

**Seychelles Public Private
Partnership Project**

MEDIA KIT





Government of Republic of Seychelles

NATIONAL PUBLIC PRIVATE PARTNERSHIP POLICY

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LIST OF ACRONYMS

GDP	Gross Domestic Product
GoS	Government of Seychelles
PPP	Public Private Partnership
MFTBE	Ministry of Finance, Trade and the Blue Economy
MIEDBI	Ministry of Investment, Entrepreneurship Development & Business Innovation
NDS	National Development Strategy
PIMU	Public Investment Management Unit
PSIP	Public Sector Investment Programme
O&M	Operate and Maintenance Contract
SIDS	Small Island Developing State
SPA	Seychelles Port Authority
USD	United States Dollars
VfM	Value for Money

I. BACKGROUND

Seychelles is a high-middle-income country, with a Gross Domestic Product (GDP) per capita of US\$15, 644 in 2013. In recent years, the GDP growth rate has averaged about 3% annually. Seychelles faces a number of economic constraints common to a Small Island Development State (SIDS) – the combination of a remote geographic location, lack of natural resources and a small population. These serve as a constraint on the Government of Seychelles' (GoS) economic development initiatives. However, prudent fiscal policy has become a central pillar of the GoS development strategy which is reflected in a reducing debt balance and overall macroeconomic stability. The GoS has reduced public debt from 150% of GDP in 2008 to 66% in 2013, and is on track to achieve the target of 50% by 2018.

Seychelles is made up of 115 islands, while 99.96% of its territory is ocean based. Although the limited land space, capital and human resources have continually been a constraint on the growth of the economy, the country has vast potential through its ocean territory – also known as the Blue Economy. The GoS seeks to ensure the country's sustainability and growth by taking advantage of its vast oceanic space as an economic resource. The Blue Economy is of economic importance to Seychelles through its influence on the fisheries and tourism sectors, as well as exploration of undersea resources and minerals, ocean-based renewable and affordable sources of energy and transportation through its sea routes.

Seychelles has consistently ranked at the top of the African Infrastructure Development Index which measures per capita availability of key network infrastructure (electricity, telephone connection, paved roads, access to water, and access to sewage). There has been a steady, notable increase in public investment, emphasising the government's drive to develop core infrastructure. Capital expenditure has risen from 6.5% of total expenditure in 2008, to over 23% in 2012. The Public Sector Investment Programme (PSIP) estimates that expenditure on public projects from 2015 – 2017 will be SR 6.9 billion; an infrastructure funding gap of about SR2.8 billion exists to reach this target. Seychelles is therefore confronted by a financing constraint in expanding its infrastructure requirements which could be met, in part, by crowding in private investment.

In light of these demands, the government will balance progressive expansion of the country's infrastructure network within a framework of continued fiscal consolidation and financial risk management. The GoS has recognised the potential value of Public Private Partnerships (PPPs) in furthering the expansion of infrastructure. GoS will put in place a coordinated strategy for applying PPPs, encompassing policy, institutional, legal and regulatory aspects. This policy document serves as the GoS statement of intent and overarching roadmap for PPPs.

II. INTRODUCTION

The GoS is committed to delivering better quality infrastructure assets and services through a more effective and efficient use of public and private resources. To this end, this policy provides the basis for a consistent framework by which public and private sector entities should work together to improve public service infrastructure delivery.

This policy document covers four central aspects for PPPs in the Seychelles: the objectives underpinning the use of PPPs; PPP focus areas; the guiding principles for effective PPP implementation; and the institutional arrangements required to provide effective oversight of PPPs. Detailed regulations and guidelines will be published in due course to expand upon this policy statement.

Objectives of the PPP policy

The 2015 - 2019 National Development Strategy (NDS) sees the role of the State evolving from the sole provider of public services to one of policy formulation and quality control. A greater role is therefore envisaged for the private sector in the provision of public services. The over-arching objective of the PPP policy is to establish the use of PPPs as an essential mechanism for procuring and financing infrastructure projects and services in Seychelles.

Specifically, the objectives of the PPP policy are as follows:

- Encourage private sector investment in public infrastructure and related services;
- Harness private sector skills and innovation in the provision of infrastructure and related services;
- Improve the quantity, quality and efficiency of infrastructure provision through healthy competition;
- Ensure rigorous governance and accountability in the provision of infrastructure and public services.

Scope of the policy

The Seychelles PPP Policy applies to the provision of physical assets and services related to public infrastructure delivery and maintenance. This policy applies to all PPP projects to be contracted by Line Ministries, Agencies and Public Enterprises in Seychelles. Projects that have a large capital value are most suitable for PPPs, although smaller projects may be considered where a clear rationale for a PPP arrangement is demonstrated.

Physical assets include, but are not limited to, economic infrastructure such as roads, ports, telecommunications networks and energy infrastructure. Social infrastructure includes schools, hospitals, water and sanitation infrastructure. Services include the operation and maintenance of public infrastructure.

This policy does not apply to private provision of services where there are no public assets involved, or where the services are normally provided by the private sector on a commercial basis.

III. OVERVIEW OF PPPS

PPP definition and models

PPPs are an alternative mechanism of financing, procuring and managing infrastructure projects that are traditionally provided by the public sector. A PPP is a long-term contract between a private party and a government agency, for providing a public asset or service, in which the private party bears significant risk and management responsibility. PPPs have become an important vehicle for financing, implementing and operating public investment projects, particularly in economies such as Seychelles where a significant infrastructure financing gap exists. PPPs provide an opportunity to leverage private sector resources within Seychelles to develop the public infrastructure the country needs. Seychelles has had limited experience with partnerships in several sectors such as ports, the national airline and an undersea submarine cable, amongst others. These will serve as a reference point for future PPP transactions.

There are four core characteristics of PPPs:

- i. PPPs are based on long-term agreements with significant capital investment by the private sector (and public sector in certain instances);
- ii. The agreement is framed by a set of clearly outlined, measurable outputs that define the required service availability and quality;
- iii. The private company receives a revenue stream – either from users of the infrastructure asset or the government;
- iv. Risk allocation between the government and private party is clearly outlined and legally enforceable.

PPPs may be used for the provision of new infrastructure but can also be used for upgrading and/or managing existing public infrastructure assets. In most PPPs, there is a financial contribution in some form from both the private and public sector parties. The private sector usually bears the upfront capital costs or ongoing operation and maintenance costs; the government may pay for the service provided, provide the land required or contribute to the provision of further assets required to support the core infrastructure at the center of the project.

An important feature of PPPs is the source of revenue for the private party. Revenue is usually generated in two ways – either through a user payment or government payment system. Under the user payment, the private party provides a service to users for a fee (called a tariff or toll). In certain instances, where the fee charged to users of the service is not sufficient to cover the costs incurred by the private party, the

government may cover the outstanding costs. With full government payment, the government is the sole source of revenue for the private investor. This is usually in the case of social infrastructure where there are no revenue streams to be generated directly from the asset.

There are five possible components of a PPP arrangement – design, finance, build, operate and transfer of an infrastructure asset. A project may have some combination (or all) of these features. For example, the private sector entity may design, build and operate an asset for a period, after which it transfers it to the government. The private sector partner may subsequently rent or lease the asset from the government. PPPs are generally classified by the combination of these elements represented in the agreement:

- **Service contract** - A private operator is hired by the government to carry out one or more specific services related to the operation or maintenance of some public infrastructure for a defined period. The service provided by the private operator must meet costs and performance standards set out by the public authority.
- **Operation and Maintenance contract (O&M)** - A private sector institution operates a publicly owned facility for an agreed period. Ownership of the facility remains with the public sector.
- **Design-build-finance-operate (DBFO)** - The private sector designs, finances and builds a new facility under a long-term lease, and operates the facility during the term of the lease. The private sector transfers ownership of the new facility to the public sector at the end of the lease term.
- **Build-operate-transfer (BOT)** - The private sector will design, build and operate a facility (and charge user fees for services provided) for a specified period, after which ownership is transferred back to the public sector.
- **Build-own-operate (BOO)** - The private sector finances, builds, owns and operates a facility in perpetuity. Quality standards are stated in the original agreement and usually monitored through an on-going regulatory authority.
- **Buy-build-operate (BBO)** - Transfer of a public asset to a private or quasi-public entity, usually under a contract, where facilities are to be upgraded and operated for a specified period of time. Public control is exercised through the contract at the time of transfer.

Across these arrangements, each PPP model reflects a different degree of public and private sector involvement, as well as variations in the risk allocation between the public and private parties. The design and structure of PPP transactions in Seychelles will be aligned to the economic realities of an SIDS, and will avoid placing unnecessary transaction costs on the the Government and private sector. Large, complex transactions common in larger economies are unlikely to be required for the majority of public infrastructure

needs in Seychelles. To facilitate smaller projects, the government will streamline the project approvals process and keep transactions costs to a minimum.

Rationale for PPPs in Seychelles

PPPs are an important alternative to traditional procurement processes for public investment. Mobilising private finance and expertise through PPPs can play a key role in narrowing the infrastructure financing gap in Seychelles. Going beyond financing considerations, public sector-driven infrastructure initiatives typically suffer from poor planning and project selection, inefficient and/or ineffective delivery, and inadequate maintenance.

The GoS acknowledges that the public sector faces a number of institutional challenges in delivering quality infrastructure effectively and efficiently to the Seychellois people. Over the last few years the GoS has introduced a number of reforms to improve public sector governance – modernising the public sector and improving the alignment of institutions with their policy delivery mandates; promoting private sector led-growth by scaling down the government’s role in commercial activities and acting as a facilitator of doing business; redefining the accountability structure between the government agencies responsible for service delivery. Reforms to improve fiscal sustainability has also been part of the broader structural reforms - improved public financial management and expenditure ; improved efficiency in public service delivery; putting the public sector debt on a sustainable level ; developing a public sector investment management programme and a medium- term national development strategy ; and introducing reforms in the area of public investment management. Steps to introduce greater private sector participation through PPP should be seen as part of this overall reform process.

The rationale for PPPs in the Seychelles can be summarised as follows:

- **PPPs help resolve the constraint of insufficient public funds** – due to funding constraints, the government on its own is not capable of investing enough to meet infrastructure needs and support economic growth, resulting in economically beneficial projects being delayed or not being implemented. PPPs provide an alternative approach to financing infrastructure by employing private sector resources upfront, thereby spreading the cost of infrastructure provision to the government over time. For commercially viable projects, user charges may be collected which reduces the costs to the state of providing the infrastructure.
- **PPPs help reduce poor planning and project selection** – limited capacity for project appraisals often results in the selection of projects that do not deliver. Limited public resources may be spent on poorly-selected projects that fail to achieve benefits commensurate with their cost. These systematic problems result from a lack of capacity to effectively appraise prospective projects. PPPs can help improve infrastructure project selection, by harnessing the expertise and experience of private sector

investors, whose financial returns depend on certifying that the project is technically sound, and on getting cost and revenue forecasts accurate.

- **PPPs help to minimise inefficient management of projects** – Service delivery by government entities may be inconsistent in terms of quality because of limited capacity and weak management incentives. Construction projects managed by governments often run well over budget and behind schedule. One reason for involving the private sector in infrastructure provision is that the private sector can be more efficient and effective at managing infrastructure construction and service delivery if incentives are properly structured. Public sector capacity to monitor service delivery is equally important.
- **PPPs help to improve ongoing maintenance of infrastructure** - Infrastructure assets managed purely by the public sector face the risk of being under-maintained due to fiscal constraints. The inadequate maintenance increases lifetime costs of the asset, while also decreasing benefits to users. PPPs can improve maintenance of infrastructure assets, by outlining incentives for the private sector to ensure that the asset under their control is kept to an agreed quality standard.

If designed in the right manner, PPP arrangements can deliver high-quality services at a lower cost than conventional government procurement by leveraging the management, expertise and innovation of the private sector. The efficiency gains must however be compared with the costs and risks of the state embarking on the infrastructure projects itself, while for the private sector, the returns from the investment must be large enough to cover the costs and risks associated with delivering services on behalf of the Government.

IV. PPP FOCUS AREAS

PPP opportunities will be encouraged across all sectors where a clear economic rationale can be demonstrated. However a number of key sectors where the highest strategic need and opportunities for PPPs are more likely to exist will be prioritised.

Tourism and fisheries are the two primary economic industries in the Seychelles, and are likely to continue to be the main drivers of growth in the foreseeable future. The tourism sector accounted for 29% of GDP in 2014 and 30% of foreign exchange earnings and although have seen some reduction in tourism arrivals from traditional markets it is tapping into new markets. As a SIDS enjoying an exclusive economic zone of 1.4 million square meters, Seychelles have recognized the potential of the development of its Blue Economy as a whole and has embarked on a strategy to sustainably tap into its marine resources to maximize its benefits. The GoS has launched an aqua-mari culture plan to increase exports through value added products and is increasing its investment in the fishing industry, with the development of additional fishing quays. The sustainability and growth of these vital industries is dependent on continual investment in infrastructure

across the sectors that underpin them. Given the dominance of the tourism and fisheries sectors in the Seychelles economy, PPP investments are expected in infrastructure services related to these two industries. Similarly, expanding the transport and energy infrastructure will support growth more broadly across the economy.

Sectors where demonstrable infrastructure capital investments are necessary, and thus PPP opportunities are likely to emerge include:

- **Energy** – Electricity supply in Seychelles is insufficient to meet the growing demand of 7% per annum. The Public Utilities Corporation (PUC) generated a total of 354 million kWh of electricity in 2013 and the electricity supply is heavily dependent on imported non-renewable crude oil. There is a need for additional generation capacity, from alternative sources. The final draft of the NDS notes that diversification of the energy mix, and having 5% renewable energy supply by 2020, and 15% by 2030 are key targets. This provides scope for more investment in power generation infrastructure and in the expansion of transmission infrastructure through appropriate PPP models. There may also be scope for applying PPPs in the provision of energy efficiency services.
- **Sea Ports and Shipping** – Seychelles ports are crucial to the growth and sustainability of its two main industries, tourism and fisheries. The only major commercial seaport across the Seychelles islands, Port of Victoria on Mahé, is unlikely to have sufficient capacity over the next few years. The Seychelles Port Authority (SPA) currently oversees this port, as well as the passenger terminals on Mahé, Praslin and La Digue. The SPA's vision is to transform Port Victoria into an international staging port in the long run. Upgrades and maintenance of Seychelles sea ports therefore offer opportunities for PPP transactions. In addition, the shipping sector which is central to the tuna industry may hold some investment opportunities for the procurement and operation of large shipping vessels. The viability of a dry dock may also be investigated for provision of shipyard services. Infrastructure to support the fishing and fish processing industry will be addressed.
- **Aviation sector** – The continuing growth of the tourism industry implies that further updates will be necessary to the country's air terminals, in the medium to long term. The Seychelles Civil Aviation Authority has embarked on several expansion projects at the Seychelles International Airport. In the medium to longer term, the aviation sector masterplan indicates that further expansion is required to enable the airport to accommodate more than a million passengers a year.
- **Ecotourism** - The NDS has emphasised that sustainable development, which prevents compromising the natural environment will be a central focus for the tourism sector going forward. PPPs are likely to be suitable tools for ecotourism investment, given that they enable the GoS to retain some control on how the country's natural resources and assets are exploited. The GoS will explore private sector

involvement in the enhancement and management of the country's heritage sites and protected areas, while ownership of conservation land and the under-sea area remain under GoS control.

- **Land Use and Housing** – Significant public finances are currently spent renting office space. The potential exists to develop Government office accommodation through a PPP arrangement with the private sector. PPPs could assist the GoS in harnessing private sector efficiency in operating and maintaining office facilities. Beyond the demand for office accommodation, there is a growing and persistent demand for housing by the growing Seychellois middle-income population. The GoS will explore options for providing affordable accommodation, particularly to first time buyers through PPP. There is also a need for the development of new sports infrastructure and maintenance of existing ones on a national level hence sports infrastructure projects will also be considered for PPP.
- **Social sectors** – PPPs may also play a role in the provision of certain social services. These are likely to be targeted interventions in services where there already exists a significant cost to the State. One possible area is in the delivery of specialized healthcare to patients (e.g. cancer treatment and dialysis treatment) where there is limited local capacity to provide advance medical treatments and patients are being sent overseas. Similarly, the education sector may offer investment opportunities in areas of specialized training where external expertise and resources are required. Expanding infrastructure for sanitation services and waste water/ sewerage treatment and disposal will also be considered for PPP investments.

V. KEY PRINCIPLES UNDERLYING PPPS

A clear set of guiding principles are necessary as the basis for developing new regulations and processes for a PPP operating framework. The following principles will guide the selection and implementation of PPPs in Seychelles:

- **Value for money (VfM)** – Achieving the best value for money outcome will be the paramount consideration for each PPP transaction in Seychelles. PPP projects must deliver superior quality services at a lower cost than if provided by the GoS. A well-structured PPP contract can offer better VfM by reducing overall project life cycle costs, improving the allocation of risk, enabling faster implementation, improving service quality and reliability, and generating additional revenue.
- **Affordability** – This will be an important consideration in embarking on a PPP transaction, and is in essence linked to the VfM consideration. PPPs must be affordable to both the GoS and consumers, who may be paying for the service. PPP arrangements where the GoS will be the purchaser of the infrastructure service must take into account the GoS' capacity to meet the financial commitments; they must not impose an undue fiscal risk on the GoS. The cost of the project in isolation must be assessed, and also in combination with other GoS public expenditure commitments.

- **Risk allocation** – Risk allocation between the government and the private sector participant must be clear, enforceable and comprehensive by covering all foreseeable projects risks as much as possible. Each party has certain advantages in the management of certain project risks. Successful PPPs are structured such that the various types of risk are borne by the party best equipped to manage it. The party to which a particular risk is allocated will have control and responsibility over decisions related to managing the particular risk factor. The GoS will generally assume those risks that it is better placed to deal with, leaving construction, technology and operating risks to the private sector where appropriate. Financial risks may be borne by one party or shared depending on the project.
- **Transparency** – Transparency is an important requirement of all government procurement in Seychelles. All PPP arrangements must conform to the requirements prescribed in the Public Procurement Regulations, 2014. The procurement process and outcomes must be subject to disclosure, noting the need to protect commercial confidentiality where appropriate. A bidder, in a PPP tender, who is aggrieved by a decision made by a procuring entity, may challenge the procurement proceedings at any time before the entry into force of the PPP contract in line with section 98 of the Public Procurement Act.
- **Competition** – PPPs will encourage greater competition and innovation in the delivery of public services. All PPP projects will be subjected to a competitive process. Effective competition between private players will assist in ensuring efficiency and lower costs in the provision of the public infrastructure or service. The GoS will instill a strong deterrence for anti-competitive behavior in PPP procurement. Unsolicited bids will be discouraged unless compelling reasons exist for sole sourcing. Consideration of unsolicited PPP proposals will be the exception, and should demonstrate exceptional innovation and the use of proprietary technology.
- **Local content requirements** – PPP arrangements must align with the GoS policy of enhancing the participation of the Seychellois in economic activities. PPP projects shall be structured to encourage the highest possible inclusion of local resources and expertise. Where PPP transactions involve foreign entities, avenues will be sought, as much as possible, to facilitate linkages and technology transfer with the private sector in Seychelles.
- **Conservation of the ecosystem** – The Seychelles ecosystem carries tremendous national and economic importance, with a direct bearing on the country's tourism industry. PPP projects will enhance, not diminish the potential of the ecosystem. Where a project has a direct bearing on a particular natural resource, the preservation of the resource will be an important consideration in the decision to proceed with the project.

The principles outlined above, by which PPP arrangements should operate, set the standard against which proposed PPP transactions will be designed and assessed.

VI. INSTITUTIONAL ARRANGEMENTS NECESSARY FOR EFFECTIVE PPPS

The effectiveness of Seychelles' PPP policy will require a robust enabling institutional framework. The purpose of setting out the institutional arrangements in this policy document is to clarify the roles of each government agency playing a role in the PPP process, ensuring a clear delineation of responsibilities. A sound institutional framework will help the GoS ensure that PPP projects are affordable, risks are adequately apportioned, and the benefits from the projects are maximized. The roles and responsibilities of government agencies that promote and implement PPP projects must be clearly distinguished from the agencies that monitor the fiscal accounts and provides procurement oversight. The current regulatory framework in Seychelles provides sufficient legal grounding for PPP regulation, without a need to create a separate PPP Law. The legal foundation for PPPs exists in terms of Clause 68 of the Public Procurement Act (No. 33 of 2008). The Act empowers the Minister of Finance to issue supporting regulations to direct the implementation of PPPs in Seychelles. The Act is in line with international best practice, and provides for transparency, accountability and fair competition. Any regulations issued to enable PPPs will ensure alignment between the implementation of this PPP policy and the legal requirements of the Public Procurement Act.

Oversight for the development, appraisal and approval and procurement of PPP transactions resides within the jurisdiction of a number of public sector institutions, led by the Ministry of Finance, Trade and the Blue Economy. Figure 1 below illustrates the institutional structure. The institutions with a clear mandate for PPP oversight, planning and implementation are the following:

- **Line Ministries, departments and agencies** are responsible for;
 - a. Generating PPP projects in line with infrastructure needs under their jurisdiction in line with the Public Sector Investment programme and National Development Strategy.
 - b. Managing bidding process - Evaluate all bids for PPP contracts and submit bid evaluation to the approvals authority in accordance with section 41(1) of the Public Procurement Act and PPP Regulations.
 - c. Contract Management.
- **Public Investment Management Unit (PIMU)** –The PIMU will be mandated to oversee and support PPP Development. It will serve as the main PPP focal point for the GoS. The Unit will be responsible for;

- a. Supporting Line Ministries\Departments\Agencies\Public Enterprises to develop and implementing PPP
- b. Appraising PPP projects and making recommendations on the approval or rejection of projects prior to submission to the development committee
- c. Undertaking a detailed feasibility study including risk assessment
- d. Disseminating information on the PPP guidelines and best practices.

Development Committee shall;

- a. Review of the project appraisal conducted by the PIMU for PPP projects
- b. Discuss with Societe Seychelloise D'Investissement on any joint venture recommendation.
- c. Provide recommendations to the Minister of Finance, Trade and the Blue Economy and the Cabinet on feasibility and affordability of these projects.

- **Public Debt Management Unit**

- a. Ensure that all debt repayments associated with the PPP programme can be financed sustainably
- b. Limit public borrowing to be consistent with medium- to long-term debt sustainability targets of the Government as per the GoS Debt Management Strategy
- c. Quantify and monitor risks associated with contingent liabilities associated with PPPs.

- **Procurement Oversight Unit (POU)**

- a. Provide oversight of the procurement process including approval of the necessary Bidding and/or Transaction Documents.
- b. Ensure that the tendering process conforms to the Procurement Act 2008 and PPP Regulations

- **Attorney General** – Ensure that all PPP projects comply with all relevant legal and regulatory requirements and also review all PPP contracts.

- **Societe Seychelloise D’Investissement (SSI)** – As the main vehicle for Government’s commercial investments, SSI will act as the equity partner in any joint ventures and other PPP arrangements that require a direct equity contribution from the Government.
- **Seychelles Investment Board**
 - a. Promote private sector participation in the PPP priority sectors identify in this policy
 - b. Facilitate the process for private developers who wants to engage in PPP by referring them to the relevant stakeholders above

The identification and appraisal of PPP projects will lead to the development of a pipeline of potential PPP projects. A feasibility study will be undertaken for each project to ensure suitability for PPP as well as affordability. Once the Bankable Feasibility Study has been assessed and approved, the ministry or agency procuring the infrastructure would embark on a formal procurement process in line with the Public Procurement Act (2008). A detailed set of Guidelines for PPP procurement will be published in due course to accompany this policy document.

PPP appraisal and procurement will follow a systematic process outlined below:

1. Line Ministries and agencies must submit all PPP proposals to the PIMU for appraisal.
2. Projects that meet the PIMU’s Value for Money and Affordability assessments will be submitted to the Development Committee.
3. The Development Committee will review the appraisal and recommendation of the PIMU and approve/ reject the PPP projects based on their feasibility. This will be done in consultation with the procuring entity.
4. Projects approved by the Development Committee based on the feasibility study will be submitted to the MFTBE for financing approval. The Minister responsible for Finance will consult with the Minister responsible for Investment, (SSI if necessary) and the Attorney General on individual project recommendations before presenting qualifying projects to the Cabinet for final approval.
5. After Cabinet has approved the project, the procuring entity will prepare and issue a prequalification document (usually referred to as the Request for Qualification or RFQ). This will allow potential bidders to submit their credentials and evidence of technical and financial capacity to deliver the project.

6. The RFQ stage would be followed by a more detailed selection process usually referred to as the Request for Proposals or RFP which outlines the required service specifications and standards in detail. The remaining bidders will submit their proposals leading to the selection of a preferred bidder and a reserve bidder.

VII. PROJECT APPRAISAL GUIDELINES

All potential PPP projects will be assessed based on appraisal criteria that will determine whether or not a project represents a good investment decision. The PPP appraisal will help ensure that PPP projects are of good quality, sustainable, well-structured, and able to attract private sector interest. The appraisal will be conducted by the PIMU, with final signoff by the Minister of Finance for projects below the SR50 million thresholds or Cabinet for those above. The principles noted above will form the lens through which the project appraisals will be conducted.

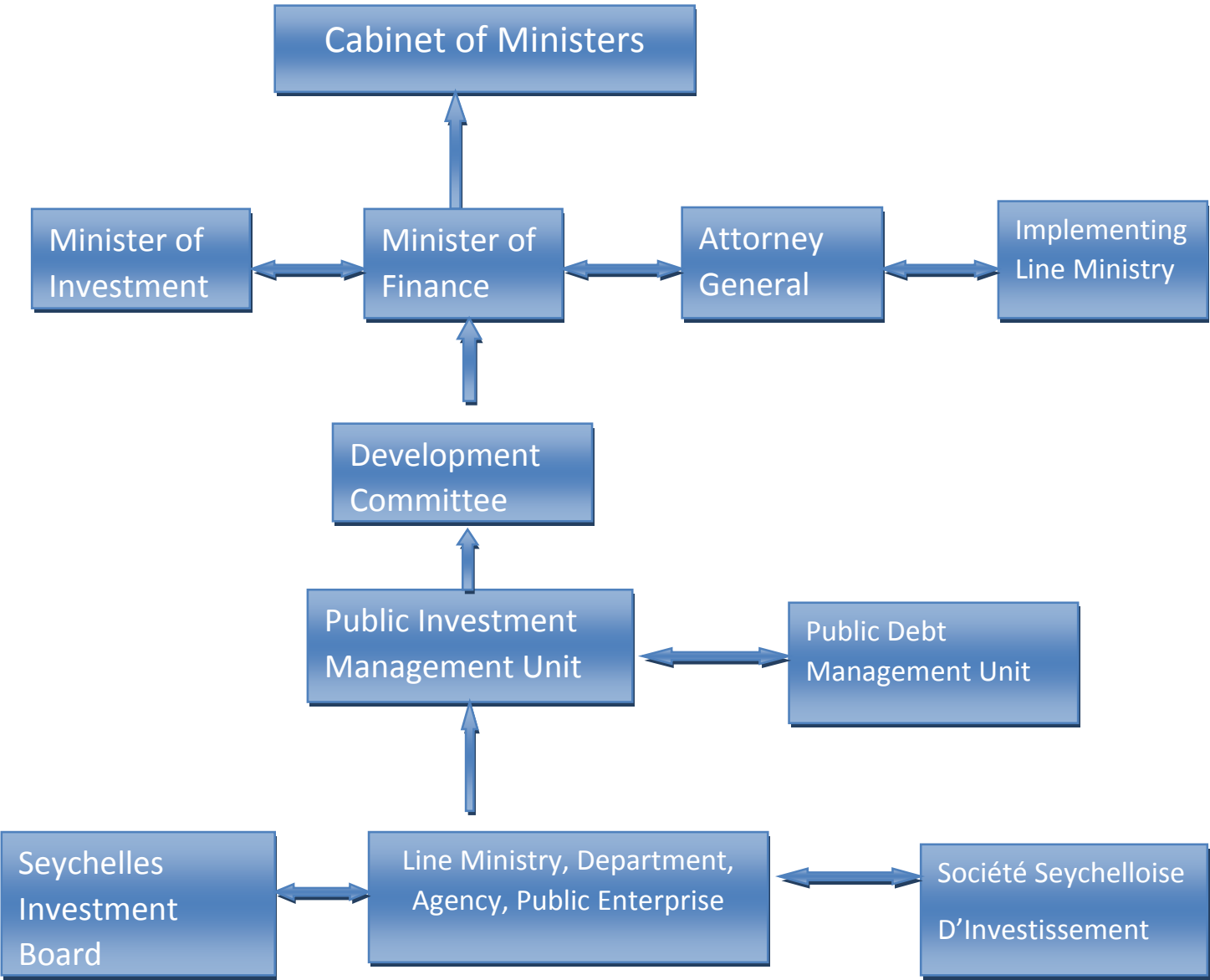
The appraisal process will have four components:

- **Project feasibility** – The first hurdle a proposed PPP projects must meet is the assurance that the underlying project satisfies all non-financial criteria. Project feasibility will be conducted by the PIU. The feasibility must include a technical, legal, social and environmental analysis of the project.
 - **Technical feasibility** – This assesses whether the project design meets all technical criteria, and uses proven technologies. Any technical risks must be identified and mitigation strategies identified
 - **Legal feasibility** – The legal appraisal ensures that there are no legal barriers to the project. The PPP project must comply with all relevant legislation and regulations. The PIU, working with the POU and Attorney General's office, must ensure that there are no legal restrictions preventing the advancement of the project.
 - **Social and Environmental feasibility** – The project must comply with Seychelles environment policies and standards. This is an important consideration for Seychelles given the importance of its ecosystem to the economy. The project must also be in the public interest, taking into account the local content principles noted above.
- **Commercial viability** – This ensures that the proposed PPP would be attractive to private investors. The project should offer attractive financial returns, and require that the private party bears a reasonable level of risk commensurate with the expected return. Assessing commercial viability usually involves the development of a project financial model and assessing the project's cash flows, returns and financial robustness. Where the revenues from a project are not sufficient to make the project commercially

attractive, the GoS may consider a partial subsidy to the project, if it meets other appraisal assessment criteria.

- **Economic viability** – An economic cost benefit analysis must be conducted to ensure that the economic benefits (financial, social, and environmental) exceed the economic costs. The economic costs will be the financial costs plus other non-market costs such as costs to the environment and others social costs. An economic cost benefit analysis must be conducted to ensure that the PPP project brings socio-economic benefits to the society as a whole.
- **Fiscal sustainability** – The final appraisal criteria will be an assessment of the extent to which the PPP imposes a fiscal burden on the GoS. Regardless of a project meeting the first three hurdles, the MoFTB must be confident that the Government will be able to service its long-term financial obligations related to the project and that contingent liabilities and other fiscal risks are measured and kept within acceptable macroeconomic and prudential limits.

Figure 1: Institutional Structure for Identification, Development and Appraisal of PPPs in Seychelles





Ministry of Finance, Trade and the Blue Economy
Liberty House, P.O Box 313/ Victoria/ Mahé, Seychelles

Press Release

Seychelles launches first Public Private Partnership Policy and organizes Public Private Dialogue with stakeholders

Friday 18th March 2016, VICTORIA, SEYCHELLES: Seychelles will be launching its Public Private Partnership (PPP) Policy on Monday 21st March 2016, at 9.00a.m, at Eden Bleu. The launch of the PPP Policy is a first and provides the basis for a consistent framework by which public and private sector entities should work together to improve public service infrastructure delivery.

This policy document covers four central aspects for PPPs in the Seychelles: the objectives underpinning the use of PPPs; PPP focus areas; the guiding principles for effective PPP implementation; and the institutional arrangements required to provide effective oversight of PPPs. Detailed regulations and guidelines will be published in due course to expand upon this policy statement.

The Minister for Finance, Trade & the Blue Economy, Jean Paul Adam, Minister for Investment, Entrepreneurship Development and Business Innovation, Michael Benstrong and CEO for Investment Climate Facility for Africa, Mr. William Asiko and Ms. Carina Sudgen, Senior Public Financial Management Officer (AFDB) will deliver key note addresses to launch the PPP Policy.

A Public Private Dialogue will also take place immediately after the launch for stakeholders on potential PPPs in the country. The Public Private Dialogue will include a presentation on the PPP Policy as well as potential PPP arrangements and or projects by different stakeholders from the Sub-marine Cable Project, Land Use and Housing, Energy Sector, Sports Sector, Eco-tourism and the community sector.

The media is invited to cover the events.

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Frequently asked questions

What is the African Development Bank Group?

The African Development Bank (AfDB) Group is a regional multilateral development finance institution established to contribute to the economic development and social progress of African countries that are the institution's Regional Member Countries (RMCs). The AfDB was founded following an agreement signed by member states on August 14, 1963, in Khartoum, Sudan, which became effective on September 10, 1964. The AfDB comprises three entities: the African Development Bank (ADB), the African Development Fund (ADF) and the Nigeria Trust Fund (NTF).

As the premier development finance institution on the continent, the AfDB's mission is to help reduce poverty, improve living conditions for Africans and mobilize resources for the continent's economic and social development. The AfDB headquarters is officially in Abidjan, Côte d'Ivoire.

What is a development bank's mission?

A development bank's mission is to promote the investment of public and private capital in projects and programmes that are likely to contribute to the economic development of its stakeholders. The bank therefore finances projects run either by the government or the private sector. The AfDB is one of the five major multilateral development banks in the world that provides assistance to its regional member countries with a view to helping them achieve their development goals.

Why was the African Development Bank Group created?

The AfDB's primary objective is to assist African countries – individually and collectively - in their efforts to achieve economic development and social progress. To this end, the institution's main challenge is to reduce poverty on the continent.

Combating poverty is at the heart of the continent's efforts to attain sustainable economic growth. The Bank therefore seeks to stimulate and mobilize internal and external resources to promote investments as well as provide RMCs with technical and practical assistance. In partnership with various international and development organizations, including the United Nations, the World Bank, and the International Monetary Fund, the AfDB has, since 2000, undertaken to support RMCs in their efforts to attain the Millennium Development Goals (MDGs).

To whom does the Bank Group belong and why does it have non-regional members?

The Bank Group has 80 member countries, comprising 54 regional member countries (RMC) and 26 non-regional member countries (NRMC). The non-regional member countries are primarily from Europe, America and Asia. Initially, only independent African countries could become members of the Bank. However, due to growing demand for investments from African countries and because of the Bank's limited financial resources, membership was opened to non-regional countries.

The admission of non-regional members in 1982 gave the AfDB additional means that enabled it to contribute to the economic and social development of its RMCs through low-interest loans. With a larger membership, the institution was endowed with greater expertise, the credibility of its partners and access to markets in its non-regional member countries. The AfDB enjoys triple A ratings from all the main international rating agencies. However, the AfDB maintains an African character derived from its geography and ownership structure. It exclusively covers Africa. It is also headquartered in Africa, and its president is always African.

What types of projects does the Bank Group finance?

The African Development Bank Group finances projects, programs and studies in the areas of agriculture, health, education, public utilities, transport and telecommunications, the industry and the private sector. The Bank Group has, since 1968, also sought to finance non-project operations, including structural adjustment loans, policy-based reforms and various forms of technical assistance and policy advice. The AfDB Group has also widened the scope of its activities to cover new initiatives such as the New Partnership for Africa's Development (NEPAD), water and sanitation as well as HIV/AIDS. The Bank Group is also involved in important initiatives on debt reduction, to the tune of US\$ 5.6 billion under the Highly Indebted Poor Countries (HIPC) Initiative, which aims at reducing the debt stock of 33 eligible countries to sustainable levels. In 2006, the AfDB Group also made a commitment to cancel nearly US\$9 billion owed by the countries concerned in order to help them attain the MDGs.

How does the African Development Bank Group operate?

Each member country is represented at the AfDB's Board of Governors, the Bank's highest decision-making body. The Board of Governors elects the President during a session held in camera, open only to Governors and Alternate Governors of regional member countries and non-regional member countries. The presidential candidate is introduced by the Governor of the regional member country whose nationality they hold, and is elected for a five-year term, renewable once. The Board of Directors is responsible for the conduct of the Bank's general operations and accordingly, has the authority to exercise all the Bank's rights except those reserved exclusively for the Board of Governors.

The AfDB President is responsible for the Bank's management under the supervision of the Board of Directors. In this regard, he takes responsibility for the proper application of policies

and guidelines issued by the Board. In July 2006, the Bank launched a major institutional reform aimed at strengthening the effectiveness of its operations on the ground, on the one hand, and on the other, to enhance its position as a centre for the exchange of knowledge in Africa.

The Bank Group currently has about 1,500 employees, with the majority of them being Africans. The institution also hires from all parts of the world provided the candidates are nationals of non-regional members of the institution. While carrying out the Bank's affairs, the President is supported by the Chief Economist along with five Vice Presidents who supervise 30 departments with 57 organizational divisions and 6 units.

The Bank's activities are controlled by the audit department, an independent evaluation unit and the internal administrative tribunal. In order to improve the quality of its interventions and dialogue with beneficiaries, the Bank Group has established offices in 25 regional member countries, with some of the offices covering many countries.

How does the African Development Bank Group get its resources?

AfDB funds are derived from subscriptions by member countries, especially non-regional member countries, borrowings on international markets and loan repayments. Its resources also come from ADF and Nigeria Trust Fund (NTF) capital increases. The role of the ADF is to provide the institution's regional member countries with resources to boost their productivity and economic growth.

Its resources are derived directly from special contributions from states participants, especially non-regional member countries. Similarly, the NTF was established by the Nigerian government in 1976 to help the institution's most underprivileged member countries and provide 2-4% interest rate loans repayable over 25 years.

Who can benefit from Bank Group assistance?

Most AfDB resources and projects are intended for its regional member countries (RMCs).

Countries are classified under three categories on the basis of two criteria: (i) country-creditworthiness and (ii) GNI per capita. The first category comprises 'not creditworthy' countries with a GNI per capita below an established threshold updated annually (in fiscal year 2013-2014: \$1,205). Countries in the first category are only eligible for concessional resources from the African Development Fund window. The second category contains countries with a GNI per capita below the operational GNI cut off but creditworthy: these are called 'blend countries' and are eligible for ADF and ADB resources. Finally, the third category is made up of countries above the operational GNI cut off and creditworthy. Those countries are eligible to ADB resources only.

The Group's credit policy has been reviewed in May 2014, enabling, under certain conditions, an ADF eligible country to borrow non-concessional resources from the AfDB window.



Seychelles: Public-Private Partnership Regulatory Framework Project

The challenge:

As a small island economy, Seychelles is confronted by severe limitations in its economic development, principally due to its remote geographic location and lack of natural resources.

Increasingly, Seychelles is being confronted with emerging needs in infrastructure development that cannot be met with existing budgetary resources alone.



Energy: The country depends heavily on oil imports for its energy needs, making it vulnerable to world oil price fluctuations. Renewable energy potentials remain untapped. *Water:* Only 60% of the total demand for potable water is met, due to limited storage capacity, increased demand and water losses along the network. *Transport:* There are concerns over the Port of Victoria's capacity to handle large vessels (especially container carriers) in the near future; The airport terminal is subject to crowding when handling the arrival of more than one wide-bodied aircraft at a time; Traffic levels on key roads linking the capital city Victoria to other points on the main island Mahe are approaching saturation, while the public bus network is in need of investment in new equipment.

The solution:

ICF is working with the Government of Seychelles and the Africa Development Bank to support the development of a comprehensive legal, regulatory and operational framework for Public-Private Partnerships (PPPs) as a means to stimulate private sector development, and to support government capacity to leverage resources for infrastructure development and public service delivery. This includes the provision of clear rules for prospective investors, as well as creation of new funding and procurement methods for infrastructure development which leverage private investment. The project will cost a total of US\$ 748,020. Of this, ICF will contribute US\$ 114,000, Government of Seychelles will contribute US\$ 60,000 and the Africa Development Bank will contribute US\$ 554,020.

Expected Results:

- Development of a Public-Private Partnerships policy framework and an operational framework
- Adoption of a legal and regulatory framework for Public-Private Partnerships in line with international best practices
- Improvement of the business enabling environment due to the legal and regulatory framework

Project duration: November 2014 – June 2016

The Investment Climate Facility for Africa is a grant providing organisation that works with African Governments to improve the environment in which businesses operate. ICF engages closely with implementing Government bodies throughout the life of the project. For more information about ICF please visit www.icfafrica.org



Seychelles: Financial and Regulatory Capacity Support Project

The challenge:

As a small island economy, Seychelles is confronted by severe limitations in its economic development, principally due to its remote geographic location and lack of natural resources. The country's economy is heavily reliant on tourism and fisheries.

Seychelles has introduced several structural reforms in the past aimed at increasing income per capita, improve the living conditions of Seychellois and establishing sustainable macroeconomic balances.



The Government recently identified the financial services sector as the third pillar of the economy and has prepared strategies to ensure that the financial sector maximizes its contribution to economic and social development of the island economy. Seychelles is ranked 80th out of 189 economies in the 2014 Doing Business Index (DBI), and 80th out of 148 countries in the 2013-2014 Global Competitiveness Report.

The solution:

ICF is working with the Government of Seychelles, the African Development Bank and the World Bank to support economic growth and private sector development through diversification and deepening of the financial services sector, and strengthening of oversight and regulatory regime. The project will focus on the technical assistance and capacity strengthening of four components, namely: (i) financial system's legal and regulatory framework, (ii) the financial infrastructure and capital markets development, (iii) the consumer protection and financial literacy and (iv) modernisation of the Companies Act (1977). The project is expected to spur investor confidence and competitiveness of the financial and investment markets. The project will cost a total of US\$ 2,580,927. Of this, ICF will contribute US\$ 1,299,543, Government of Seychelles will contribute US\$ 183,225, the Africa Development Bank will contribute US\$ 699,579 and the World Bank will contribute US\$ 398,580.

Expected Results:

- Revised, reformed and amended legislations, which include: Financial Institutions Act, Central Securities Depository Act, Securities Act, Collateral Registry Act, National Payments Systems Act, Mutual Hedge Fund Act, Insurance Act, and Credit Reporting Act.
- Modernization and harmonization of the companies act to accommodate the country's domestic and international investments as well as trade and financial needs.
- Establishment of a new National Payment System Framework
- Strengthen and build the capacity of professionals in the Central Bank of Seychelles and Financial Services Authority

Project duration: June 2014 –June 2016

The Investment Climate Facility for Africa is a grant providing organisation that works with African Governments to improve the environment in which businesses operate. ICF engages closely with implementing Government bodies throughout the life of the project. For more information about ICF please visit www.icfafrica.org



MAKING AFRICA A BETTER PLACE FOR GLOBAL BUSINESS

ICF is the only pan-African organization explicitly and exclusively focused on improving the continent's investment climate. Since 2007, ICF has been providing African-based, African-led technical assistance to make the continent a better and easier place to do business.

Africa's rise is one of the most important economic stories of our time. But many investors find it difficult to navigate the continent's complex economic, business and investment regulatory systems. Despite rising GDP and income, Africa receives only 3% of global inward investment.

To change this, ICF is working to make Africa an easier place for business to partner in the continent's future, working to improve the climate for investment in Africa by removing barriers to doing business.

Our projects are designed to meet the following three primary objectives:

- 1.** Improve Africa's investment climate by encouraging, developing and working with government, development and business coalitions to drive transformative change and unleash African enterprise.
- 2.** Get the investment environment right by advocating for and creating legal, regulatory and administrative structures that enable businesses of all sizes and in all industries to grow, invest and create jobs.
- 3.** Encourage business to respond by improving Africa's image as an investment destination through our publicizing improvements in the investment climate.

We focus on areas where practical steps can be taken to remove investment barriers, constraints and problems. Our 8 priority areas are:

- ▶ Promoting property rights and contract enforcement
- ▶ Streamlining business registration and licensing
- ▶ Improving taxation and customs
- ▶ Bolstering financial markets
- ▶ Supporting infrastructure facilitation
- ▶ Liberalizing labor markets
- ▶ Promoting competition
- ▶ Reducing corruption and crime



WHERE WE WORK

A Burkina Faso

Business registration and construction licensing, land registration, commercial courts and customs reforms

B Cape Verde

Privatization, public-private partnerships, business registration and taxations reforms

C Ethiopia

Modernized commodity exchange, tax administration and customs single window for international trade

D Ivory Coast

Alternative dispute resolution mechanisms

E Kenya

Customs single window for international trade

F Lesotho

Reform of the VAT regime

G Liberia

Improvements in business registration and customs

H Mali

Tax dispute resolution and alternative dispute resolution mechanisms

I Mauritius

Business registration and licensing, modernization of the judiciary

J Mozambique

Business licensing and taxpayer services

K Nigeria

Alternative dispute resolution mechanisms

L Rwanda

Commercial dispute resolution, energy & power sector reforms, land administration, tax modernization, construction licensing and business registration

M São Tomé and Príncipe

Customs single window for international trade

N Senegal

Taxation and customs reforms, and construction licensing

O Seychelles

Public-private partnerships

P Sierra Leone

Land registration, commercial justice, infrastructure facilitation, and business registration

Q South Africa

Municipal capacity building

R Tanzania

Customs reforms, judicial reforms, property rights, infrastructure facilitation, and SME capacity building

S Togo

Commercial justice and alternate dispute resolution mechanisms

T Tunisia

Stock exchange development

U Zambia

Modernization of tax administration and judicial reforms



Pan-African Reach

ICF works with the **Organization for the Harmonization of Business Laws in Africa (OHADA)** to harmonize business laws across 17 countries in West and Central Africa by reviewing and reinforcing some of OHADA's eight Uniform Acts. These countries include: Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Comoros, Republic of Congo, Democratic Republic of Congo, Equatorial Guinea, Gabon, Guinea, Guinea-Bissau, Ivory Coast, Mali, Niger, Senegal and Togo.

ICF has worked with the **East African Community (EAC)** to harmonize business laws and establish a policy on anti-counterfeiting and piracy across 5 countries. These include: Burundi, Kenya, Rwanda, Uganda and Tanzania.

ICF is working with the **Common Market for Eastern and Southern Africa (COMESA)** to build sustainable sourcing partnerships between small growth enterprises and large corporate companies in 6 COMESA countries, which are: Ethiopia, Kenya, Malawi, Rwanda, Uganda and Zambia.



WHY ICF AFRICA?

ICF offers our partners an opportunity to work at the center of one of Africa's most important challenges—creating an improved business climate for investment that will drive long-term growth, job creation, rising incomes and greater integration into the global economy.

We have a unique partnership model.

ICF is based in Africa and is an unique and unprecedented partnership between African and international governments, private companies and development partners. We are exclusively focused on providing practical improvements to Africa's investment climate.

We focus on fundamentals.

ICF delivers practical solutions to the basic fundamentals that hamper the growth of African businesses, especially SMEs. This can include advocating customs and tax reform, streamlining business licensing and registrations, harmonizing rules and settling disputes. By improving the basics on which business depends,

ICF delivers profound and long-term dividends for African economies.

We engage the private sector.

Our experience shows that investment reforms are faster and more effective when the private sector is a partner throughout the process. ICF works with Africa's business community to identify priority areas for intervention and to help secure government support for reform.

We scale up and multiply.

ICF shares its learnings from completed and ongoing projects with other governments, corporations and development partners to multiply the pace and scale up effectiveness of our interventions across Africa.

We advocate sustainable reforms.

All ICF projects are co-funded and implemented in partnership with the host government and private sector to ensure reforms are sustainable over the long-term.

We intervene rapidly.

ICF responds quickly to funding requests. The entire process from project application to agreement generally takes fewer than six months. Projects focus on delivering practical, results-oriented solutions in as short a time frame as possible.

We measure our progress.

ICF is committed to delivering tangible, measurable results. All projects are evaluated against pre-agreed targets and a set of performance indicators.

THE COMPANY WE KEEP

ICF IS SUPPORTED AND FUNDED BY:

Several international governments, including ...



United Kingdom



Germany



Ireland



Netherlands



South Africa

... **multilateral institutions such as** African Development Bank Group and International Finance Corporation ...

... **and some of the leading multinational companies operating in Africa, including** Anglo American, Coca-Cola, SAB Miller, SASOL, Shell Foundation, Standard Bank and Unilever.

ICF'S PRIVATE AND PUBLIC SECTOR SPONSORS:

- ▶ Contribute funding, skills, time and expertise
- ▶ Play a pivotal role in helping to increase the breadth and depth of ICF's impact
- ▶ Remain engaged in project implementation
- ▶ Share experiences, tested techniques and processes to help ensure success.



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