-AFRICA ELECTRICITY SYMPOSIUM-

PPPS AS A CREATIVE SOURCE OF FINANCING OF ENERGY INFRASTRUCTURE IN AFRICA

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PPS; WHAT ARE THEY;

KEY FEATURES

1. Long-term contracts.
2. Involve corroboration between a private party and government
3. Aim to provide a public asset or service (typically assets and services rendered by government)
4. Private party bears significant risk and management responsibility.
5. Remuneration is linked to perfomance.

KEY FEATURES…

- Through PPP arrangements, project functions like Design, Construction, Financing , Operation and Maintenance are transferred to the Private Partner.
- Estimated Total Investments of PPPs in Africa estimated to be $8.3bn, as of 2012. In South africa Alone the estimated value as of 2017 was $1.306bn.
- Between 1990 and 2020, about 30 PPPs worth $1.9 bn have been concluded in Uganda.
- PPPs relevant to the energy sector concluded in Uganda are: Bujagali hydropower Dams, UMEME power distribution, Eskom Power generation Concession, etc.

WHY PPPS

1. Shortage of funds; the annual infrastructural funding gap in Africa stands at approximately $35bn of which 85% relates to power of Uganda, for example stands at approximately $1.4bn.
2. Enhancement of value for money through transfer of project risks to the private sector, which can maximise efficiency. In Uganda, the annual loses due to inefficiencies in procument are estimated to stand at about $300.
3. Acceeleration of infrastructural Development

EXAMPLES OF PPP PROJECTS IN THE ENERGY SECTOR:

1. Renewable Energy Independent Power Producer Procurement Programme, South Africa, capacity 6200MW installed capacity- estimated investment US$17.32 bn.
2. Bemban Solar Park, Egypt, capacity 1650 MW estimated investment US$ 4bn
3. Bujagali Hydroelectric Power Project, Uganda capacity 250MW, estimated investment US$862
4. Rehabilitation of Kainji and Jebba Hydroelectric Power Plants combined installed capacity is 1338MW, estimated cost US$452,
5. Etc

ARGUMENTS AGAINST PPPS

1. They are generally more expensive than publically financed projects, because; financinhg stracture for the private partner involve borrowing from private lenders typically at a high interest rate.
2. A breeding ground for corruption.

MODELS OF PPPS

PPPs fall into two models;

a) Purely contratural, the coroboration is premised on contract, such as Design Build Operate, and transfer (DBOT) Design, Finance and Operate (DFO), Build transfer and operate ((BTO), Rehabilitate-operate transfer (ROT) etc. The most popular standard forms of contract include the FIDIC Yellow book, conditions of contract for Design Build FIDIC silver book- EPC/Turnkey Contracts , etc

b) Institutional, the collaboration is within the arrangements of a distinct entity, through a JV

OVERCOMING THE DRAWBACKS

1. Set up PPP frameworks, to provide for; policies, procedures, institutions, and rules streamlining how PPPs are to be idenitified, assessment, selection, prioritisation, budget, rpocurement, monitoring, etc.
2. Implement the frameworks and enforce laws.
3. Build local capacity through training and enforcement of local content
4. Enforce anti-corrutpion laws

CONCLUSION

PPPs are potentially an effective tool in addressing Africa's infrastructural and development needs. Addressing the limitations experienced in PPPs can enhance their effectiveness

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