

Fostering the Development of PPP Models in the COMESA Region



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Towards a Regional Approach to Public Private Partnerships in Infrastructure

- Making the COMESA RIA model work for PPPs
 - Differences? Similarities?
- Wealth of experience clear from the many we met and the few speakers here today – and a willingness to share!
- Questions for later:
 - What is your country's track record in PPPs?
 - What are your country's aspirations for PPPs?
 - What role does your institution envisage in the growth of PPPs?

Objectives of the COMESA Regional PPP Project and Workshop

- Policy and Vision for PPPs in Infrastructure
- National legal enabling framework for PPPs
- National institutional framework for PPPs
- Potential for a Regional Approach to PPPs

(Methodology, Countries, Research, Surprises)

(What are PPPs?)

Observations, Findings, Conclusions

1. Status of Infrastructure PPPs in Africa
2. Key Messages and Recommendations
3. Next Step – Where does COMESA go from here on PPPs

Additionally,

- Self-diagnostic
- Roadmap for Reform
- Model PPP Contracts?

Infrastructure Status and Needs in COMESA / SSA

- Egypt (22, \$15bn), Kenya (16, \$4bn), Uganda (15, \$2.4bn); Mauritius (11, \$549mn) (See p.5)
- Telecom, Energy dominate
- PPI provides \$4.8bn p.a. in SSA, or 20% of total, but 20% is seen as optimal
- Primarily in ICT, Power, Transport, WSS
- \$40bn infrastructure gap per annum (Capex and Maintenance), mainly in power
- So, substantial needs in \$\$\$ (AICD); opportunities missed to serve the neediest communities
- SSA Countries spend only 2/3 of infrastructure budget

Learning from Other Places

Region	Concession	Divestiture	Greenfield project	Managem' t and lease contract	Total
East Asia and Pacific	118	39	166	6	329
Europe and Central Asia	23	15	19	9	66
Latin America and the Caribbean	284	8	96	20	408
Middle East and North Africa	11	0	14	7	32
South Asia	106	0	66	6	178
Sub-Saharan Africa	52	3	15	14	84
Grand Total	594	65	376	62	1,097

Lessons Learned

- What lessons stand out – something for you to share briefly in the next session
- ICT, Power, Transport, Water in SSA
- AICD Extract on p.7
- What opportunities are being missed in that picture?
- Thinking about small and medium PPP projects in “non-traditional” sectors

2. Key Messages and Recommendations



Electricity and Other Entrepreneurs

Tentative Eight Findings / Recommendations - For Now and Later

1. Definition and Justification of PPPs
2. PPPs as a Means of Financing Infrastructure in Africa
3. Categorizing PPPs by Revenue Format
4. Size and Sector Considerations in Planning a PPP Strategy
5. Challenges and Recommendations for Strengthening National Institutional / Legal Framework
6. Championship, Strategy and Coordination for PPPs
7. National Legal Framework and *Getting Projects Done*
8. A Regional Approach to PPPs in COMESA

1. Definition and Justification of PPPs (6 May PM)

- Key issue. Many opinions. Are you clear? We will ask again in this afternoon's session.
- Focus to date on power and telecoms. The others are too difficult?
- We found much interest and activity in smaller and social projects – other regions active in large and small transport.
- Many types of PPPs (p.10) but is this the most useful categorization in thinking about a PPP strategy for your country?
- Furthermore – where should you be looking for relevant examples???

2. PPPs as a Means of Financing Infrastructure in Africa (now)

- A host of thoughts and possibilities
- Relative cost of PPP Capital – most or least expensive form of infrastructure financing?
- Sovereign wealth money? Donors? Taxes?
- Pay now, pay later? Spending money you can't raise or don't have? Subnational infrastructure projects.
- Back to a definition: “Optimal sharing of risks and responsibilities”; Capital plus Efficiency
- What does the future hold for risk capital?
- Stimulating regional investment through smaller replicable projects.

4. Size and Sector Considerations in Planning a PPP Strategy

Your Advertisement
Here!

- Smaller Projects
- Doability
- Replicability
- Municipalities
- Central Coordination
- Serving Underserved / Unserved Communities through PPPs (e.g. telecoms, community centres, water traders, hospitals)



5. Challenges and Recommendations for Strengthening National (Legal and) Institutional Framework in COMESA

- Potential benefits and functions of PPP Unit well understood
 - Dealing with rivalries through champions and making the pie bigger and fresher
 - Clear mandate required
 - Location / Affiliation?
 - Secretariat / Decision Maker?
 - Transparency / Accountability
- Key Functions of Central PPP Unit:
 - Knowledge sharing (gathering and dissemination)
 - Training
 - Coordination and Supervision
 - Policy Advocacy
 - Others

6. Championship, Strategy and Coordination for PPPs

- PPP Champion
- Pushing out the vision and shared aspiration (Sunderland e.g.)
- Being firm on the locus of authority
- Incentivizing government agencies to exploit PPPs? Healthy competition.
- Role of interministerial committees and other forms of coordination?

7. National Legal Framework and *Getting Projects Done!*

- National Legal Framework (later)
- Getting Projects Done as a key element in strengthening the enabling framework for PPPs. Obvious (?), but critical.
- Build (elements of) the framework around successful “learning by doing” pilot projects.
- Then replicate, turn into manuals, and you are a miracle-worker! (Singapore e.g.)

8. A Regional Approach to PPPs in COMESA

Vast Potential

1. Unlike, perhaps, in investment promotion there is a huge incentive to learn from each other regionally.
2. Small and medium scale PPP projects can replicate easily across and within borders and stimulate regional investment flows.
3. Finally, having similar national legal and institutional PPP frameworks (drawn from regional guidelines such as those being prepared) will also make larger cross-border PPP projects progress more smoothly.

Regional Investments Social Enterprises



Session 2: Regional Capacity Building, Investment & Projects

Questions for Discussion

- What experiences and aspirations do COMESA Countries share based on the brief descriptions we have just heard?
- What capacity building / training needs do you have?
- Based on the discussion of non-traditional opportunities where do you see opportunities to use PPPs to serve unserved or underserved populations?
- What large projects could require better coordination of national enabling frameworks for PPPs?
- What about a Community of Practice for PPPs – what lessons can we draw from COMESA RIA experience so far?

Session 3: Defining PPPs and Pursuing Different Types of PPPs

1. PPP Definition Criteria: How do we decide?
2. Role of Overarching Legislation
3. Role of Central PPP Units
4. Working out where we are: Self-Diagnosis Tool
5. Roadmap for a Systematized PPP Enabling Framework

THE CONCEPT OF PUBLIC PRIVATE PARTNERSHIP

Definition attempt

A mode of cooperation between public sector entities and private corporations with the aim of financing the:

- Construction, refurbishing, management or maintenance
- of ***public assets*** or
- the provision of ***public service***

What is a PPP?

➤ Main characteristics:

- Duration of the cooperation (enough for RoI)
- Provision of public service
- Public and private funds *or public guarantees or covenants*
- Significant responsibilities and risks borne by the private party

NB: Multilateral Lending Agencies (MLA's) funds (World Bank, African Development Bank) = Public funds

Risks Allocation between Public and Private Sector

- Optimization of the risk allocation between the public and the private partner : Risks to be borne by the **most-capable party** to
 - assess,
 - Control, and
 - manage such risks
- However → State remains ultimately liable vis-à-vis the users of the **quality and continuity of public service**

SPECIFICITIES OF PPP IN EMERGING COUNTRIES

- A situation of urgency
 - Urgent needs for developing basic infrastructure services
- Significant amount of investments required where the State lacks funds and is subject to stringent budget constraints

PPP Scheme and Allocation of Risks

Scheme	Operator's Mode of remuneration	Construction Risks	Demand Risks	Environment Risks	Operation/ Technical risks
Design, financing , Build, O & M (DFBO)	Operator obtain payment in collecting user's charges	Private Operator	Private Operator	Private operator/GoB	Private Operator
Lease Management Contract	Operator is paid a fee based on revenue collected	Public Operator	Private Operator	Public Operator	
Performance based contract	Operator is paid based on its performance	Private Operator	Private Operator	Private Operator /Public partner	Private Operator

REMUNERATION MODES

How the private operator gets paid?

- Direct collection of users' charges by private operator →
 - Concession
 - Affermage
- Payment of service fees/royalties
 - Management/Service contract
 - Performance based
- Combination of both

Relevant Sectors

➤ Traditional Sectors:

– Facilities developed under a PPP scheme:

- Infrastructures (Energy generation, including renewable energy, water disposal and waste water treatment, transportation, telecommunications)

➤ New Sectors owned and operated in general by the State are opened to the private sector:

- health care, education, environmental protection, public safety, surveillance
- **Allocation of risks and responsibilities different in these “social sectors” – performance required and the monitoring and supervision of the private operator performance is more difficult to assess.**

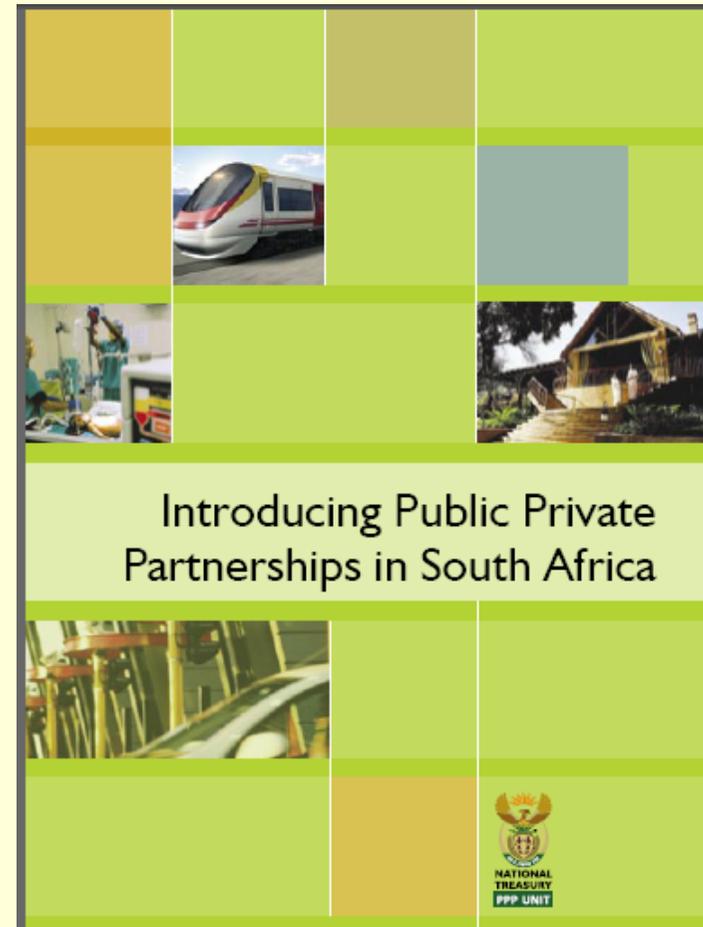
2. Role of Overarching Legislation

- Essential?
- Unnecessary?

Public Explanations from South Africa's PPP Unit

Contents

- | | | |
|--|----|---|
| 1. What are PPPs? | 4 |  |
| 2. Why do we use PPPs? | 10 |  |
| 3. PPPs and BEE | 15 |  |
| 4. The PPP process | 18 |  |
| 5. What makes a good PPP? | 22 |  |
| 6. A snapshot of some South African PPPs | 24 |  |



3. Role of Central PPP Units

- “The most successful of the PPP Units surveyed have benefited from a combination of high level political support, and close association with a Ministry of Finance or Treasury.” (World Bank Report)
- Working with what we have.

Core Functions of PPP Units

- Centre of Excellence / Pool of Expertise (Technical, Project implementation, Dispute resolution, Financial management)
- Information Dissemination (Project DB, Institutional memory, Information absorption and dissemination)
- Training and associated materials
- Checks, balance, performance monitoring
- Intragovernmental glue
- Stakeholder awareness
- Policy advocacy
- Others? Discuss

4. Working Out Where We Are: Self-Diagnosis Tool

(Useful for government officials / policymakers and donor project officers)

- Track record in Public Private Partnerships in Infrastructure
- Self-Diagnostic Questions If You Haven't Started Systematizing the PPP Process, But Aspire To Do So
- Self-Diagnostic Questions If You Have Started Establishing a National Legal and Institutional Framework for PPPs in Infrastructure
- Other Self-Diagnostic Questions???

5. Roadmap for a Systematized PPP Enabling Framework

- A Pragmatic Manual / Roadmap for a PPP Enabling Framework that needs to be applied to particular country circumstances.
- Sequencing of components of the pillars
- Tailoring to individual country circumstances and opportunity is critical. This is beginning to happen across COMESA

Four Pillars

- Vision and Policy
- Legal Framework for PPPs
- Institutional Arrangements for PPPs
- Getting Projects Done / Project Pipeline

Thank You!



www.comesaria-ppp.org

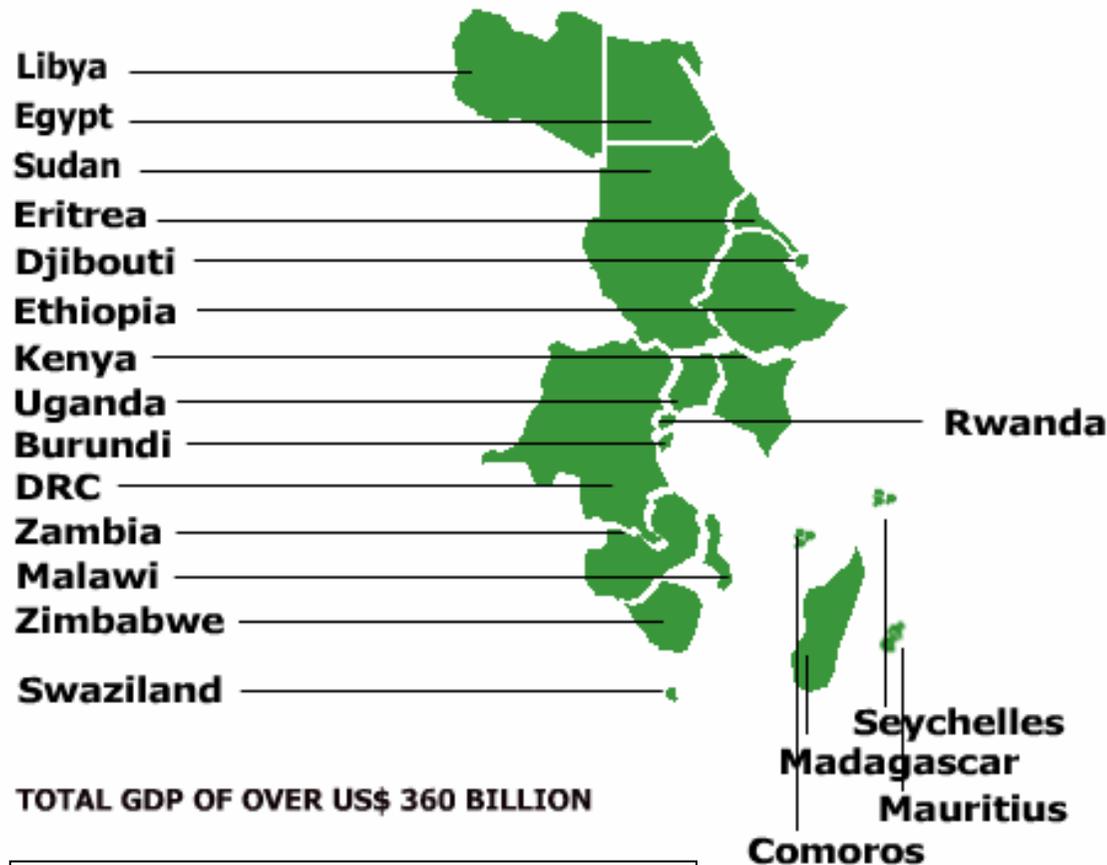
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COMESA
 Common Market for
 Eastern and Southern Africa

-  Burundi
-  Comoros
-  D.R. Congo
-  Djibouti
-  Egypt
-  Eritrea
-  Ethiopia
-  Kenya
-  Libya
-  Madagascar
-  Malawi
-  Mauritius
-  Rwanda
-  Seychelles
-  Sudan
-  Swaziland
-  Uganda
-  Zambia
-  Zimbabwe

