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# TECHNICAL ASSISTANCE AND TRAINING ON PUBLIC PRIVATE PARTNERSHIPS IN SENEGAL

**POWER POINT PRESENTATION**

**15 June 2005**

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# TECHNICAL ASSISTANCE AND TRAINING ON PUBLIC PRIVATE PARTNERSHIPS IN SENEGAL

**POWER POINT PRESENTATION**

**Strengthening Capacity to Implement Public Private Partnerships in Senegal**  
**Contract No. PCE-I-00-98-00015-06**  
**Task Order No. PCE-I-20-98-00015-00**

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

# **Technical Assistance and Training on Public Private Partnerships in Senegal**

**June 15, 2005**

# Terms of Reference

- **Presentation on PPP potential in Senegal**
  - **Sharing results of May 2004 report with international donors**
  - **Presentation of concept, local constraints and opportunities to GOS officials, civil society representatives, the private sector, the media, and financial institutions**
  - **Presentation to cabinet of ministers**
  - **Presentation to USAID and Embassy officials**
- **Review and critique of GOS proposal to the MCC**
- **Assistance to the Senegal MCA task force in finalization of MCC proposal**
- **Assistance to the Ministry of Education in the application of PPP in its sector**
- **Assistance and training to the Ministry of Finance and the Economy in the establishment of a P3 unit.**

# Presentations

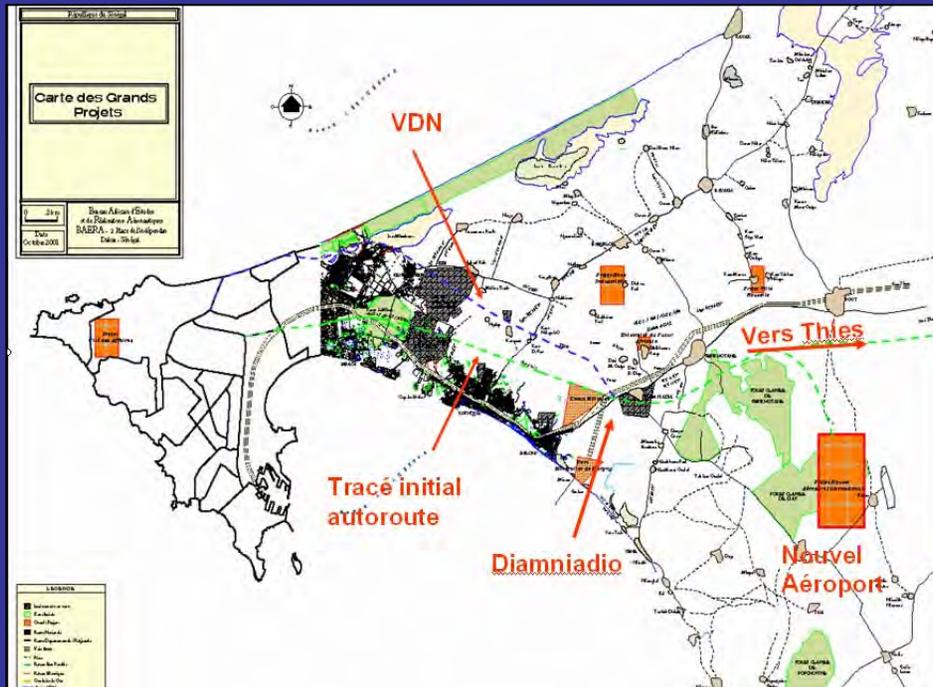
- Sessions sponsored by APIX, a government agency focusing on investment promotion and facilitation.
- Three success stories
  - Water – Senegalese des Eaux
  - Electricity – Independent Power Production
  - Transportation – Transrail (Dakar-Bamako)
  - Telecom – Cellular phone concessions
- Experiences to date: despite their success took longer than expected due to lack of legal/regulatory framework; reliance on contract mechanism.

# **Presentations (cont.)**

- **New PPP Law is in accordance with international norms, but needs to be harmonized with commercial code and other regulations.**
- **Need for a coordinating entity (Agency? P3 Unit?) to handle such transactions, assist other GOS institutions in vetting, analyzing and negotiating proposed deals.**
- **Potential transactions: toll roads, new airport**

# MCC Proposal

- Multi-purpose platform located in and around Diamniadio, mid-way between Dakar and Thies (30 km East of Dakar)



- Three components:
  - Infrastructure Development: \$184.1 million
  - Financing Facility: \$ 60.1 million
  - Institutional Development: \$5.0 million

# Positive Aspects of Proposal



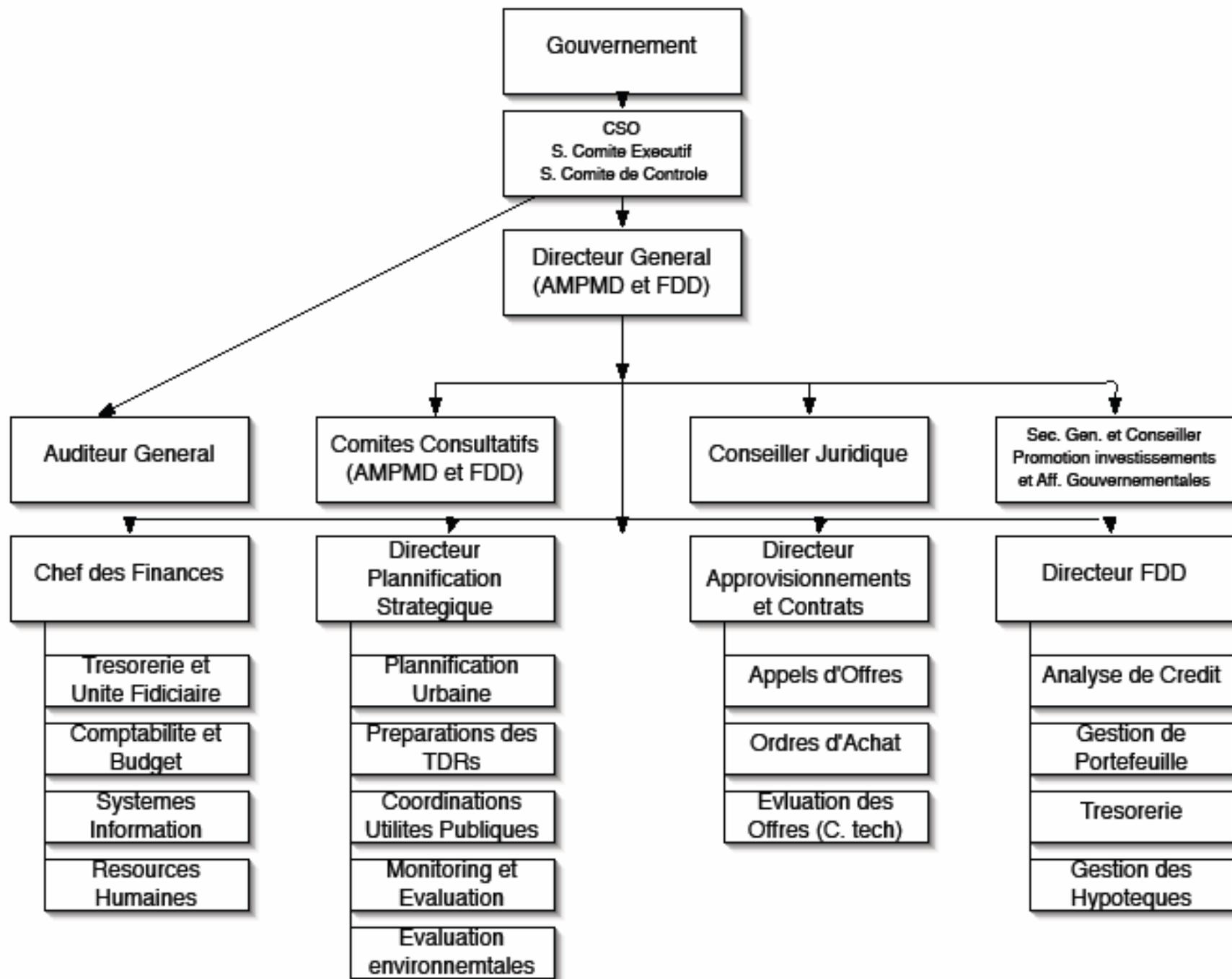
- Removes physical impediments to growth and responds to definite need for new space to accommodate growth and reduce congestion in and around the capital.
- Cross road E-W / N-S
- Well planned – Industrial development zone (Up to 80%), housing (20%+)
- Anticipates public private partnerships.
- Involvement of private sector, financial institutions and civil society in project conceptualization.

# Proposal Weaknesses

- **Master plan and social and environmental analyses not completed**
- **Access roads**
- **Lack of clarity about potential involvement of private sector**
- **Jurisdictional problems (two cities, three rural communities, straddling two regions)**
- **Executing agency not in place**
- **Market research (re: private sector interest) unsubstantiated**

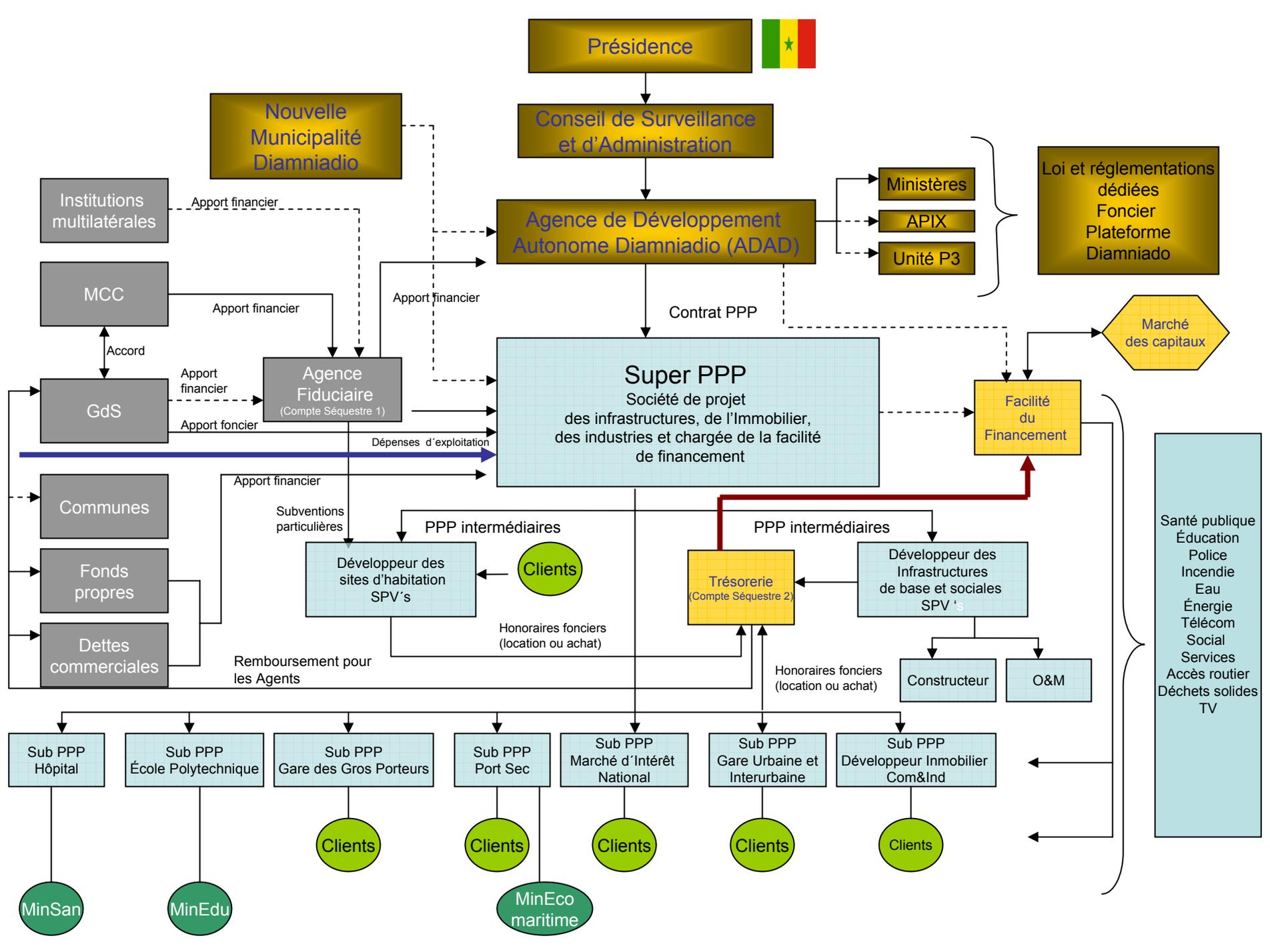
# Achievements (1)

- Reviewed proposal and preliminary comments by MCC
- Promoted the establishment of a development agency for Diamniadio
  - Drafted model decree and commented on GOS version
  - Designed organizational structure
  - Outlined roles and responsibilities of departments, and qualifications of senior staff members
  - Prepared budget template for first four years of operation
  - Proposed work plan and timeline for agency activities
- Wrote terms of reference for institutional support consultancies



# Achievements (2)

- **Developed models for public-private partnerships in the development of the platform.**
- **Commented on jurisdiction matters over Diamniadio site**
  - **Proposed institutional reforms**
  - **Presented framework for a new local government unit to immunize platform from conflicting political pressures**
- **Subcontracted AfriTech to prepare a survey of potential investors willing to relocate in Diamniadio, with emphasis on strategic partners who could attract other enterprises.**
- **Designed a financing facility to encourage banking industry financing of prospective investors and permit access to credit by new SMEs and relocating industries.**



# Roles of Super PPP

- Overall management
- Sectoral development (AGS)
- Coordination of public works and utilities
- Marketing, promotion and PR
- Financial management
- Issuance of RFPs for public works and sub-PPPs
- Evaluation and award of sub-PPPs
- Supervision and evaluation of Sub-PPPs' performance
- 
- Real estate management

# CHRONOGRAMME SUPER PPP

AN 1

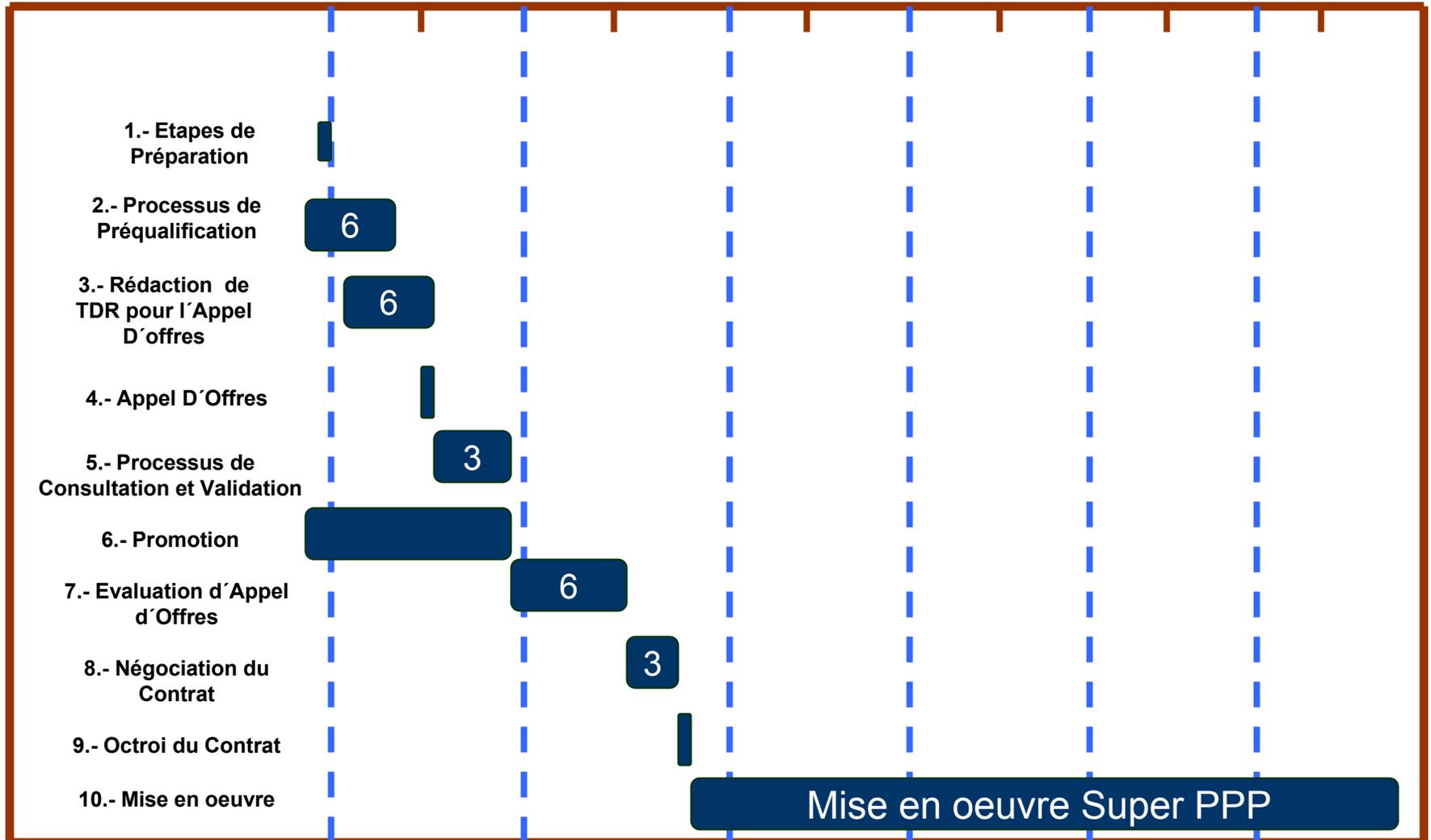
AN 2

AN 3

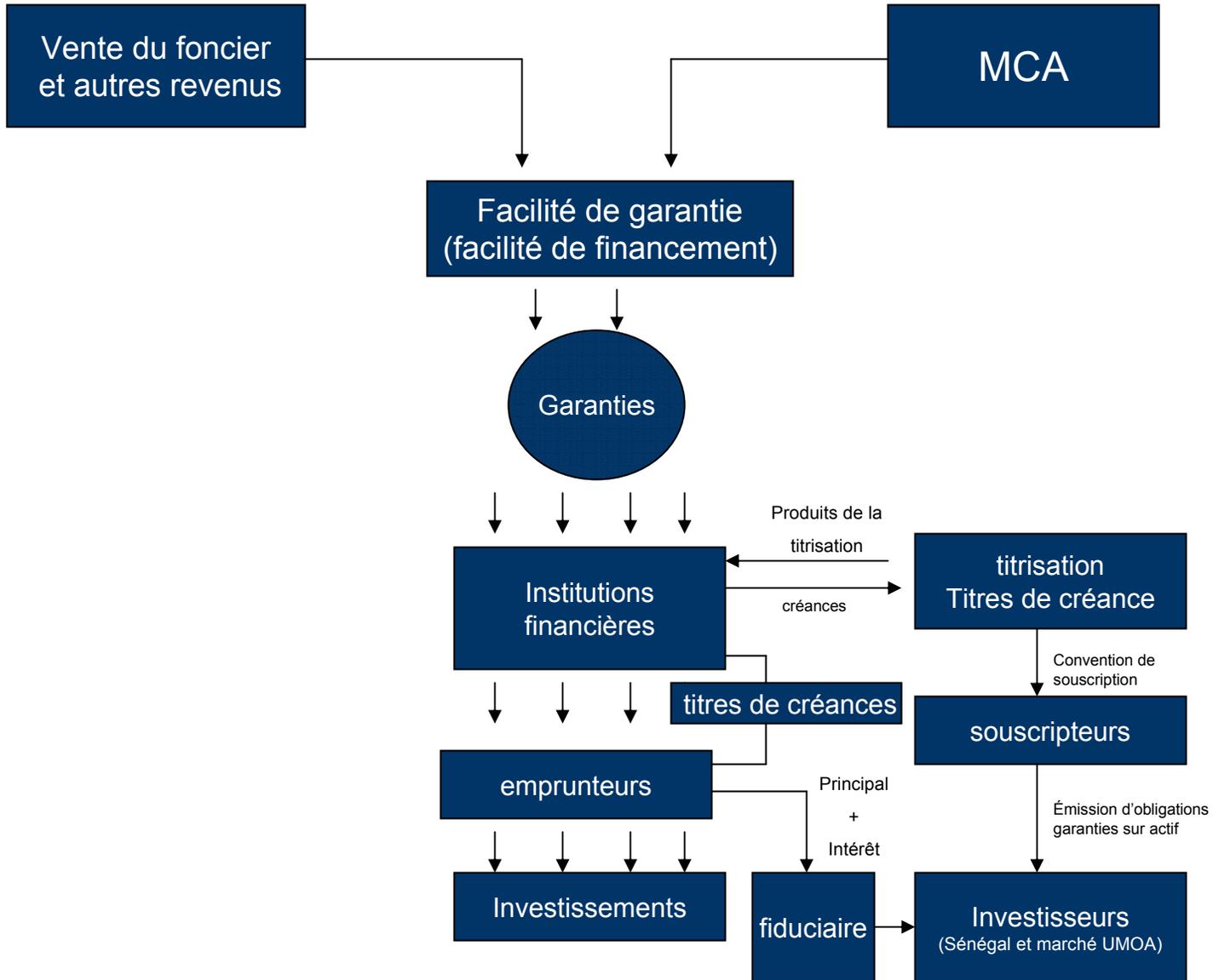
AN 4

AN 5

AN 6



Mise en oeuvre Super PPP



# General Comments (1)

- The issue of jurisdiction over the site, as modified by AMPMD, is less than optimal and not likely to immunize the agency and the platform from political interference from the 5 surrounding local government units.
- The implementation agency was established by decree instead of being enacted by law, which may subject the platform to interference from other GOS ministries, and puts it in potential conflict with existing laws (e.g., BOT law) jurisdictions and powers.
- The board of the agency (8 reps from the presidency, the premature and other GOS ministries) and the appointment of the Director General by the PM is not recommended as it excludes stakeholders (private sector, civil society, etc.) and other individuals capable of reflecting the interest of the investment community, affected business sectors, the financial sector.

# General Comments (2)

- **Role of GOS board members should be confined to facilitating the work of the agency: cutting red tape and ensuring compliance.**
- **The organization chart is top heavy, but workable**
- **Our preference is for a separate fiduciary agent**
- **The proposed execution of public works by the GOS may preclude the expertise of qualified international operators, and potential leveraging capability of a PPP partner.**

# General Comments (3)

- The financing facility model is a compromise that we can live with.
- True the facility provides liquidity but, without guarantees or assumption of risks by the financing facility, the banks would rather take cheap short-term deposit (sometime at ZERO percent) and lend it short term at 9-12% with collateral (~ 5.5% central bank lending rate plus a spread of 4-6%)
- Given the above: why should they borrow money from the financing facility at their own risk and on-lend it, at their own risk, at below market rates?
- Our model keeps the risk with the facility for 75% of the loans, and allows the banks to charge a modest service/processing fee for that portion plus their normal rate for the rest.
- We prefer an autonomous financing facility with its separate board.
- The facility's equity is too large by local banking standards, and we would rather not subject it to pressures from the agency or the GOS and have it rely on sound financial principles, professionalism and targeted eligibility criteria.

# Will the compromise model work?

- **Probably yes, but the structures suggested are fragile and do not provide the autonomy needed to respond quickly to market demand and investors' concerns.**
- **Due to potential budget constraints, competing demands and limited capabilities, we fear that entrusting major works to GOS ministries, we risk under- or over-sizing the required infrastructure.**