

A Quarterly Publication from the PPP Unit of the Ministry of Finance and Economic Development, Mauritius

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PPP Update

Government is stepping into a new phase in the PPP life cycle - moving from policy and legislative framework to the development and implementation of PPP projects.

Three PPP projects are currently being developed, namely, the New Town at Highlands, the Port Louis Ring Road and Harbour Bridge and the Integrated Market Project at Rose Hill. This issue focuses primarily on these projects.

To assist readers in better understanding the structure of toll road projects under PPP, a comparative study between countries has been included. Also appearing in this issue is a status of PPP in different sectors across the world.

Public sector institutions frequently receive unsolicited proposals from private promoters. In this respect the article entitled "Managing Unsolicited Proposals" provides ways on how other countries deal with such proposals.

Given that PPP is now taking off in Mauritius, there is a need for public and private sector officers to build capacity. With this in view, an article has been dedicated on "On-line PPP Training".

We hope that the content of this newsletter proves useful to readers.

PPP Unit

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Road Project on PPP to address traffic congestion in the Capital City

Road users are facing heavy traffic congestion when entering and leaving Port-Louis during peak hours on week days. To address this problem, Government has decided to construct the Port-Louis Ring Road and the Harbour Bridge under a Public-Private Partnership (PPP) arrangement.

The Road Development Authority (RDA) under the aegis of the Ministry of Public Infrastructure, Land Transport and Shipping (MPILTS) is responsible for overseeing the development and implementation of the Port-Louis Ring Road and the Harbour Bridge Project.

The Port-Louis Ring Road would start at Soreze and would pass through Les Guibies, Chateau D'Eau and would end at Quay D roundabout. The road would cover a total distance of about 11.6 kilometers including a tunnel of 775 metres through Quoin Bluff.

The first part of the road from Soreze to the entrance of the tunnel would be financed by a consortium comprising of the State Investment Corporation and a group of private promoters. Government, through the RDA would also contribute in the construction of this 5 kilometers road.

The second part starting at the tunnel up to Quay D roundabout would be implemented under a Public-Private Partnership (PPP) arrangement.

The alignment of the Harbour Bridge would start at Royal College, Port-Louis and would pass through Les Salines, across the Navigation Channel and would end at Roche-Bois roundabout.

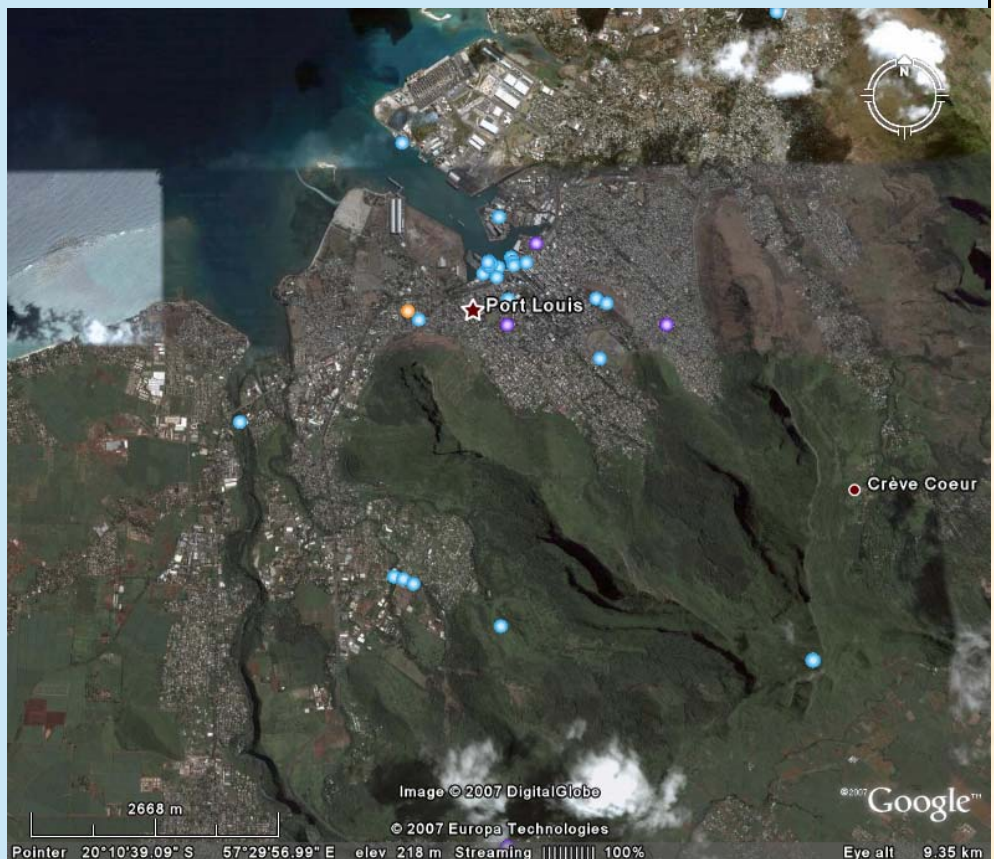
According to a recent study, about 60% of the traffic passes the City along the Waterfront on the M1 Motorway. The Harbour Bridge is aimed at creating a bypass to accommodate this traffic between Caudan and Fort

George roundabout. This would then allow the existing Motorway to serve only the vehicular traffic to the City Centre, thus alleviating the congestion along this stretch of the Motorway.

A Technical Committee comprising representatives of the RDA, MPILTS, the Ministry of Finance & Economic Development and the PPP Unit is currently working on the Request for Proposal (RFP) document for the appointment of a transaction advisor.

Broadly, the transaction advisor would be required to scope and structure the Project, assess its technical and financial viability, prepare bidding documents, assist in the evaluation of bids and finalise the PPP agreement between Government and the private promoter.

The RFP exercise for transaction advisor will be launched around early April 2008.



Construction of an integrated market project at Rose Hill

The Municipal Council of Beau Bassin-Rose Hill (MBBRH) has started the process for the construction and operation of a modern market building at Rose Hill under PPP. The support of the SADC Banking Association has been obtained to undertake preparatory work for the project.

The Rose Hill Market is at the service of the town of Beau Bassin - Rose Hill (BBRH) since 1940's. It currently caters for people living within the town of BBRH and those of neighbouring regions of Quatre Bornes and Ebene. Moreover, there are many tourists who frequently visit the market.

The MBBRH intends to construct a modern market under a PPP arrangement. The project would integrate among others, commercial and residential activities. The current market is situated in a building which is limited in terms of space and lacks the modern and updated physical infrastructure required to cater for all present and future service requirements. The construction of the modern market building will render the market more attractive with the capacity to respond to needs besides contributing to the enhancement of the strategic commercial zone of the Town.

The MBBRH is in the process of recruiting a transaction advisor who would be required to undertake a comprehensive feasibility study. If the study reveals that the project is commercially viable, then the advisor would proceed with the procurement process. This would involve

the preparation of a complete set of procurement documents.

The transaction advisor would also have to conduct a marketing exercise to establish if there is appetite amongst competent private sector parties (local and international) to bid for the project.

The selected promoter would be required to finance and construct a multi storey building to house both the existing food and the haberdashery markets. In addition to the markets, the promoter would be allowed to propose other business activities that would generate revenue to make the project financially viable.

The request for proposal for recruiting the transaction advisor will be issued around mid-March 2008.



The new town project at Highlands, Mauritius

Our previous newsletter indicated that actions would be initiated for the recruitment of a transaction advisor for the new town project at Highlands. CRISIL Infrastructure Advisory from India has now been appointed as transaction advisor for the project. The process for the selection and the roles of the transaction advisor are described in this article.

The development of a new town is an activity which needs to be planned cautiously. In this context, the appointment of a transaction advisor with wide experience in urban planning is essential to ensure the successful realization of this mega project. For this purpose, CRISIL has been appointed as transaction advisor to assist the SLDC.

An international tendering exercise was carried out to recruit the transaction advisor. Six bids were received and evaluated by an evaluation committee set up by the SLDC Board. The evaluation report prepared by the committee recommended the selection of CRISIL Infrastructure Advisory.

The appointment of CRISIL was ap-

proved by the SLDC Board and the SADC Banking Association (SADC BA). CRISIL will be remunerated by both SLDC and SADC BA.

The main tasks to be carried out by CRISIL are as follows:

- update the previous Financial Feasibility Study Report
- prepare the recommended output specifications for the buildings and infrastructure works
- market the project to attract high calibre private promoters to bid for the project
- preparation of the entire procurement documentation



Case Study: Toll Roads

Mauritius is embarking for the first time in its history on a road project under PPP. Highway projects may be structured in various ways. Below is a summary of characteristics of highway PPP projects from four countries.

Countries	Description	Scope	Cost Recovery	Finance
India	Build, own, operate and transfer (BOOT) contract to develop, operate and maintain a toll road facility (32 km)	Concessionaire responsible for detailed design, construction, toll collection, operation and maintenance of the facility	Total project costs shall be recovered from full revenue (user = payer) and from potential activities developed along the facility.	30 % equity (public sector share 27.3 %) and 70 % debt funding (mostly from commercial banking)
China	Guangzhom—Sherizhers super-highway Project	Private sector responsible for detailed design, finance, construction, toll collection and motorway operation and maintenance	Full recovery of tolls	Since 1999, the Bank of China has provided a shortfall guarantee to back the repayment of syndicated loans to GSZ East
England	DBFO—Shadow toll road projects, Highway Agency	Private sector responsible for detailed design, finance, construction and motorway operation and maintenance	No tolls collected from the road users. No specific autonomous agency to isolate road maintenance revenue from spending.	No funds provided by public sector. Payments for the public sector based on traffic.
France	Toll Motorway Network with cross-subsidization	Concessionaire responsible for detailed design, construction, toll collection, operation and maintenance of the facility	The project costs are recovered from toll revenue and ancillary services (no land development allowed to concessionaire). Nevertheless there is strong Government support in kind, financial grants and cross-subsidization.	Loans (State-guaranteed at the start: public grant at the outset (about 30%) then pooling; Equity of private companies (about 10 %) Mostly income from toll and ancillary services

Primary source: <http://rru.worldbank.org>

On line PPP Training

Public Private Partnership is considered as a relatively new concept — but it is now emerging as a very important tool for both public and private sectors. There is thus an urgent need for public and private sector officers to master the PPP concept and apply it to their projects. Two main constraints faced by officers for getting trained are the high cost of training and obtaining the necessary time - off from work. On-line training solves these difficulties as it is much cheaper as compared to class-based training and also it allows a trainee to learn according to his/her own free time without disrupting office work. Details of on-line training by IP3 is being provided below.

IP3's Global Training Services (GTS), which is jointly sponsored professional certification program offered by IP3 and WEDC of Loughborough University.

responsible for the development, implementation, and evaluation of all IP3 training courses and workshops, is staffed by highly experienced specialists who plan and conduct all off-the-shelf, customized, and online training courses and workshops. Participants are exposed to international best practices and case studies from around the world that are rigorously analyzed and adapted to meet the needs of the trainees. A list of on-line courses for 2008 is provided below.

Participants who successfully complete the requirements of the course will earn CEUs (Continuing Education Units) and a *Certificate of Achievement* for participation. These CEUs can be used towards becoming a Certified Public-Private Partnership Specialist under the

More information can be obtained from its web site: www.ip3.org

To support the capacity building goals of the SADC Banking Association, there are numerous tuition scholarships available for SADC Nationals and individuals from SADC-based organizations. For eligibility requirements, please visit:

www.ip3.org/projects/2520_07.htm

or contact Mrs Kairuki from the SADC Banking Association on JulietK@banking.org.za

On Line Courses 2008

PPP Skills and Competency Development, February 6 - March 21, 2008

PPP Project Officers Management Skills Development, April 2 - 25, 2008

PPP Skills and Competency Development, May 7 - June 20, 2008

Fundamentals of Infrastructure Project Finance, May 7 - June 20, 2008

PPP Project Officers Management Skills Development, July 2 - 25, 2008

PPP Skills and Competency Development, August 13 - September 26, 2008

PPP Project Officer's Management Skills Development, September 5 - 28, 2008

Advanced Project Finance and Financial Modeling Techniques, September 3 - October 17, 2008

Stakeholder Consultation, Public Awareness, and Media Relations, September 3 - October 17, 2008

PPP Project Officer's Management Skills Development, November 5 - 28, 2008

PPP Skills and Competency Development, November 5 - December 19, 2008

Managing Unsolicited Proposals

Unsolicited Proposals can be managed effectively through systems which encourage private promoters to come forward with innovative solutions while retaining the benefits associated with transparent and competitive tendering.

What does it mean?

An unsolicited proposal is an offer without request made by a private promoter to government.

Why do we need to consider them?

Unsolicited proposals can capture opportunities that would otherwise have been missed.

What are the weaknesses associated with them?

- Difficult to ascertain value for money due to absence of competition.
- May lead to controversy and corrupt practices due to lack of transparency.

How to address those weaknesses?

Allow other private firms to bid but give the promoter that originally made the proposal (usually referred to as the original proponent) a pre-determined and transparent advantage.

What is needed?

- Clear rules that are spelt out in PPP procurement guidelines.
- System to ascertain that an unsolicited proposal is in line with government objective and is correctly priced.

How different countries manage them?

Most countries with formal systems for managing unsolicited proposals follow a similar process. There are two main stages namely:

Stage 1: Internal Project Approval

Unsolicited proposals are approved in a four-step process:

Step 1: The private proponent first submits a preliminary description of the project to the appropriate government agency or Ministry.

Step 2: The responsible agency or Ministry gives a preliminary response, usually assessing whether the project serves a “public interest” or fits in the strategic infrastructure plan.

Step 3: If the initial project description receives preliminary acceptance, the proponent is usu-

ally given formal recognition for the concept and a set period to present a full, detailed proposal.

Step 4: The detailed proposal is reviewed and may be approved for a competitive process or rejected. If accepted, the project is awarded through an open competitive tender (stage 2). If rejected, the project is not necessarily dead; the proponent may submit a modified version.

Stage 2: Competitive Tender

The project is competitively bid, typically under one of three systems namely (i) Bonus system; (ii) Swiss challenge system; or (iii) Best and final offer system (BAFO).

(i) Bonus system

Chile and Korea use a system to promote unsolicited proposals that awards a bonus in the tendering procedure to the original project proponent. This bonus can take many forms, but most commonly it is a value applied to the original proponent's technical or financial offer for bidding purposes only.

(ii) Swiss challenge system

The Swiss challenge system, most common in the Philippines and also used in India, Italy and Taiwan, is similar to the bonus system in that it uses competitive tendering to determine the project developer. But instead of a predetermined advantage, this system gives the original proponent the right to countermatch any better offers.

(iii) Best and final offer system (BAFO)

In the best and final offer system the key element is multiple rounds of tendering, in which the original proponent is given the advantage of automatically participating in the final round.

In South Africa the two most advantageous bids are selected for a final bidding round. If the original proponent is not one of these two, it will still automatically be allowed to compete in the final round.

PPP Across the World

Public Private Partnerships (PPPs) are widely used internationally to provide enhanced value for money and to advance delivery of essential infrastructure earlier than is otherwise possible through normal funding channels.

Governments around the globe have to invest heavily to meet infrastructure deficit in areas like congested roads; bridges in need of repair; poorly maintained transit systems and recreational facilities; and deteriorated hospitals, schools, and waste treatment facilities all in urgent need of rehabilitation and repair.

Increasingly governments are turning to the private sector for financing, design, construction, and operation of infrastructure projects.

Public Private Partnerships (PPPs) have emerged as one of the most important models governments use to close the infrastructure gap.

Benefits of PPPs.

PPPs offer several benefits to governments trying to address infrastructure shortages or improve the efficiency of their organizations.

Some potential benefits are as follows:

- PPPs allow the costs of the investment to be spread over the lifetime of the asset and thus

can allow infrastructure projects to be brought forward by years compared with the pay-as-you-go financing typical of many infrastructure projects.

- PPPs have a solid track record of on-time and on-budget delivery.
- PPPs transfer certain risks to the private sector and provides incentives for assets to be properly maintained.
- PPPs can lower the cost of infrastructure by reducing both construction costs and overall life-cycle costs.
- Private sector infrastructure providers, often relying on user fees from customers for revenue, have a strong incentive to focus on providing superior customer service
- PPPs enable the public sector to focus on the outcome-based public value they are trying to create rather than on the inputs.

