The PIDA Service Delivery Mechanism (SDM)
Support to Advance Regional Infra-structure Projects
Preparation

Wednesday, 20th January 2021, 16:45 - 18:00 SAST - Plenary Session

Presentation by Ibrah Wahabou, AUDA-NEPAD
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• About the SDM
• SDM Quick Check Methodology
• SDM PIDA Quality Label
• Cases Studies:
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  • Case Study 2: Lesotho-Botswana Water Transfer Project
  • Case Study 3: Ouessou-Bangui- Ndjamena Multimodal Corridor
  • Case Study 4: Noumbiel Multipurpose Dam
Session's objectives

- The objective of this Session is to present four case studies on how the PIDA Service Delivery Mechanism (SDM) assists Regional Infrastructure Projects.
- Our goal is to share experience and engage in peer-learning to enhance the preparation of regional infrastructure projects.
18. ENDORSES in the context of the Dakar Agenda for Action, the PIDA Implementation Acceleration Strategy (PAS) and the PIDA Service Delivery Mechanism (SDM) developed by the NPCA and AUC in conjunction with AfDB, ECA, RECs to implement the Dakar Agenda for Action, focusing on early infrastructure project preparation and increased bankability of the PIDA Priority Action Plan (PAP): 2020 projects.
About the SDM

Designed to support member states to *quickly* advance multiple PIDA projects to implementation stage and assist in *unlocking difficult challenges*.

**SDM as part of EI AUDA-NEPAD value chain**

- Systematic process to support project preparation development
- Creating an industry standard and quality excellence
- Bringing in international best practices into the projects
- Leveraging financial resources and capacity
- Link and integrate PIDA instruments

**STRATEGIC FIT TO THE NEW AUDA MANDATE**
SDM Quick Check Methodology

**Lens**
- **A. Strategic Context**
  - 1. Regional priority (30%)
    - Regional interest & political commitment
    - Promotion of employment, intra-regional trade and investment
    - Poverty reduction
    - Alignment with Africa’s sustainability goals
  - 2. Sector readiness (40%)
    - Regulatory framework and harmonization of the sector
    - Sector organization
    - Sector maturity
  - 3. Private sector interest (30%)
    - Private investors appetite
    - Country risks
    - Access to financing

**B. Project**
- 4. Project readiness (70%)
  - Technical viability
  - Financial viability
  - E&S viability
  - Governance
  - Risks identification

- 5. PPP attractiveness (30%)
  - Completed by SDM
  - Private sector requirements
  - Beneficiary government requirements
  - PPFs and Financial institutions requirements

**Project appraisal results**

DIMENSION 4: PROJECT READINESS

- **Technical viability**
- **Financial viability**
- **Governance**
- **E&S viability**

Identification of the Project’s Strengths and Weaknesses with recommendations to Project Sponsors
The SDM PIDA Quality Label (PQL) as a method to unlock critical PIDA-PAP bottlenecks

The SDM PIDA Quality Label is a quality recognition by the SDM, awarded to projects that excel in the preparation of PIDA projects at early stages.
SDM PIDA Quality Label

SDM Process from Project Selection to Financial Agreement

**Project Selection Process**
- Potential Projects
- Working Projects

**Contact with Project Sponsors**
- Letter to Project Sponsor
- Virtual Meeting
- Application Form

**PIDA Quality Label**

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<th>PQL1</th>
<th>PQL2</th>
<th>PQL3</th>
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<td>Entry</td>
<td>Identification of PPFs</td>
<td>Advanced Tailored services</td>
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<tr>
<td>Screening</td>
<td>Submission form preparation</td>
<td>Project Structure &amp; Bankability</td>
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<tr>
<td>Evaluation</td>
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**PQL Awards**
- Project Concept Memorandum
- Securing PPF financing
- Access to financial institutions pipeline
- Financial Agreement for project implementation

**Potential Projects**

**Working Projects**

**Entry**

**Screening**

**Evaluation**

**Identification of PPFs**

**Submission form preparation**

**Advanced Tailored services**

**Project Structure & Bankability**

**Financial Agreement for project implementation**
SDM PIDA Quality Label

Level of engagement

Level of Project maturity in the PQL

1. Letter sent to Project Sponsor
2. Sponsor acknowledges receipt
3. Intermediate exchanges
4. Sponsor sends information
5. Collaborative approach with the Sponsor (virtual meetings)
6. SDM receives the Application Form and PDS
7. Screening (Eligibility Confirmed)
8. PCM and commitment letter by SDM
9. Acceptance of commitment letter by Sponsor
10. Advisory services provided by SDM

Evolution of the projects in the Working portfolio
SDM PQL Project Assessment

Objectives

Content

A. Project Concept Memorandum
   A1. Project Description
   A2. Description
   A3. Project preparation status
   A4. Key partners
   A5. Regional impact and political support

B. Sector
   B1. Legal framework and organization
   B2. Sector maturity
   B3. Possible investment
   B4. Country risks and access to financing

C. Project readiness
   C1. Technical feasibility
   C2. Financial viability
   C3. E&S feasibility
   C4. Governance
   C5. Risk

D. PPP Attractiveness

E. Project evaluation
   E1. Strengths and weaknesses
   E2. Appraisal of the project

F. Recommendations and next steps
   E1. Recommendations
   E2. Suggested next steps

The PCM will indicate which aspects should be strengthened before carrying out economic and financial pre-feasibility, pointing out gaps in:
- Available data
- Project maturity

The commitment letter will certify the SDM’s dedication to provide advisory services to the Project Sponsor, and give support to the Project Sponsors to advance into Pre-feasibility, Feasibility and Bankability Stages.

Illustrative
### Project 1: Kisian-Busia Road and Kakira-Malaba Road

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<tr>
<th>PROJECT</th>
<th>Kisian-Busia Road and Kakira-Malaba Road</th>
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</table>
| **Description and Rationale** | The Kenyan segment (Kisian-Busia) is 104km long and is located in the Western part of Kenya. It terminates at Busia OSBP at the border of Uganda. The proposed upgrading will reduce vehicle operating costs and maintenance costs, and also reduce vehicular pollution due to the decrease in wait times and congestion. Further, expanding the highway will improve road safety features and reduce the number of accidents on the road.  

The Ugandan segment (Kakira-Malaba) is 127 km long and is located at the Western part of Uganda, connecting Jinja with the Kenyan boarder at Malaba and is part of the main corridor. The interventions also include a 20 km road branch (Busitema – Busia) linking the Ugandan segment (Kakira-Malaba) to the Kenyan segment (Kisian-Busia). The objective of the Ugandan segment is to increase the capacity of the section due to the expected economic transformation of the region that will yield increased traffic volumes. |
| **Client/ Sponsor** | In both segments, the project preparation will be implemented by the EAC Secretariat through the Directorate of Infrastructure, assisted by the Kenya National Highways Authority (KeNHA) and the Uganda National Roads Authority (UNRA). |
| **CAPEX** | - US$ 286 M. (Kshs 30.7 billion) (information of the Kenyan segment only)  
- Information not available for the Ugandan segment |
| **Impact** | The project will facilitate trade and transport along the Northern Corridor, thereby contributing to regional integration and promotion of EAC Common market |
| **Project Insights** | - The Project Sponsor proposed to consider the Kenyan and Ugandan segments as a single project that is part of Northern Corridor.  
- The project sponsor has not been prospected for any PPF as yet  
- EAC requested SDM support to secure PPF funding for the feasibility studies of the project |
| **Project Status** | - Kenyan Segment: Stage S2B  
- Ugandan Segment: Stage S1 |
| **Evaluation Summary** | - High level of regional commitment from the EAC. In addition, the project addresses improvements in economic output, trade or connectivity between two countries  
- There are regulatory frameworks and agencies enabling the adequate operation of the road sector  
- The project shows significant potential to attract the interest of the private sector  
- Each segment is at a different stage in terms of sector readiness  
- The proposed segments could be suitable for a PPP scheme |
| **Sponsor Projects Needs** | - Support to secure PPFs financing for the project feasibility studies. |
| **SDM Services** | - Kenyan segment preparatory activities for PPF financing  
- Ugandan segment preparatory activities for PPF Financing |

#### Map of the Project Area

[Map of the Project Area](#)
# Project 2: Lesotho-Botswana Water Transfer Project

## Description and Rational
- **Multipurpose dam** along Makaleng River in Lesotho (gross yield 200MCM/year): domestic, industrial, irrigation, hydropower generation (3% of power only produced by Lesotho’s power) and environmental water requirements.
- Conveyance system from Lesotho to Botswana (685 km based on gravity and pumping with the capacity to transfer 150MCM/year).

## Client/Sponsor
**Orange Senqu River Commission (ORASECOM)**

## CAPEX
**EUR 2.72 billion**

## Impact
Water domestic, industrial, irrigation, hydropower generation and water transfer (150MCM/year)

## Project Insights
- **Institutional Setting**: ORASECOM Secretariat is the executing agency for the Project studies, Joint Study Management Committee (JSMC) established by the involved countries provides oversight on these studies.
- **Project Agreements**: MoU/2013, MoA/2017
- **Project Preparation Costs**: total cost ~EUR 6M, secured fund ~EUR 6M (AfDB/NEPAD IPPF/AWF, SIWI, CRIDF, GWP-SA and ORASECOM), current gap ~EUR 308k (Capacity Building and Stakeholders’ Consultation EUR 113k, Project Management EUR 95k and the Project’s Technical Advisory Panel EUR 100k).
- **Project Implementation**: ESIA and RAP is expected to start in Jan 2021 and finalize in Nov 2021, potentiality to be structured under PPP scheme.
- **PIDA Job Creation Toolkit**: interest in estimating the Project’s job creation potential.

## Evaluation Summary
- **Project has been able to attract financing** from different IFIs and Project Preparation Funds (PPFs) for its pre-feasibility and feasibility studies (the proposed dam, water conveyance system and the hydropower generation, the institutional and financial structuration at feasibility).
- **Project financing gap** provides an opportunity for SDM to assist the Project with identifying a PPF that can fund the remaining amount and studies and the application preparation.

## Sponsor Projects Needs
- Support the Project Sponsor to close the funding gap for project preparation.
- Estimating the project’s job creation potential of the project.

## SDM Services
- Review the technical pre-feasibility studies, the proposal for the Project’s feasibility studies (including Term of References and its cost estimation) and support the Project Sponsor to secure financing for the Project’s remaining preparatory activities through the application to PPFs.
- Estimate the hydropower plant project job impact throughout the preparation, construction, and operation of the Project under consideration.
# Project 3: Ouessou-Bangui-Ndjamena Multimodal Corridor

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<tr>
<th><strong>PROJECT</strong></th>
<th>Ouessou-Bangui-Ndjamena Multimodal Corridor</th>
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<tbody>
<tr>
<td><strong>Description and Rationale</strong></td>
<td>The project aims to connect four capitals and give the CAR and Chad access to the sea through Pointe-Noire in Congo or Matadi in the DRC to helping to boost regional integration.</td>
</tr>
<tr>
<td><strong>Client/Sponsor</strong></td>
<td>Economic Community of Central African States (ECCAS)</td>
</tr>
<tr>
<td><strong>CAPEX</strong></td>
<td>• Total: US$ 2.06 billions (1237.3 milliards de F CFA)</td>
</tr>
<tr>
<td><strong>Impact</strong></td>
<td>The project will help to improve regional integration through the construction of inter-state transport routes within ECCAS providing a reliable access to the sea to two landlocked countries (CAR and Chad). It anticipates improved economic outputs and employment opportunities for the involved countries</td>
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</tbody>
</table>
| **Project Insights** | • The sponsor showed interest to attract financing from multilateral financial institutions  
  • From a preliminary analysis, the interest of private sector participation seems limited.  
  • The involved Governments should demonstrate their ability to: (i) finance the project and (ii) guarantee the adequate maintenance of the infrastructure  
  • A key issue will be the validation of the corridor demand (for both inland water and road transport) as well as confirming the expected benefits of the project as whole |
| **Project Status** | • Technical, Environmental and Social (E&S) and Financial Feasibility studies for the road corridor as well as Technical, E&S for the inland water transport corridor completed in 2018  
  • Ouesso-Bangui-Ndjamena Corridor Road Project at Stage S2B (Source: PIDA VPIC).  
  • Navigation on the Congo river and its tributaries the rivers Oubangui and Sangha at Stage S2B (Source: PIDA VPIC). |
| **Evaluation Summary** | • Enjoys a high level of regional commitment.  
  • The involved countries count with adequate a regulatory framework and institutions in place for the project’s operations  
  • One of the project’s weaknesses is high country risks, for both short-term and midterm, potentially lowering the interest of the private sector  
  • It has already developed feasibility studies in 2018  
  • Some parts of the project could be suitable for a PPP scheme |
| **Sponsor Projects Needs** | • The sponsor is currently seeking financing for the project implementation mainly from IFIs. |
| **SDM Services** | • Conduct a critical review of the project  
  • Develop a financial appraisal of the project  
  • Secure interest from IFIs for funding the non-commercial financing of the project implementation  
  • Confirm interest from the private sector to participate in the project. |
## Project 4: Noumbiel Multipurpose Dam

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<tr>
<th>Description and Rational</th>
<th>Noumbiel Multi-purpose Dam</th>
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| - Multi-purpose dam in Burkina Faso and Ghana.  
- Surface of the reservoir: 1430 km². Height: 245 m. Total power 3 x 20.8 MW  
- BF has an energy deficit. The lack of irrigation limits the potential of its agriculture sector  
- The dam will provide additional hydropower, irrigation capacity and drinking water supply (Burkina Faso and Ghana) |

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<tr>
<th>Client / Sponsor</th>
<th>Volta Basin Authority (VBA)</th>
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| CAPEX & Economic Analysis | US$ 364 M  
ERR 7.3% (estimation from 1977) |
|--------------------------|-----------------------------|

<table>
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<tr>
<th>Impact</th>
<th>Cost savings, regional integration, energy, drinking water supply, fishing, livestock and tourism</th>
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- Volta Basin Authority, created in 2007 as a key stakeholder in the project  
- The project has attempted to reach a non-objection agreement several times. In 2014 AfDB was prepared a loan for the projects feasibility studies but it was not materialised  
- Ghana currently shares its electricity exceeding to BF  
- The dam would reduce the river inlet downstream (15-25%) due to the evaporation resulting in a reduction of productivity in Ghana’s dams downstream |

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<tr>
<th>Project Status</th>
<th>S2A (Feasibility) (VPIC)</th>
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<tr>
<th>Evaluation Summary</th>
<th>Project with a great potential that requires an explicit regional commitment to move forward to feasibility stage</th>
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| Sponsor Projects Needs | Support to get the non objection agreement on the project  
Support to secure financing feasibility studies (€ 2,425,000: PIDA week 2018) |
|------------------------|-----------------------------------------------------------------------------------------------|

| SDM Potential Services | Political steering through AUDA’s CEO office  
Risk identification, cost benefits analysis and update the ToR for feasibility studies |
|------------------------|-----------------------------------------------------------------------------------------------|
Conclusion

• **Successes:** Limited but strong internal capacity and leadership. Solid partner support to provide quality infrastructure experts to meet SDM demand. Addressed lack of PIDA PAP I water projects implementation support.

• **Challenges:** lack of internal capacity for a sustainable service in the long run. Inconsistent relationship with RECs and member-states that is slowly but surely improving.

• **Opportunities:** strong AUDA-NEPAD Early-Stage Project Preparation team building on relationships and internal capacity to deliver PIDA PAP projects efficiently (fast, cost-effective) in a sustainable manner. PIDA PAP II can now be delivered in a proven project preparation model.

• **Future Headlines:** AUDA-NEPAD an Agency Delivering on Africa’s Infrastructure Feasibility and Bankability!
Thank you

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