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## FISCAL COMMITMENT & CONTINGENT LIABILITY UNIT

The FCCL Unit has been established within the Debt Policy, Strategy and Risk Management Division of the Directorate of Public Debt Management (DPDM) of the National Treasury. Its core function is risk evaluation and management and to provide advisory support to the Directorate in relation to fiscal commitments and contingent liabilities (FCCL) arising out of government projects under the Public Private Partnership program and in general.

### **Legislative Mandate**

The Unit has the primary task of institutionalizing the FCCL Management framework under Section 35(2) of *PPP Act 2013*, a policy framework that guides how FCCLs are assessed and accounted for in PPP projects, It also aims to establish and institutionalize various tools, models and formats that not only aid government entities derive and quantify the FCCL exposure of their PPP projects but can also be applied more widely. The Unit has to date actively applied the framework to PPP projects submitted to the Directorate for FCCL assessment and to sensitize other government entities to this risk management paradigm.

### **Appreciation of Risk Management**

One practical effect of this process has been to impart a strong appreciation for risk management to entities the Unit has interacted with through the use of practical tools - such as the Project Risk Matrix - so that key project risks are identified, quantified, justified, provisioned for, mitigated and managed as part of prudent financial and project management practice.

### **Collaborative**

The unit works collaboratively with the Public Private Partnership Unit (PPPU), other ministries, departments and agencies (MDAs) – also known as Contracting Authorities under the *PPP Act 2013* – where they have an active PPP project they are implementing. The Unit also partners with other treasury directorates such as Budget, Fiscal & Economic Affairs to assess, review and disclose the quantum of FCCL exposures.

### **Other Functions**

The Unit's other functions include:

- Information collection and dissemination for project assessment by contracting authorities;
- PPP project Review for FCCL at various stages of the project approval process
- Advisory support to the PDMO and the PPP unit on FCCL matters;
- Advisory support to the PPP committee;
- FCCL database management in support of FCCL framework implementation;
- Sensitization of Contracting Authorities and Transaction Advisors to apply and comply with the FCCL framework;



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- Capacity building of PDMO staff to carry out FCCL functions & tasks;
  - Application of models, formats, methodologies, techniques and technologies for measuring and managing FCCL.

### **Wide base of application**

This approach to risk assessment and management finds wide application as it can ensure greater analytical rigor to support good decision making. An example of this is the cascade of Project risk => Portfolio Risk => Corporate Risk. By applying risk assessment at the project level, tracing its application upwards is intuitive and especially beneficial in the context of significant public scrutiny, greater accountability and constrained public resources.

### **The FCCL Webpage – Disclosure & Reporting**

An important aim of the Unit is FCCL disclosure and reporting in line with public accountability per the Constitution and in compliance with the Public Finance Act 2012 and the PPP Act 2013.

This webpage thus serves to aid this disclosure and reporting obligation. It is therefore intended to be an avenue to display:

1. FCCL information at the project level;
2. FCCL information at the aggregated whole-of-government level;
3. FCCL reports such as the FCCL component of the Annual Debt Report and the Medium Term Debt Management Strategy of the DPDMO;
4. Policy and procedural updates and changes to the FCCL Management Framework (password-enable access only to contracting authorities and other stakeholders)
5. FCCL News bulletins.