

The i-Transport and UATP Conference June 19th, 2018 Midrand-Johannesburg

Kogan Pillay
Head
SADC PPP Network



Southern African Development Community
Public Private Partnership Network



Presentation will cover:

- » How to identify feasible transport projects?
- » The Crucial Role of Development Finance Institutions IDFI's
- » The Project Preparation and Development Facility (PPDF) & the Regional Development Fund (RDF)
- » Public Private Dialogue's
- » Some Projects in the Region
- » Funding Options



What is a feasible project?

- A bankable PPP has an agreed upon definition (This is crucial!)
 - A contract between government institution and private party
 - Private party performs an institutional function and/or uses state property in terms of output specifications
 - Substantial project risk (financial, technical, operational) transferred to the private party
 - Private party benefits through: unitary payments from government budget and/or user fees

What is a feasible project?

- The project is part of a National Development Plan
- It has strategic value for the country
- The Ministry of Finance is aware of the project and supports it!
- Local banks have an appetite for long term lending (project finance)
- The private sector is informed of the project and understands it
- Government has the best advisors!

What is a feasible project?

- All the risks for the project are properly identified
- The risks are costed and allocated in a matrix (key)
- No unallocated risks remain
- Development Finance Institutions will fund part of the project
- Government has some public capital for the project
- Draft PPP Agreements are market friendly

What is Feasible Project?

- Where revenue is generated must be financially viable
- If government pays unitary payments must be ring-fenced
- Government must have a strong Treasury (tax base)
- Are Sovereign Debt Guarantees available to lenders
- Proper financial model (Public Sector Comparator) is completed

What is a Feasible Project?

- Must show Value for Money (VfM) for government
- Must show market related profits for private sector
- Refinancing risks are shared
- Foreign debt exchange rate risks are shared
- Continuity of contract from one government to the next

The Role of DFI's



- DFI's must act as catalysts for project development
- Particularly in large scale Transport Projects
- Since most are high value capital intensive
- Must crowd in the private sector but first must ask the hard questions:
- **This stage puts three key questions to the test:**
 - Is it affordable?
 - Does it appropriately transfer risk from the institution to the private party?
 - Does it provide value for money?

- **The PPDF** Established by SADC Infrastructure and Services Directorate and the Development Bank of Southern Africa
- Specifically to fund preparation of infrastructure projects in the SADC Region
- Funded by the EU & KFW -18 million Euros

- **Regional Development Fund (RDF)**
 - 51% owned by SADC Member States
 - Will be capitalized with \$10 billion by Member States
 - Will attract an additional \$10 billion from DFI's and institutional investors
 - Will be used to capitalize national and regional projects
 - Approved by SADC Ministers of Finance
 - Currently being implemented
 - Ministers of Finance also approved a regional framework for PPPs and Private Sector Participation
 - Currently member states are harmonizing their PPP Legislation



Public Private Dialogues

PPD's

- Private Sector must know about the project from inception
- At each stage of the feasibility information must be disbursed
- Forums are created to discuss feasibility findings
- Funding issues are openly discussed with Private Banks and DFI's
- Inputs from private sector are invited and incorporated if necessary

PPD's

- Timeframes for procurement are clearly delineated
- Information provided must be publicly available
- Sector specialists must be made available by the private sector
- Issues of competition must be addressed
- Private sector should provide some project development costs
- Government must ensure full transparency during feasibility study



Projects in the Transport Sector

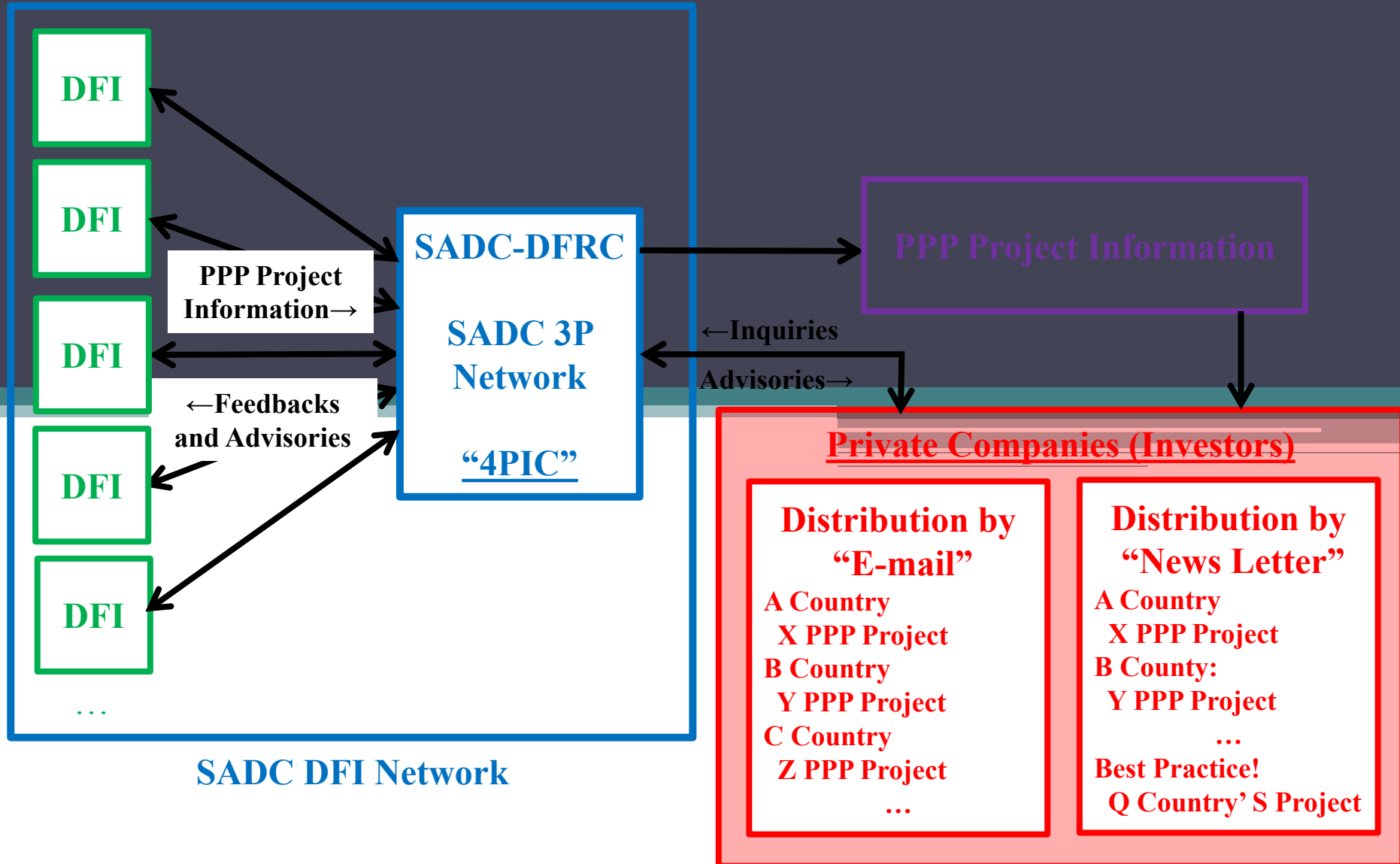
Sector	Name of the Project	Member States involved	Status	
			Full feasibility studies	Documents ready for tender preparation or tendering
Transport	Palapye Martins Drift Road	Botswana	Complete feasibility designs and	<ul style="list-style-type: none"> Tender doc. ready Funding to be fully sourced internally.
Transport	Pandamatenga-Nata Road	Botswana	Complete feasibility designs and	<ul style="list-style-type: none"> Tender doc. ready Funding to be fully sourced internally.
Transport	Bulawayo-Beitbridge Road	Zimbabwe	Complete feasibility designs and	Information not available
Transport	Airport Turnoff – Mzimba Turnoff Road	Malawi	Complete feasibility designs and	Tender documentation ready. Still in discussion on funding.
Transport	Serenje-Mpika Road	Zambia	Complete feasibility designs and	Tender documentation ready. Awaiting AfDB Board approval.
Transport	Sena Line railway rehabilitation and upgrade	Malawi	Complete feasibility designs and	Tender doc. Not ready yet.
Transport	Lobito Development Corridor- TAH9 Beira-Lobito Corridor: Lobito Roads	Angola	Information not available	Information not available
		DRC	Complete feasibility designs and	Tender doc. Not done
		Zambia	Complete feasibility designs and	Tender doc. available
Transport	Mtwara Corridor-Rehabilitation of Makambako – Songea Road (295 km)	Tanzania	Information not available	Information not available
Transport	Beitbridge OSBP	Zimbabwe/RS A	Information not available	Information not available

Sustainable Funding Options

- DFI's will have to provide long term tenor loans (Syndication)
- Regional Development Fund to attract private Capital
- Will have to unlock other forms of funding in the region (pension funds)
- Private capital will have to be in local currencies
- Private funders must take more risk
- Sovereign Guarantees are **no longer** an option
- Export Credit Options need to be explored more seriously



Conceptual Image of “PPP Project Information Core (4PIC)” by SADC 3P Network



Thank you

Kogan Pillay

Email: kpillay@sadc-dfrc.org

T: +267 319 1146 F: +267 319 1147

C: +27 82 880 8902

Or visit us on the web:

www.sadcpppnetwork.org



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