</td>
<td>Change in law, delay in project approvals and permits, inconsistency in government policies, unstable government.</td>
</tr>
<tr>
<td>Construction</td>
<td>Land acquisition, construction cost overruns, construction time delay, excessive contract variation/contractual risks, contractor failure, project delay, consortium inability, resettlement and rehabilitation, poor quality of workmanship, insolvency/default of subcontractors and supplier, and change of scope.</td>
</tr>
<tr>
<td>Legal</td>
<td>Change in tax regulation, corruption and lack of respect for law, industrial regulatory change, and import/export regulations</td>
</tr>
<tr>
<td>Economic</td>
<td>Interest rate volatility, inflation rate volatility and poor financial market</td>
</tr>
<tr>
<td>Operation</td>
<td>Operation cost overrun, maintenance costs higher than expected, Technology risk, waste of material and operation default.</td>
</tr>
<tr>
<td>Market</td>
<td>Tariff change, market demands and fluctuation of material cost by either government or private.</td>
</tr>
<tr>
<td>Project Finance</td>
<td>High finance cost, lack of creditworthiness, lack of government guarantees, delays in payment of annuity, and financiers unwilling to take high risk.</td>
</tr>
</tbody>
</table>

Source: karim (2011; 13).

These risks can prevent the PPP project from meeting the expectations. The success of a PPP project hinges largely on transferring risks to a party that is best suited to manage or minimise it (UNESCAP, undated). As such, PPP arrangements should also involve allocation of risks between the public and the private sector because inadequate risk allocation and management can easily result in the project being derailed from the expected route.

### 4.0 National Railways of Zimbabwe as a State Owned Enterprise.

National Railways of Zimbabwe (NRZ) is a 100% state owned public enterprise responsible for the maintenance and provision of the railway infrastructure. It plays a crucial
role in servicing key sectors of the economy such as mining, manufacturing and agriculture. The railways industry is largely responsible for the movement of bulk goods especially imports and exports at both regional and international levels thereby promoting regional and international trade (National Transport Policy, 2012-2016).

NRZ operate a 2 760km line with an estimated capacity to move 18 million tonnes of goods per year, although a significant proportion of this capacity is no longer available (www.afdb.org/fileadmin). Within Zimbabwe, the railway network connects all major mines and heavy industrial plants, as well as major collection points for farms. The railway is at the centre of international rail routes linking the Democratic Republic of Congo (DRC) and Zambia to Botswana, Mozambique and its ports of Durban, Richards Bays, and Port Elizabeth.

NRZ has a long history of operating losses dating backing to the 1990s. However, it took a number of steps to try to improve operational and financial performance and these faced mixed reactions. NRZ authorities revealed that such efforts include encouraging customers to invest in locomotive and rolling stock overhaul and buy their own fuel, hiring additional locomotives, reintroducing the caboose system and frequently adjusting tariffs in line with inflation.

The technical, operational and financial performance of NRZ has also been largely affected by the macro-economic instability that affected the nation and in particular the critical shortage of foreign exchange. These problems were exacerbated by the imposition of Public Service Obligations on NRZ without compensation for these losses. The deteriorating state of the infrastructure and assets as a result of lack of maintenance and periodic rehabilitation of track has in turn resulted in accidents and derailments. Literature reveals that government worldwide have increasingly turned to the private sector for additional resources, increased efficiency and sustainable development in many fields including the transport infrastructure and services. As such, following this trend, the government of Zimbabwe also realised that there was great need to accommodate the private sector to assist in this transport sector.

4.1 PPPs Progression on NRZ.

National Railway of Zimbabwe’s partnership with private players started in the 90s and one notable arrangement was the BBR project built on a BOT basis between 1996 and 1998. It connects Beitbridge to the industrial heartland of Zimbabwe, Bulawayo, direct through West Nicholson where the NRZ ends Dube and Chigumira (2014). The BOT concession to build the 385 km railway line was awarded to New Limpopo Project
Investment (NLPI) a company registered in Mauritius whose shareholders include Nedbank Ltd, Old Mutual, and Sanlam. The company laid the tracks, provided an additional ten locomotives and serviced the route through this program. NLPI has a collective 85 percent interest in BBR, while NRZ hold a local 15% stake in the company.

The concession was privately negotiated and is in place for a period of thirty years after which the railway ownership reverts to the government of Zimbabwe. The concessionaire received a number of incentives, including duty exemptions on imported rail equipment and spares, discounted tariffs and priority services for investors in rolling stock and tax holiday (ibid). However because it was not awarded based upon International Competitive Bidding (ICB), little is known of the terms of the concession (SADC Technical Report; 2009). The total cost of the project is approximately US$85 million (ibid).

This project pioneered the BOT concept for infrastructure projects in Zimbabwe and it was the first of the railway concession to be totally financed with private funding. BBR and its affiliated companies provided all the equipment, fuel, management and marketing for the corridor from Livingstone to Beitbridge. The government was entitled to receive concession fee payments (ibid). The NRZ Acting General Manager in a press interview (Herald, 15 July 2014) however said the parastatal was not realising any benefits from its 15 percent stake in the BBR which last gave out a dividend in 2006 and expects to break even at the end of this year. This shows that there are some anomalies from the initial arrangement. In PPP arrangement inconsistency normally emanate from allocation of risks that are not well defined and in some instance unobserved in the initial phase.

In another Interview, the NRZ Public Relations Manager acknowledged that besides BBR, NRZ also run PPPs programs involving customers which entails customer with financial capacity funding the repairs of out-of-service resources (wagons and or locomotives) in exchange for a dedicated use of same. He further stated that favourable discounts on the freight are available to participating customers as an incentive as well as to allow them to recoup their funding. On this arrangement the Manager confirmed that NRZ had an agreement with petroleum supplies firm, Sakunda Energy in terms of which the latter is to finance the refurbishment of 50 rail fuel tankers in an effort to capacitate the organisation and enable it to play its role in the company.

NRZ also has other arrangements with users, such as some mining companies like ZIMASCO, the fuel industry and the sugar industry in Chiredzi. These companies have rehabilitated some NRZ equipment as a form of loan, and rather than getting cash payment from NRZ, the loan is adjusted against the improved and guaranteed service as well as having
some refurbished wagons dedicated to them. These successful arrangements show that the industry is willing to partner with NRZ as long as they are assured of improved service.

In addition, NRZ has entered into agreements with mobile telecoms companies which have laid fibre along the rail tracks in exchange for capacity on the fibre; a development which the Acting General Manager said had saved the company of significant money. Dube and Chigumira (2014) in their study however revealed generally that there has been low uptakes of PPPs from the private sector for which several explanations have been given, including the general uncertain political environment and absence of a sound legal framework to guide implementation of PPPs projects.

4.2.1 PPP Policy and legal framework

A comprehensive policy with clear legal instruments is paramount in the implementation of the PPP scheme. In the Zimbabwe context even though a PPP policy exist, it is in the form of PPP in Zimbabwe policy and guidelines of 2004 which sought to provide the parameters for the development of an appropriate legal and regulatory framework to protect investors and consumers ZNCC (2009). It is unfortunate to realise that 10 years have so far lapsed without a legislative framework to support this policy position. The absence of a legislative framework has been a major contributor toward the implementation inertia of PPPs. Legislation acts as both insurance and assurance to investors that the government will honour the contract.

The research revealed that lack of legal framework to authenticate the PPP has been an impediment to the contribution and participation of private sector in the PPP arrangements. The adoption of a legal framework reflects a political will and commitment toward the implementation of a programme. Investors use it as a collateral security for their investment. However, some of the PPP frameworks have been adopted, for example the Zimbabwe Investment Authority (ZIA) has incorporated a BOOT PPP model, with investors getting some incentives for entering PPP scheme. Some of these incentives include a five year tax holiday and a reduced tax rate for the subsequent five years (http://www.zia.co.zw). This has also been regularised and legalised under the Income Tax Act (Chapter 23.06).

The success of PPP depends mainly on the presence and critical role played by the policy framework, legislation and policy institutions as proffered by Dube and Chigumira (2014; 22). Their position is that policy institution play an active role in developing the legislative framework for PPP. It is unfortunate that these structures are still to be adopted
in Zimbabwe despite frantic efforts made during the inclusive government. During the inclusive government, some strides were made towards laying the future road towards PPP in Zimbabwe and a number of critical legal and institutional frameworks were proposed even though they are not yet adopted.

4.2 Impact of PPPs on NRZ

Despite all PPP efforts, NRZ has still deteriorated in its business operating below its capacity over the past decade. According to Dube and Chigumira (2014) NRZ operates a 2760km line with an estimated capacity to move 18 million tonnes of goods per year. A significant proportion of this capacity however, is no longer available. This is shown in Table 3, which shows how capacity utilisation has fallen over the years despite some PPPs entered into.

Table 3: Capacity utilisation in the railway sector in Zimbabwe

<table>
<thead>
<tr>
<th>Tonnage (Millions)</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design capacity</td>
<td>18</td>
<td>181</td>
<td>18</td>
<td>18</td>
<td>18</td>
<td>18</td>
<td>18</td>
<td>18</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Tonnage moved</td>
<td>9.5</td>
<td>8.9</td>
<td>8.1</td>
<td>6.3</td>
<td>4.9</td>
<td>3.7</td>
<td>5.4</td>
<td>5.0</td>
<td>3.7</td>
<td>2.7</td>
</tr>
<tr>
<td>Capacity utilisation</td>
<td>53%</td>
<td>49%</td>
<td>45%</td>
<td>35%</td>
<td>27%</td>
<td>21%</td>
<td>30%</td>
<td>28%</td>
<td>21%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Source: National Railways of Zimbabwe

The former NRZ General Manager disclosed in a press interview (Newsday 16 September 2010) that NRZ’s capacity to move bulk cargo deteriorated drastically during the last decade despite some PPPs which had been entered into. During its peak about 42% of NRZ’s infrastructure was used to transport energy and mining cargo, followed by agriculture that used 33%, industry using 16% and transit goods at 9%. He further disclosed that about 17% of the country’s railway network was marred with restrictions or cautions, which limit the speed at which goods are moved. In addition, about 32% of NRZ’s locomotives were in
service and about 46% of the wagons (which are close to 9,000 in all) were also in service. Table 4 below shows how functional NRZ assets declined.

<table>
<thead>
<tr>
<th>Asset</th>
<th>Total Number</th>
<th>Functional Assets</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Locomotives</td>
<td>168</td>
<td>55</td>
<td>33</td>
</tr>
<tr>
<td>Wagons</td>
<td>8,682</td>
<td>4,646</td>
<td>54</td>
</tr>
<tr>
<td>Coaches</td>
<td>315</td>
<td>117</td>
<td>37</td>
</tr>
</tbody>
</table>

*Source: National railways of Zimbabwe*

Statistics above shows that PPPs entered have not contributed much in locomotives and wagon refurbishment and the functional assets are not enough to allow NRZ to perform its role in economic stabilisation. A horde of challenges that the parastatal is still facing clearly demonstrate that PPPs have not brought much meaningful panacea. Observations showed that numerous stations are surrounded by rusty, smelly and run-down coaches and wagons that are scattered all over the place. Building apartments, in dire need of maintenance, look like they have since been deserted. NRZ officials acknowledged in a press interview that the once vibrant parastatal needed about US$2 billion for its long-term rehabilitation of infrastructure.

The company is facing the daunting task of improving its communication signals that are too old and need replacement. The signalling and telecommunications systems are in disarray and need to be upgraded and modernized. NRZ Acting General Manager confirmed that they had entered into agreements with mobile telecoms companies which had laid fibre along the rail tracks in exchange for capacity on the fibre. Results however, are still to be realised because recently it was reported that NRZ had gone to the extent of using cell phones for communication in place of signals that are supposed to be permanent and not prone to network problems. This raises a lot of questions whether partnerships being entered into are
genuine or they are just a theoretical fallacy. The Acting General Manager also confirmed that NRZ required about US$260 million in the short to medium term so that it implements its recapitalisation programme and this shows that the parastatal is still a fiscal drag to the nation.

The current railway network has 14 percent caution infestation, which is the equivalent of potholes on the road surface. These cautions are spread all over the tracks. The tracks cover 2,760 kilometres and were designed to carry 18 million tonnes of traffic every year in 1897. The effect of these cautions on the tracks is that it becomes difficult to navigate since there are single lanes. Drivers have to travel slowly until they get past the caution area. Journeys therefore take longer (The Herald February, 24 2014).

Speaking before a parliamentary committee on Transport and Infrastructure Development in July 2014, NRZ Acting General Manager said the firm was carrying an average deficit of $4 million every month with 69 percent of the company’s revenues going to wages. The company has a revenue income of $8 million to $9 million a month against a target of $12 million. He further said NRZ is operating below its break-even point of transporting 400,000 tonnes per month; the firm is currently moving 297,000 tonnes, with volumes being compromised by low demand for commodities among other factors. The poor performance of NRZ however, can also be attributed to the prevailing economic meltdown that has caused poor performance and closure of many companies that partner or can partner with NRZ. NRZ is owed $7.7 million by Zimbabwe Iron and Steel Company (ZISCO), $10 million by the Grain Marketing Board (GMB) and $2.8 million by the Zimbabwe Power Company (ZPC), funds which are urgently needed to address key challenges at the company.

The Gweru and Harare electric train corridor has since been decommissioned due to vandalism and the current Acting General Manager confirmed the firm is looking at re-commissioning the corridor in the medium to short term. The situation at NRZ is so pathetic that newspaper reports revealed that the parastatal is considering leasing some of their properties to sustain its operations.

The failure of many PPP schemes is largely attributed to disregarded arrangement with respect to risk allocation. This if not properly defined and allocated in the initial stage will result in failure of PPP. A research conducted in the UK, Australia, Hong Kong, China, Nigeria and Indonesia by Grimsey et al (2004) and Abednego et al (2006) concluded that
public and private sectors need to accept risk allocation scheme before the contract is awarded in order to reach the PPP objective. In the Zimbabwean context, many of the NRZ partnership efforts were among other causes compromised by some risks that were not properly allocated and managed. Amongst the risks that have bedevilled NRZ efforts include financial, construction, political, performance and demand/traffic, legal, economic and operational risks.

Lack of adequate legal and institutional frameworks to compliment the 2004 PPP policy and Guidelines also undermined the confidence of many private actors to partner with the government in the railway industry. This demonstrated reluctance by the government to full commit its political will to partnerships despite its call for private participation public service delivery. The government however made some frantic efforts to expedite the legalisation of PPP during the inclusive government. Critical documents were prepared during the inclusive, which would anchor the future road towards PPP in Zimbabwe include the Public-Private Partnership Policy, 2010; Public-Private Partnership Guidelines, 2010; Public Private Partnership: Legislative Review for Zimbabwe, 2010; and the Institutional Framework, Public-Private Partnership, 2010. These documents form the basis upon which PPP would be structured, although they are yet to be adopted.

4.3 PPP’s future prospects on NRZ

NRZ official reports confirmed that investment in the parastatal is still open as it is still seeking for more partners to work with under different arrangements. The official said NRZ still requires PPPs and strategic alliances for refurbishment/rehabilitation of existing infrastructure and equipment (track, locomotives, wagons, coaches and workshop machines). It is calling for joint venture arrangements for the setting up of critical rail related/supplier plants for example concrete sleepers and wheel manufacturing. NRZ is still looking for loans or lines of credit for the supply of new equipment (locomotives, wagons, coaches, and workshop and maintenance machinery). BOT and BOO arrangements are still open for the construction of new rail links for the increased regional competitiveness.

The study also discovered that NRZ owns a stake in Pan African Mining Development Company in which the carrier jointly owns mining rights in South Africa with Zambia Railways and the South African government. This study also revealed that NRZ is in negotiations with Afrochine to start transporting their commodities and the firm is also
working on developing a rail loading site at the Afrochine premises. Looking ahead, the current Acting GM said NRZ is pinning its hopes on the revival of New Zimsteel which will push up volumes and boost the confidence of lenders. NRZ is also looking at tapping more international traffic which currently accounts for 11 percent of the firm’s revenues. To this end, NRZ is selling potential BOT arrangements for the construction of railway links to Zambia and Mozambique. The parastatal confirmed that it was also negotiating with a Dubai based firm in order to establish an inland port in Harare.

A number of Chinese investors are keen to partner the parastatal but no deal has been finalised due to an absence of government guarantees. The company has deposited US$2.9 million to purchase 14 locomotives from China’s biggest train maker CSR Corporation Limited but nothing has been delivered so far. The total cost of the locomotives from China was estimated at US$ 29 million.

All these prospects should not be expected to just materialize easily because generally the global records show that the railway industry does not attract much private sector investment in construction due its complexity. Among the various PPP projects in Europe and central Asia it was discovered that despite the need for massive investment, railways were not attracting much investment, with only 3% of total investment in the transport being to railways. It was also established that 95% of this investment in railways was from one project, the Estonian Railway Project of 2001 (Cuttaree, 2009). Thus by and large, the sector failed to attract PPP interest across the continents. This record should be expected at NRZ and the government should be conscious about it when instituting PPP arrangements in the railway transport business. The PPP arrangements will not a straight jacket exercise because many private are still sceptical about investing in the railway business especially in the Zimbabwe context which is surrounded with a host of challenges

5.0 Conclusion

The implementation of PPPs is a noble idea which if well nurtured can help in bringing investment in areas traditionally reserved for the public sector, especially at a time like now when the Government is financially handicapped. PPPs in NRZ however, have not helped the parastatal from collapsing as no much progress was realised ever since they were adopted. The parastatal is still in a frail state, loss making and still a fiscal drag to the nation which is already in financial quagmire. PPPs in this sector have not yielded desirable results
and many of them have just remained symbolic while some private players have withheld their investment. A host of factors seems to have contributed to this mismatch between the provisions of the PPP guidelines of 2004 against what has transpired to date.

From a private sector point of view, the political and economic environment seems not conducive for an investor to commit resource to partner with government. Zimbabwe policy environment is dynamic and investors fear their financial injection might be a victim of policy changes.

Many private investors will not join PPP arrangements unless the perceptions about the investment climate are positive. The PPP policy has not yet been finalised to be backed by operating legal and institutional framework and this does not boost and guarantee the private sector confidence. On the other hand, however the government seems to be reluctant to accommodate the private players even though it claims to be in looking for partners. This is substantiated by various PPP conditioned proposals from the private sector that have been turned down or just shelved. To assert that this sector has totally failed to attract partners would be unjust. Several proposals have been heel dragged and it seems that this sector is very strategic to the government despite its loss making stature.

Global experience shows that it does not require legal frameworks but just political will and government guarantee for PPP to yield prolific and sustainable results. Through the use of decree, Mozambique since 2006 has implemented 26 small and medium PPP projects worth billions of dollars. The government of Zimbabwe needs to emulate other international success of PPP so that its desire of solving state owned enterprises problems using PPP can fully materialise.

6.0 Recommendations

The study recommends the following ways if meaningful and health partnerships are to be realised:

- Swift finalisation of the policy’s legal, regulatory and institutional framework, which has already been initiated by the government. Direct participation by private investors requires an adequate legal and regulatory framework for the various forms of public-private partnerships such as BOT, BOOT, IPP and other vehicles.
• PPPs need the right economic, political, legal and financial framework to be put in place to make it attractive for the private sector to invest in infrastructure development. The Government need to ensure that policies are formulated and implemented in a consistent and predictable manner in order to improve investor perceptions about Zimbabwe, especially to with respect to safeguarding property rights.

• There is also need by the government to mobilise and incentivise the private sector to participate in the process.

• For PPPs to work all stakeholders including the public (ranging from parents, students, patients to roads, harbours, railway and airport users etc), Government, investors (private), farmers, industrialists, financiers, traders, environmentalists, donors, NGOs and other special interest groups must be taken on board.

• There is need to set up PPP unit within the government to administer national PPP programme, ensure operational accountability and carry out risk analysis and management.

• There is need to engage well-trained experts to initiate and drive the PPP process. These experts are key drivers in developing capacities, building legal and regulatory structures, stimulating market interest and initiate pilot projects in order to test and demonstrate the value of PPPs.
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