

Infrastructure development in the Private Sector

2014 Pacific Update
ANU, June 17, 2014

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Private Provision of Infrastructure Services

The Private Sector's role is highly diverse in Pacific Countries:

- ICT
 - private provision widespread
 - development partners' role- catalytic finance for investments, and support for regulation, resource center
- Power Utilities
 - mostly public utilities
 - one privately owned in PICs, and a few in the territories
 - IPPs supply power in several cases
- Water Utilities
 - mostly public utilities
 - one privately owned in the PICs
 - some have management contracts for certain assets
- Transport
 - Ports: Government owned, with disparate private sector services
 - Aviation – large footprint of public services – both airports and airlines
 - Roads sector – private provisioning is becoming more relevant.



Private sector/commercialization linked to operational efficiency

Water

- 2013 PRIF/PWWA benchmarking of 24 water utilities:
 - ✓ best utility was UNELCO (private)
 - ✓ most award winners had private concessions and/or were commercially run
 - ✓ the awards were decided by peers – mostly public

ICT

- Market liberalization has increased access and reduced costs
 - ✓ independent regulators have helped governance and consumer support
 - ✓ Large swathes of population have gained access to telecom services
 - ✓ number of service providers are increasing, costs are coming down
- Power
 - 2012 PRIF/PPA benchmarking of 22 power producers:
 - ✓ results are mixed: 1 of the top 3 (TPL, FEA UNELCO) is private
 - ✓ But lower debt ratio, less outages, lower losses



Increasing private participation in water and energy

- Public ownership unlikely to change in the near term
 - sensitivities on affordability
 - political difficulties in privatizing public goods (water)
- Utility reform needs to be linked to sustainable services and realistic user charges
 - will increased efficiencies mitigate prices?
 - outer islands pose challenges
- Opportunity is in assets and services concessions
 - increasingly accepted for generation
 - harder for transmission and distribution
- Private participation opportunities need to be systematically disseminated.





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Thursday 10 July 2014
 Intercontinental Tahiti Resort
 Papeete, French Polynesia

10 JULY 2014 - TAHITI

PACIFIC ENERGY INVESTORS FORUM

Renewable Energy & Conventional Power Projects seeking Private-Sector funding in Pacific Islands

Dear Investors and Financiers,

You are cordially invited to attend the Pacific Energy Investors Forum at the [23rd PPA Annual Conference](#) in French Polynesia.

Pacific Governments and the Pacific Power Association (PPA) member utilities will showcase some of the most promising energy investment opportunities in the Pacific.

This is an opportunity to assess projects requiring private sector investment that are being currently developed and planned.

A prospectus of projects will be forwarded to interested parties ahead of the Forum.

Register your interest online:

<https://pacificinvestorsforum.wufoo.com/forms/z10btqo9104esgo/>

To request more details: enquiries@theprif.org



This Forum is being organized in conjunction with the PRIF Energy Sector Working Group. The Pacific Region Infrastructure Facility (PRIF) is a multi-development partner coordination and technical facility which supports infrastructure development in the Pacific.



Photo: Facebook/TeVakai

Great Opportunity to Access Energy Projects and Meet Utility CEOs & Government Officials

**Renewable Energy
 Conventional Power
 On-Grid / Off-Grid**

Pacific Islands
 Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, Papua New Guinea, Republic of Marshall Islands, Samoa, Solomon Islands, Tonga, Vanuatu

Private Sector Investment Opportunities
 Including Independent Power Producers and Operation and Maintenance Contractors

Pacific Energy Investors Forum

Organized the by the PRIF Energy Sector Working group

Venue:
 Pacific Power Association (PPA)
 Annual Conference
 Tahiti. 10 July 2014



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Some preliminary indications

- PPA meeting venue was chosen so that investors have opportunity to meet the power companies
- countries have been asked to identify projects to showcase
- 9 candidate projects thus far:
 - 5 hydro (SI, PNG, Fiji)
 - 2 geothermal (VN, SI)
 - 2 solar pv (FSM-Pohnpei, SI)
- 25 registrations to date
- projects being showcased are, understandably, those with larger financing requirements
- but over time, more countries and broader cross section of projects should emerge
- depending on the uptake, and developing pipeline, the forum may be repeated at future meetings



Ports - mostly public

- Virtually all ports are government run
- Some operate with a limited landlord model, but operations are inefficient.
- Differing development partner priorities have also made planning complex
- World Bank, possibly with JICA, is starting work on a comprehensive multi-country study to inform strategic investments.



Case of Samoa Ports Authority

- SPA operates a limited landlord model, sole provider of maritime services– at six ports
- Significant debt accumulated since 1999 – mostly bank loans
- Capital works program at several ports led to facilities of dubious long-term value
- Operating cost increases were 4% annually between 2006-2012.
- Declining international ship arrivals led to low revenue growth – 1% annually over same period.
- Opportunities for private sector participation not pursued, nor are rentals properly priced



Samoa Ports Authority -2

- Samoa requested PRIF to perform a Scoping Study in 2013
- Recommendations:
 - ✓ Prepare debt rationalization study and implement
 - ✓ Hire best practice port management personnel
 - ✓ Review tariffs, and increase rentals
 - ✓ Enable private port services
 - ✓ Divest non-performing assets
 - ✓ Reduce fixed and variable costs
 - ✓ Implement asset management system (AMS)
 - ✓ Specific Infrastructure development



Samoa Port Authority -3

Progress to date: Almost all recommended reforms have been initiated, except AMS

- Cash injection to help debt rationalization
- New organization chart prepared and CEO recruited
- New tariffs and rentals reviewed and approved
- Tendering invited for port services but resistance from workers
- Divestment underway by cabinet directives
- Measures to control costs underway

PRIF to provide support to reforms through Port Adviser.



Road Transport – increasing private sector involvement

Commercialization – the Samoan approach for Roads

- Strong leadership and political will and consultative approach
- Phase 1: 2002:
 - PWD technical activities spun off in three firms
 - staff given options ranging from compensation to joining new firms
 - assured contracts to firms for 3 years
- Phase 2: 2003
 - SAMS asset management system set up
 - new PWD (managing outsourced contracts) absorbed in new ministry of infrastructure
- Phase 3 : 2009
 - autonomous Land Transport Authority created to take over SAMS and managing all contracts.



Predictable funding for roads increases private sector contractor response

Solomon Islands National Transport Fund

- the fund has focused donor and government funding priorities
- maintenance and rehabilitation funding share has increased
- partner funding is increasingly channeled through the NTF
- early results are promising , needs to be evaluated in a few years

Papua New Guinea National Road Fund

- Road Authority and Road Fund, with independent Board oversight
- NRF has been able to ensure road maintenance funds are not diverted
- has introduced long-term (3-10 yr) maintenance contracts, and incentives such as bonuses and penalties
- but funding is inadequate, and promised levies have not materialized

Tonga Road Fund

- Recently established , to be operational by 2016.

Source: PRIF: Challenging the Build Neglect Rebuild Paradigm, 2013



Some observations

- private sector participation and commercialization has improved performance – needs to be encouraged
- private provision increases efficiencies, but challenges remain in outer island services
- reluctance to concessioning is declining, but more needs to be done to demonstrate benefits
- outsourcing asset management to the private sector is increasing in the roads sector
- private participation not a silver bullet -- must be accompanied by fair regulations and accountability



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