

PUBLIC PRIVATE PARTNERSHIP COMMISSION NEWSLETTER



INTRODUCTION

The Public Private Partnership Commission is pleased to relaunch a quarterly newsletter whose primary purpose is to create public awareness about progress and scope of public private partnership (PPP) transactions in Malawi. The PPP Act was introduced in Malawi through an Act of Parliament, the Public Private Partnership Act of 22nd December, 2011. The principal objective of the PPP Act is to facilitate private sector participation in public infrastructure. The involvement of the private sector is premised on the now accepted fact that Government does not have the requisite resources required to develop essential infrastructure. The PPP Commission was established under the PPP Act to facilitate the development of PPP projects.

What is a Public Private Partnership?

There are many definitions for Public Private Partnerships (PPPs). Public Private Partnerships (PPPs) are arrangements between public and private entities for the delivery of infrastructure services and are seen as a way of raising additional funds for infrastructure investments and development. Another way of putting it is that a PPP is a legally enforceable contract in which a public institution engages a private party to provide financing, technical know-how, technology in relation to the development of infrastructure and services. Risks related to the provision of infrastructure services are allocated on the basis of the party which is best placed to manage the risk.

In a PPP project, the private party is compensated on the basis of risks assumed and output generated. Government Ministries, Departments or Agencies are for the most part contracting authorities in all PPP transactions.

Source of PPP Projects

Infrastructure projects involving public private partnership arrangements originate from Government line ministries, departments and agencies. Ministries contemplating on implementing infrastructure projects will usually submit their intentions to the Ministry responsible for economic planning and development for prefeasibility analysis. The ministry responsible for economic planning and development reviews the projects for affordability by end users and contracting authorities. The infrastructure projects under review must be technically, commercially and economically viable and reflect optimal allocation of risks between public and private sectors. Delivery of value for money is an important test for suitability of infrastructure projects for implementation as PPP arrangements.

Institutional Arrangements

As mentioned earlier, the enabling legislation for PPP transactions is the Public Private Partnership Act. The Act stipulates that ministries, departments and agencies shall secure Cabinet approval with regard to development of infrastructure development through PPP arrangements. Cabinet will review submissions by contracting authorities and consider for approval those infrastructure projects which demonstrate value for money, affordability and significant risk transfer to the private sector.

Following Cabinet approval, feasibility studies are carried out on all infrastructure projects. This stage involves risk identification and allocation on the basis of who is best placed to manage them. PPP lifecycle costs and revenues are projected for purposes of ascertaining economic and financial viability. Once a feasibility study has been finalized, it is submitted to the Ministry of Finance, Economic Planning and Development. The Ministry of Finance is primarily concerned about the impact of the project on the fiscus and whether there are any government interventions envisaged such as incentives or capital contribution.

After approval by the Ministry of Finance, the project migrates to the procurement stage. The implementation and management of the procurement process is spearheaded by the PPP Commission. This is done with the involvement of key stakeholders.

Infrastructure Projects Completed

The PPP Commission has been in existence for a period of 7 years and has finalized a number of infrastructure projects. In this publication, we showcase completed projects as well as those under implementation. The matrices below summarize the status of various infrastructure projects.

COMPLETED PROJECTS

	Project Description	Sector	Private Party	Mode of Private Sector Participation	Output	Completion
1.	Review of the Concession Agreement between Government of Malawi and CEAR Limited	Transport Sector	CEAR Limited	Concession	Rehabilitation of Railway infrastructure between Nkaya and Limbe (estimated at US\$300 million). Purchase of new passenger coaches and wagons at US\$ 3 million. Significant improvement of the minimum concession fees from US\$500,000 to US\$1 million per annum	2013-2015
2.	New Railway from Moatize and Nkaya	Transport Sector	Vale Logistics Ltd of Brazil	Build, Own, Operate, Transfer (BOOT)	New Railway line from Moatize and Nkaya. The cost of the project is estimated at US\$1 billion.	2011-2015
3.	Development and Supply of Marine Transport Services	Transport Sector	Malawi Shipping Company.	Build, Own, Operate	Rehabilitation of marine vessels and construction of new vessels	2010-2011
4.	Regional Communication Infrastructure Programme (Malawi Project) RCIPMW	Communication Sector	Simbanet of East Africa	Build, Own, Operate	Provision of International Fiber optic broadband connectivity. Provision of US\$10 million internet capacity. Strengthening the regulatory environment.	June 2016
5.	Liwonde National Park/Mangochi Forest Reserve	Tourism	African Parks Network	Build, Operate, Transfer	<ul style="list-style-type: none"> - Development of Infrastructure. - Restocking of wildlife. - Improvement of tourism. facilities. - US\$5 million including Nkhotakota Wildlife Reserve. 	June 2017
6.	Nkhotakota Wildlife Reserve	Tourism	African Parks Network	Build, Operate, Transfer	<ul style="list-style-type: none"> - Development of Infrastructure. - Restocking of wildlife. - Improvement of tourism facilities. - US\$15 million 	June, 2017

PROJECTS UNDER IMPLEMENTATION

	Project Description	Sector	Private Party	Mode of Private Sector Participation	Output	Completion
1.	Mpatamanga Hydro Power Project	Energy		300 MW through a BOT arrangement	The Consultants are finalizing feasibility studies for the project. It is expected that a competitive tender will be floated in December, 2019.	
2.	Student Accommodation for Public Universities	Education		Over 10,000 accommodation units through a BOT arrangement	The private partners are working towards financial closure. It is expected that construction will commence towards end of December, 2019.	
3.	United Nations House	Housing		Office accommodation to United Nations agencies in Malawi	A feasibility study has been completed. A tender process will commence in October, 2019.	
4.	Digital Malawi	Communication		Digital connectivity and last mile connectivity. Enhancement of Digital platform	Studies have been completed to determine forms of private sector participation in various project companies.	
5.	Blantyre City Council, Bus Terminal and Parkade	Transport		Bus terminal infrastructure	Currently mobilising resources to finance feasibility studies. The World Bank has expressed interest to finance the studies.	

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