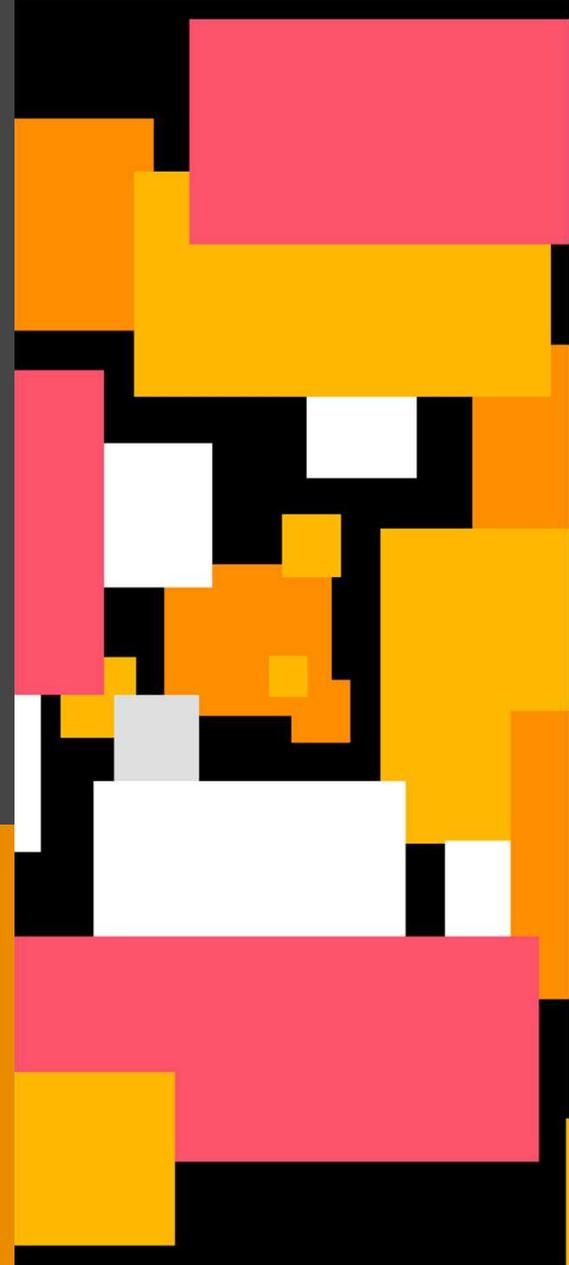


Delivering Infrastructure and Improved Services - Lessons for enhancing PPP project delivery

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November 2019



Simplistic Five Phase PPP Procurement Process

Establishing requirements and identifying measures

- Project organisation and structuring
- Definition of project objectives
- Analyses of project PPP framework
- Outline of possible operational and finance modules
- Feasibility and PPP suitability test

Preparation and Concept

- Specification of operational and finance approach
- Develop take to market strategy
- Legal and tax structuring
- Risk analysis
- Economic viability assessment
- Development of specimen contracts

Tendering and Contract Award

- Delivery of take to market strategy
- Assessment of offers
- Negotiation with selected bidders
- Contract review and amendment
- Contract conclusion

Implementation and Contract Management

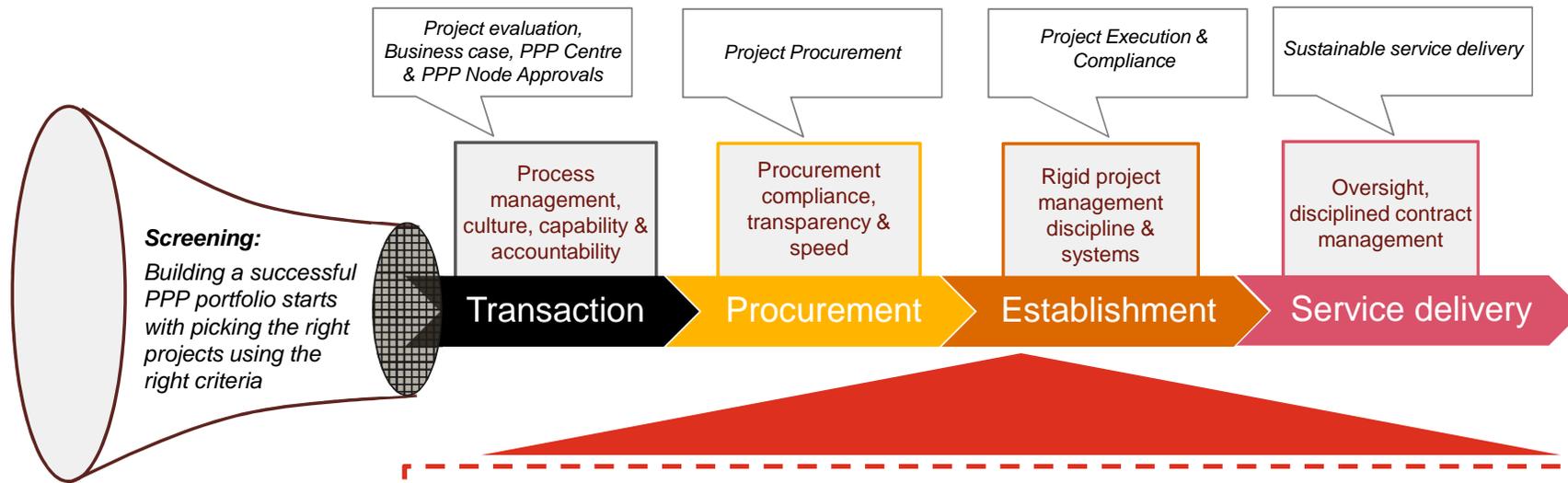
- Review of economic and other benefits delivered by project
- If appropriate development of approaches to refinancing project

Oversight

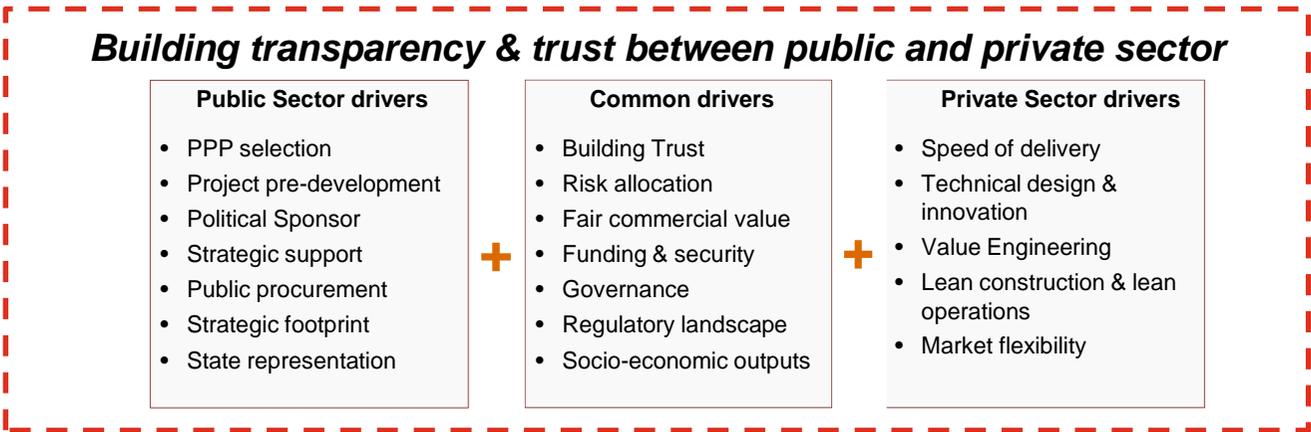
- Monitoring and oversight of project delivery
- Appropriate measures to review project delivery and to make adjustments as necessary

Implementing successful PPP delivery

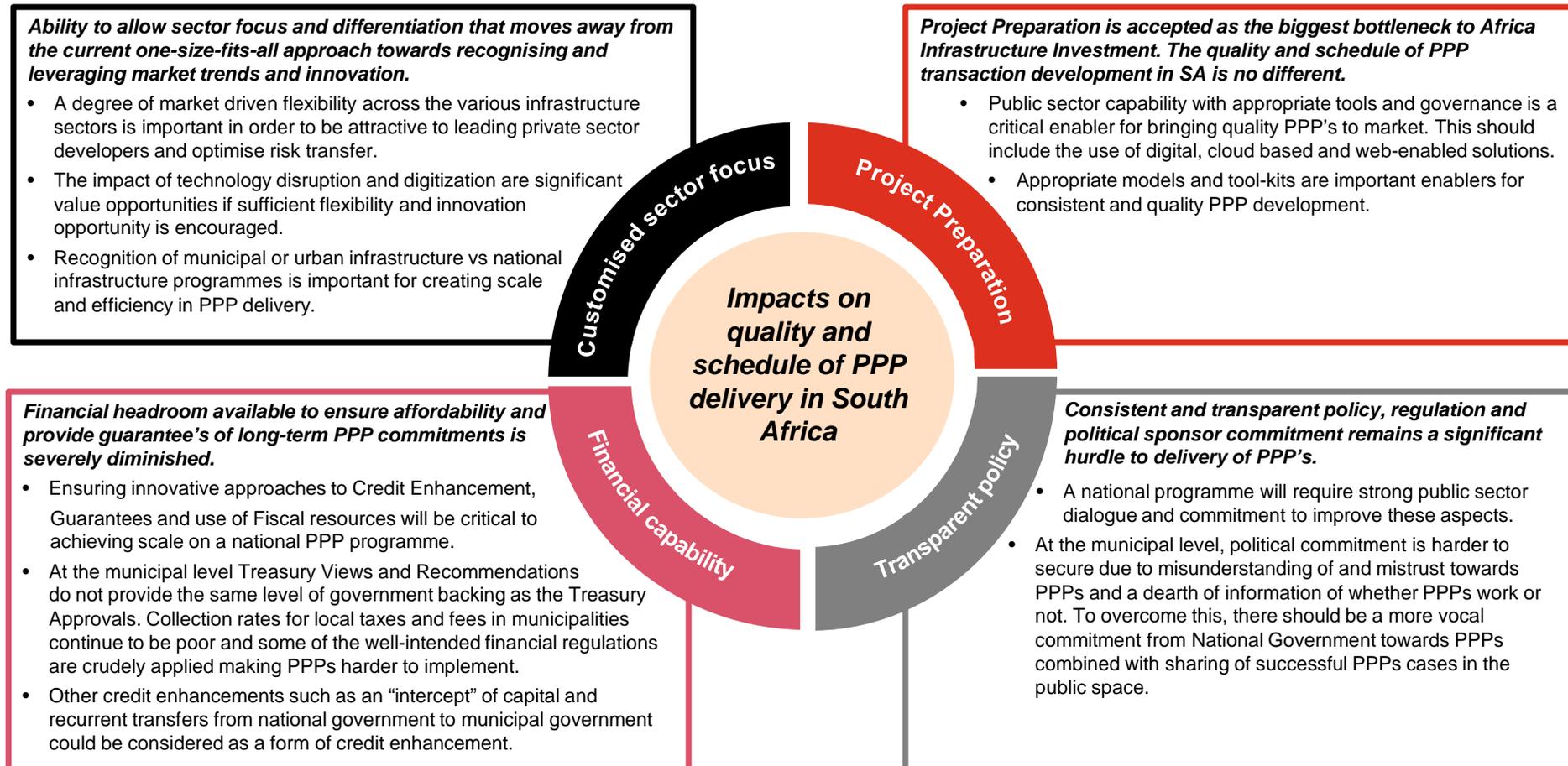
Successful PPP delivery capability must go beyond a technical framework, addressing transaction content, transaction process and the transaction delivery environment



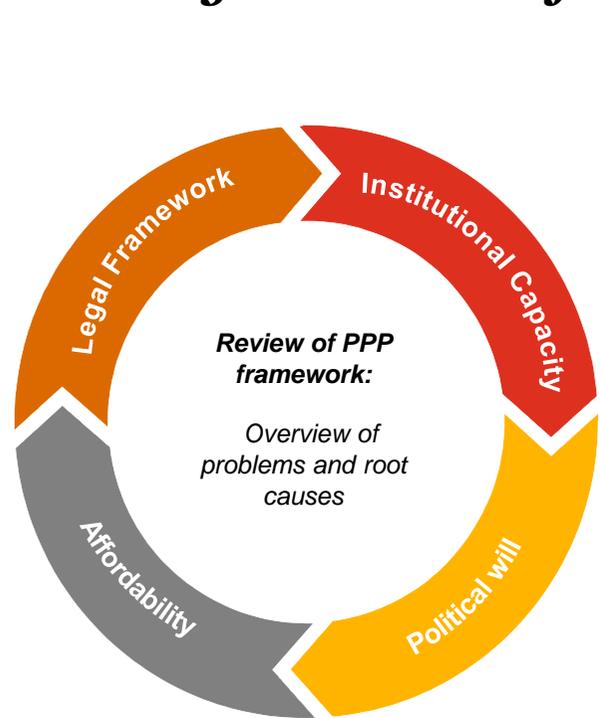
- Key concepts**
- Whole-of-life delivery
 - Risk aggregation & transfer
 - Output specification
 - Value for money and Public Sector Comparator
 - Competitive procurement



Based on our experience in South African PPP transactions we have outlined some key thoughts on developing PPP transactions



Challenges in the PPP framework



Institutional Capacity

- Treasury Approval processes take too long
- Split between project assistance and approval functions in National Treasury might be unnecessary when there is limited capacity and projects
- Project Officer in Institution needs to be a dedicated role
- Insufficient early scrutiny of project viability

Political will

- Support from decision makers often uncertain
- Need to maintain support through political cycle (esp. for municipalities)
- No consequences for delays or cancellation on Institution
- PPP reputation of long turn-around time and absence of success stories causes institutions not to be interested

Affordability

- While Private Party can come up with the financing, it will still needs to recover investment from the fiscus or from users
- Feasibility study often progresses towards the end only to find project is not affordable

Actions include the need to:

- Start immediately with “fit for purpose” standards (modest space standards, allow asset sweating)
- Test numbers early and go back to drawing board if required
- Combine Project with revenue generation activities, improved billing & collection, cost reflective tariffs and consider capital contribution

Legal Framework

- Too many Treasury Approvals stages
- Rigid application in scope of Feasibility Study from PPP Guidelines
- One size fits all (too generic, Project Finance, availability-based)
- Value of economic valuation in PPP Feasibility Study is limited
- Quantitative Public Sector Comparator not always necessary
- Transaction advisor procurement mostly about price without sufficient carryover on quality

For Municipalities, there are additional issues including:

- Burdensome additional “views and recommendations” from COGTA, sectoral department and provincial Treasury
- Municipal Systems Act “unfriendly” towards PPP by requiring internal investigations first rather than concurrent internal and external investigations
- Extensive public and labour consultations

Direct Consequences include:

- Fewer deals completed;
- Limited pipeline; and
- Prolonged duration (median time of benchmarked projects is 53 months)

Approaching PPP's in the Private and Public Sectors

Unlocking private finance PPP options

Effectively engaging PPP relationships in the public sector

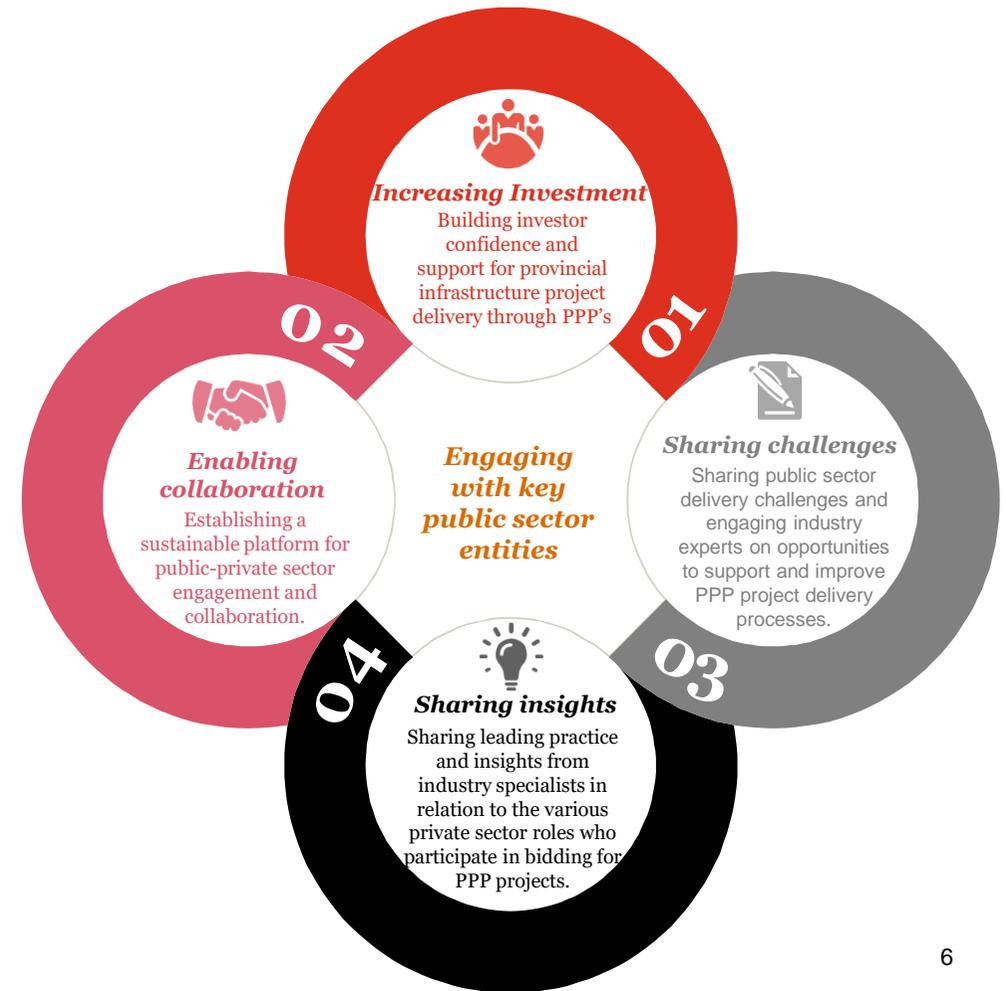
Recommendations to unlock private finance and expertise

 Short and medium term

 Long term

- Preparation times can be shortened through:
 - Agreeing with Institution a reasonable procurement time and keeping them accountable by publishing timetable combined with financial stick/carrot
 - Strengthening/streamlining PPP Unit/Budget Office to expedite approval process
- Focus on sectors/programs that are easily replicable and are of sufficient scale to attract private sector expertise and investment. Possible programs:
 - Wastewater treatment
 - Schools
- Unleash SoE potential (i.e. esp. Schedule 2 companies such as Transnet and Eskom who have adopted PPP policies) and implement NT-approved working paper on PPPs for SoEs.
- Make available case studies/success stories to counter negative perceptions of PPPs

- Long term recommendations to unlock private finance and expertise include:
- Improve credit worthiness of municipalities or relevant entities
 - Change legislation and update the PPP Manual
 - Review the 80/20 rule to allow quality considerations in selection of Transaction Advisors



PPP landscape in Namibia



PPP Growth in Namibia

- Public–private partnerships in Namibia are one feature of the growing economic landscape since independence was declared in the 1990s. Despite increased industrial activities, PPP's are increasingly sought after for wider social objectives.
- Namibia is well placed to implement PPPs given that the necessary legal framework has been created under the Public Private Partnership Act, 2017 and a PPP Unit was established for the purpose of providing analytical support to the Ministry of Finance and the PPP Committee.
- The World Bank is supporting Namibia in a Country Partnership Strategy (CPS) to achieve its Fourth National Development Plan that centralises development of state capacity and the private sector.
- The dedicated Development Bank of Namibia provides funding for infrastructural projects completed by local or state-owned enterprises together with private companies, including direct loans for PPP enterprises.
- Private finance has been injected into telecoms, power and port expenditure, while large investments in mining, smelting and refining infrastructure have mostly been funded by multinationals.
- Examples of PPP's in Namibia include; energy projects, mining, desalination, mobile telecommunications and the Targeted Intervention Programme for Employment and Economic Growth

Challenges:

- With the downgrade of Namibia's credit rating, the servicing of debt has become more expensive, which may become a deterrent for the Namibian Government to borrow foreign funds to undertake large infrastructure projects.



PPP Policy in Namibia

PPP Framework includes:

1. **PPP Act of Namibia**
 2. **Public Private Partnership (PPP) Policy, Namibia**
- Namibia is well placed to implement PPPs given that the necessary legal framework has been created under the Public Private Partnership Act, 2017. A PPP Unit was established for the purpose of providing analytical support to the Ministry of Finance and the PPP Committee.
 - The policy was intended to apply to PPP arrangements, primarily related to projects involving a transfer of a ministerial function to a private party or creation of an asset that will help a ministry perform better or offer enhanced services and which will involve private investment.
 - As per PPP policy, PPPs will primarily apply to projects above the threshold level of N\$ 10 million although lower value projects are considered provided they can be sufficiently justified through the value for money drivers.
 - The Policy applies to the central government as well as to the regional and local authorities; however, application of the Policy to State Owned Enterprises (SOEs) will be determined by individual jurisdictions.

PPP Projects in Namibia



Meetings, Incentives, Conferences and Events

A US\$109 million development, operation, maintenance, marketing, and transfer, adjoining a convention/ mixed-use centre.



Transport & Logistics (Walvis Bay)

Estimated at US\$89 million, the PPP options to invest in and manage the new container terminal and in so doing to improve operational efficiency, increase throughput volumes, grow Namport revenue, refurbish and upgrade existing port facilities and develop new facilities at the port to meet the expected growing demand of the port's container services.



Agriculture (Maetco, Windhoek)

A US\$ 1.6 million implementation of solar PV to reduce Meatco's environmental footprint.



Agriculture (Kavango East and West)

US\$ 10.7 million to establish feedlots and fodder production which will address current losses in value and simultaneously address the problem of quality as required by markets.



Energy (NamPower)

An estimated US\$135 million for the development of a 40MW Biomass Power Station utilising Namibian encroacher bush as the fuel source. Bush encroachment in Namibia affects 26 million hectares of potential agricultural land for livestock and food production.



Energy (Omburu PV Power Project)

US\$35 million for the development of a 20MW Solar PV Project close to the town of Omaruru. Namibia is exposed to high amounts of solar irradiation; with an estimated capacity factor of this project of approximately 36%.



Energy (Anixas II Power Station)

US\$ 86 million project entailing a 50MW power plant utilising either Internal Combustion Reciprocating Engine (ICRE) or Gas Turbine (GT) technology with liquid fuel (LFO/HFO) or LNG/CNG as fuel options. The power station will be owned and operated by NamPower, and its purpose will be to ensure that dispatchable power is available to cater for emergency power to the Namibian grid during times of shortage within the Southern African Power Pool (SAPP) and to help minimise or avoid load-shedding.



Energy (50MW Wind IPP Project)

NamPower will procure Independent Power Producers (IPP's) to develop one 50MW Wind projects through a transparent and open public competitive bidding process. The project is valued at US\$ 88 million

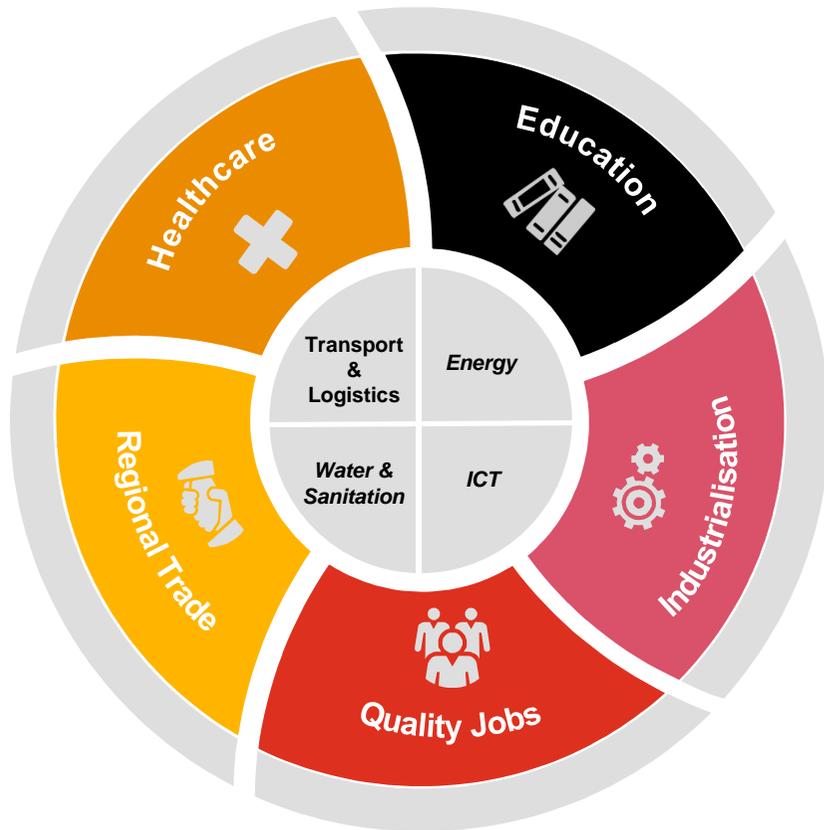


Energy (20 MW Solar PV IPP Project)

NamPower will procure Independent Power Producers (IPP's) to develop one 20MW Solar Project through an open and transparent public competitive bidding process.. The project is valued at US\$ 28 million

Our PPP Experience

Drivers for a vibrant, inclusive and growing economy for the benefit of all Africa's people



Our PPP Capability & Footprint

PwC is active across the capital project life-cycle and is a market leader in PPP development. We have strong African and Global experience in infrastructure preparation generally and specifically in PPP transaction delivery.

Our services include:

- Developing standardized documents not only for the PPP Agreement but also output specification and payment mechanisms for sectors that have a sizable pipeline. Such sectors might include accommodation and wastewater reuse.
- We have played active roles in past national initiatives such as the Presidential Infrastructure Coordination Committee (PICC), which established the 18 Strategic Integrated Projects (SIPs) aimed at major infrastructure renewal in South Africa and meeting the NDP targets.
- We have a strong focus on Municipal infrastructure, where despite often being able to demonstrate strong Value for Money as well as positive local economic and social impact, Municipal PPP's often suffer from a lack of scale and capability to support efficient and cost effective delivery as traditionally structured PPP's.



Our Clients

Local Government and Municipal environment

We have completed a number of assignments for entities such as the Gauteng Infrastructure Finance Agency (GIFA), municipal PPP's in the Energy and Health Care sectors and a financial strategy design for a local municipal water utility, which included identifying the role of PPP's in delivering their future capital plan for new water-treatment plants.

We have also worked across SOE's and led the development and implementation of PPP policies and portfolio's for both Transnet and Eskom, who as Schedule 2 companies defined under the PFMA are not subject to the SA PPP regulations. These entities have none the less recognised the importance of leveraging private sector participation and as such have developed internal policy and manuals to guide the development of projects using the PPP principles.

Thank you

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