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*Mr. Ali Mansoor  
Financial Secretary*

## Introduction

**by Mr. Ali Mansoor,  
Financial Secretary**

Since the beginning of this year, we have been witnessing an increasing interest in PPP in Mauritius. Two factors might explain this. The PPP Guidance Manual was launched during the end of last year, and the implementation of the Highlands Project under PPP started off during the same period.

Given the tight Government budget, PPP will play an even more important role in implementing capital projects in the foreseeable future. Public departments will have to consider PPP as the first option while analyzing the different financing options for their capital projects. My Ministry is presently preparing a Capital Projects Process Manual which reflects this position.

I hope that you will enjoy reading this newsletter which intends to keep you abreast of all developments with respect to PPPs in Mauritius and in the region.

# The Public-Private Partnership Legislation in the Republic of Mauritius

*With a view to assist officers from the public and private sectors to better understand the PPP legislation in Mauritius, I have provided answers to some of the frequently asked questions.*

**Q: When was the PPP Act enacted and proclaimed?**

**A:** The Public-Private Partnership Act, enacted by Parliament in 2004, was proclaimed in March 2005.

**Q: What does the Act provide for?**

**A:** The Act provides for the implementation of public-private partnership agreements between contracting authorities and private parties and establishes a set of rules governing public-private procurement.

**Q: Meaning of Contracting Authority?**

**A:** A contracting authority means any ministry, government department, local authority or statutory corporation.

**Q: What is the undertaking of the private party?**

**A:** The private party undertakes to perform a contracting authority's function on behalf of the contracting authority for a specified period.

**Q: How is the private party rewarded?**

**A:** The private party receives a benefit by way of compensation from a revenue fund; charges from users or a combination of compensation and charges.

**Q: What are the responsibilities of a contracting authority?**

**A:** A contracting authority has to:

- (i) identify, appraise, develop and monitor a project
- (ii) undertake a feasibility study
- (iii) submit the feasibility study to the PPP Unit of the Ministry of Finance & Economic Development for approval
- (iv) prepare a request for proposal (RFP) on approval of feasibility study and where the terms of the model agreement impact on public finance, seek the approval of the Financial Secretary

**Q: What are the responsibilities of the PPP Unit?**

**A:** The PPP Unit within the Ministry of Finance &

Economic Development has been set up under this legislation to:

(i) assess a project submitted to it and make its recommendations to the Financial Secretary on three parameters:-

- ability of contracting authority to meet financial commitment from its existing or future budgetary funds;
- net benefit accruing to users; and
- the extent to which technical, operational and financial risks can be transferred.

(ii) ensure that the RFP is in conformity with approved feasibility study

(iii) advise GoM on administrative procedures in relation to PPP projects

(iv) develop best practice guidelines in relation to all aspects of PPP

(v) formulate policy in relation to PPP projects

(vi) develop PPP awareness in Mauritius

**Q: Is it compulsory for a contracting authority to undertake a Feasibility Study?**

**A:** Section 5 of the PPP Act requires a contracting authority to undertake a feasibility study to assess whether the proposed project is feasible as a PPP project. [Note: If a contracting authority does not have in-house expertise to carry out a feasibility study, it may recruit a transaction advisor for assistance]

**Q: What is the role of the Central Tender Board (CTB) in the PPP process?**

**A:** A contracting authority has to seek authorization from the CTB in all matters relating to advertisement, invitation or calling for bids for a PPP project.

The PPP Act 2004 may be downloaded from the following link: <http://mof.gov.mu/ppp>

**Written by Mr. V. Soondram**

# PPP Guidance Manual

***The Public Private Partnership (PPP) Guidance Manual was officially launched by the Ministry of Finance and Economic Development in October 2006. The Manual, written by the PPP Unit, contains useful information for Government Departments to understand the basics of PPP concepts and to implement PPP projects.***

The Guidance Manual has been published in two volumes – an elaborate version, which provides detailed information on PPPs, and a condensed version which skips the details. Both versions are similar in terms of content and are subdivided into eight sections, which are described below.

Section 1 describes the PPP concept. A PPP is defined as an arrangement between the public and private sectors with clear agreement on shared objectives for the delivery of public infrastructure and/or public services by the private sector.

Section 2 explains on the PPP process. The PPP project is identified by a contracting authority, which may be a Government Department, a statutory body or a local authority. The Ministry of Finance and Economic Development may also identify PPP projects with the aim to achieve Government's vision. A feasibility study has to be carried out by the contracting authority and submitted for approval by the PPP Unit and the Financial Secretary. A tendering exercise has to be carried out to select the private party which would have to deliver its services as specified in a PPP Agreement.

In case the Contracting Authority does not have the expertise to carry out the feasibility study and/or to prepare the bid documents, it may recruit a transaction advisor for assistance. The recruitment of a transaction advisor is the subject matter of Section 3 of the PPP Guidance Manual.

The next section describes the PPP feasibility study which tests the project on three criteria, namely, value for money, affordability and risk transfer. .

The value for money component of the

PPP feasibility study is described in more details in Section 5 of the Guidance manual. Value for money may be achieved through a number of ways, including, reduced whole life risks, faster implementation of the project and improved quality of service.

Section 6 covers another important component of the feasibility study, namely, risk assessment. The section defines risks and provides details on how risks may be assessed.

The risk adjusted cost of the project under traditional procurement is known as the Public Sector Comparator (PSC). The calculation of this Comparator is elaborately explained in section 7.

The last section provides a detailed description of the procurement stage. It differentiates procurement under the traditional route from PPP and gives information on the components of the Request for Proposal (RFP) documents.

Three appendixes are included in the Manual, namely, the PPP Act 2004, a simple worked example for calculating the PSC and a flow chart summarizing the procurement process.

As more experience is gained on PPP, the Guidance Manual will be amended to include further aspects. The PPP Unit is presently working on a policy paper on the management of unsolicited bids. It is also working on standardized PPP documents. After these documents are approved, they would be included in the PPP Guidance Manual.

The PPP Guidance Manual can be downloaded from the website of the PPP Unit at <http://mof.gov.mu/ppp>

***Written by Mr D.Khoodeeram***



# The Urban and Knowledge Industry Development Project at Highlands, Mauritius

The Government of the Republic of Mauritius intends to *develop the plot of land at Highlands, belonging to the State Land Development Co. Ltd, into an Urban and Knowledge industry centre. The State Land Development Co. Ltd. (SLDC) is a State-Owned Company incorporated in 2001, with the Government of Mauritius and the Development Bank of Mauritius Ltd owning 99.6 % and 0.4 % of the shares respectively.*

*In this context, Government, through the SLDC intends to proceed through a transparent competitive process i.e through a Request for Proposal (RFP) from local and international Property Developers with high financial standing who have proven capacity and track record to undertake this major development in Mauritius.*



**Mr B.Dabeesing, MIAgrE., Chief Executive Officer, State Land Development Co Ltd**

## Location and site characteristics

The project site is located at some 10 to 12 kilometres south of the capital city Port Louis which is the seat of the country's economic, business and administrative activities. The holding is also situated next to the densely populated Beau-Bassin /Curepipe conurbation of some 400 000 inhabitants. The University compound and the cyber city are to its immediate North West.

The land is presently planted to sugar cane and is dissected by a number of rivers, rivulets and feeders. There are magnificent views over the river valleys and the chain of mountains to the North and East of the site. The region is found on a plateau and is endowed with a nice, cool and pleasant climate.

## Project Area at Highlands

The Highlands holding is of an extent of 1060 hectares out of which 140 hectares has already been committed for the construction of a domestic water dam called, Bagatelle Dam. The remaining 920 hectares will have to be developed for the Ur-

ban and knowledge industry project. To use a very commonly used term, Mauritius wants to have its first Global City.

## Type of development

The promoter would have to fully develop:

A. The buildings, infrastructure and utilities on some 55 hectares (inclusive of green space) which would be handed over to the Government free of charge for the establishment of a modern and well-planned administrative complex of high strategic importance to the public sector;

B Private development on the remaining 865 hectares which would include economic, business, administrative, residential, educational projects and medical hubs as well as a water front along the water mark of bagatelle dam and eco-tourism projects;

C Road network to connect the project to the external road network for rapid mass transit to, from and within the site; and

D The required utilities to serve the whole site.

## The Way Forward

The SLDC is for this purpose fully involved in adopting the procedure to develop the Global city under the PPP Concept. In this respect the SLDC is proceeding as follows:

The need analysis for this project has been done and the Government approval received;

With the help of the SADC Banking Association, an initial feasibility study has been undertaken resulting in defining the minimum requirement, a proposed project structure and a financial sensitivity to justify the financial sustainability of the project;

Although, a call for Expression of Interest was called in December 2006 from Local and International Property Developer, yet at closure date, out of four submissions, none were found to be fully responsive;

Together with the SADC Banking Association, the SLDC is now engaged in the process for the floating of an RFP document for the appointment of a Transaction Advisor, to validate the Initial Feasibility study, prepare the RFP document for the appointment of a masterpromoter, prepare the agreement to be signed between the masterpromoter and the SLDC and help in establishing the procurement procedures;

Once appointed, the masterdeveloper shall bear the demand risk and ensure that the development of the new city is achieved within the target time frame and the deliverables are to the expectation of the stakeholders.

## ***Appointment of Transaction Advisor***

The SLDC in collaboration with the SADC Banking Association will very shortly, call for interested local and international transaction advisors to submit proposal for this project and once completed, the transaction advisor

will have to be fully engaged in the preparation of document for the appointment of a masterdeveloper.

## **Project timeframe**

The project is expected to be undertaken within a time span of 3 to 10 years starting in 2007 or early 2008.



Address for request of information

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***Written by Mr B.Dabeesing***

## **PPP Training conducted by CRISIL Infrastructure Advisory in July 2007**

***A two-day training on PPP was organized by the PPP Unit in collaboration with CRISIL Infrastructure Advisory from India on 17<sup>th</sup> and 18<sup>th</sup> July 2007. The resource persons were from CRISIL. The latter has, during the past months, been involved in preparing a financial feasibility study for the Urban and Knowledge Industry Development Project at Highlands. During this assignment CRISIL felt that there was a need for public officers to strengthen their knowledge on PPP. In this context, CRISIL conducted this training free of charge to Government. Ms Delia Reardon from the SADC Banking Association was also present for the event and presented a paper on the SADC experience***

The training was hosted by the Board of Investment situated at One Cathedral Square Building, Port Louis. Some 40 officers from various Ministries as well as Local authorities and the Board of Investment took part in the training.

The modules covered the following topics: introduction to PPPs; creating enabling environment; steps in project preparation; planning and financing of Municipal sector; tariff and regulatory issues; procurement process; and contracts and risk issues.

The workshop focused on practical aspects of implementing PPPs in Mauritius. The participants appreciated that many elements to make PPPs a success in Mauritius already existed. These included a legal framework; an institutional framework, namely, the PPP Unit and Budget sector team; good investment climate; an operational Framework (Guidance Manual); a positive feeling about PPP in Mauritius, political will; and

a long term vision.

However, participants feared that lack of capacity to implement PPP projects might be a constraint. There was a need to recruit transaction advisors to assist contracting authorities in the PPP process. In this respect, the PPP Unit is engaged in seeking necessary assistance from development partners.

A copy of the presentations may be made available upon request from the PPP Unit at the following e-mail address:

[pppunit@mail.gov.mu](mailto:pppunit@mail.gov.mu)

***Written by Mr D.Khoodeeram***

# PPP Feasibility Study

***Feasibility Study is a key component in the PPP process. The feasibility study assesses whether conventional public procurement or a PPP is in the best interests of the institution for the delivery of the service. It needs to be authentic and thorough. Regardless of the term and scale of a project, there are long term implications and a great deal at stake when the procurement choice is made.***

The feasibility study is a critical part of the PPP process in that:

- It provides information about costs
- It allows for the identification, quantification, mitigation and allocation of risks
- It prompts institutions to consider how the project will be structured
- It identifies constraints which may cause the project to be halted
- It ensures that the project is developed around a proper business plan.

## **Main Stages**

**Stage 1 Needs Analysis:** The needs analysis defines the proposed project and prepares the way for the solution options analysis, which explores the range of possible solutions to meeting the identified needs.

**Stage 2 Solution Options Analysis:** The solution options analysis sets out the range of possible technical, legal and financial options for delivering the required service to the output specifications, allowing the institution to weigh up the options and make a choice.

**Stage 3 Project Due Diligence:** The due diligence stage is an extension of the solution options analysis stage and aims to uncover any legal, site enablement and socio-economic issues in the preferred solution option that may significantly impact on the proposed project.

**Stage 4 Value Assessment:** This is the pivotal stage of the feasibility study. It enables the institution to determine whether a PPP is the best procurement choice for the project. The three essential criteria are:

1. Is it affordable?
2. Does it appropriately transfer risk from the institution to the private party?
3. Does it provide value for money?

To determine which procurement choice is best for a project, a comparative assessment has to be made between delivering the same service as conventional public sector procurement or as a PPP. A risk-adjusted public sector comparator (PSC) model and PPP reference model must therefore be constructed for the chosen solution option.

## **Risk**

Risk is inherent in every project. Conventional public sector procurement has tended not to take risk into account adequately, often resulting in unbudgeted cost overruns. In a PPP, the risks inherent in the project are managed and priced differently by the private party. The treatment of risk in the project is a key aspect of the value assessment.

## **Affordability and value for money**

**Affordability** is whether the cost of the project over the whole project term can be accommodated in the institution's budget, given its existing commitments.

**Value for money** means that the provision of an institutional function by a private party results in a net benefit to the institution, defined in terms of cost, price, quality, quantity, or risk transfer, or a combination of these.

**Stage 5 Economic Valuation:** An economic valuation may be warranted for projects that necessitate an analysis of externalities (such as major rail, port, airport projects).

**Stage 6 Procurement Plan:** The procurement plan must contain at least a Gantt Chart, a Project Information Memorandum to bidders and the bid evaluation process and teams.

More details on feasibility study can be obtained from the PPP Guidance Manual.

**Written by Mr V. Soondram**

## PPP in the Region: Promotion of PPP by SADC Banking Association



Mrs Juliet Kairuki  
Project Manager  
SADCBA

***The SADC Banking Association was established in July 1998 with the objective of coordinating activities of national associations of banks in the SADC countries. Such activities include (amongst other things): policy influence; facilitating projects and activities to improve the environment for sustainable banking in the region; facilitating projects and activities to improve the efficiency and effectiveness of banks in the region; and fostering, with other stakeholders, an environment conducive for the increase of***

The Banking Association South Africa is currently the Secretariat for the SADC Banking Association. The Association's membership comprises the national associations of banks from 12 of the 14 SADC countries including the Mauritius Bankers Association. The SADC Banking Association has a close, and constructive, working relationship with the SADC Committee of Central Bank Governors.

The private sector is seeking to play an increasing role in the development of infrastructure and the delivery of services, in conjunction with Governments. Public private partnership (PPP) contracts are increasingly being viewed as an effective vehicle through which funding can be leveraged towards projects that require large capital outlays and that are long term in nature. Financially stressed Governments in the SADC region have quickly appreciated the benefits of pursuing PPP not only because of the capital that can be leveraged through the private sector, but also because of the innovation, expertise, and efficiency brought by the private sector in the provision of infrastructure. Unfamiliar with the mechanisms of how to develop PPP projects and recognizing that the absorptive capacity in the public sector needs to be enhanced in order to better engage the private sector, particularly private financial institutions, Governments are increasingly seeking opportunities to build their capacity to undertake such projects.

The SADC Banking Association has partnered

with the Canadian Agency for International Development (CIDA) on a five-year project to develop PPP skills amongst professionals in the region and to work with public sector bodies to create environments that are conducive for the development of bankable PPP projects.

Strategic partnerships have been formed with the Governments of Mauritius, Botswana, Tanzania, Malawi, Zambia, and Lesotho and Namibia. In partnerships with these Governments, accredited on-line training ([www.banking.org.za/sadc](http://www.banking.org.za/sadc)) is being delivered to both public and private sector officials, institutional and regulatory frameworks are being developed in a number of countries, and technical assistance is being provided to support project development and implementation.

The SADC Banking Association will continue with this project until its completion in September 2008. As a parallel process, the Association will engage other potential partners to explore the development of a further stage of this project with a focus on PPP project implementation. A critical element of future activities will include supporting the development of the private financial sector in the region so that they are better positioned to respond to PPP opportunities.

For more information on the SADC PPP Initiative, please contact Juliet Kairuki on [julietr@banking.org.za](mailto:julietr@banking.org.za) or cell no: +27-11-645-672

***Written by Mrs Juliet Kairuki***