



THE REVOLUTIONARY GOVERNMENT OF ZANZIBAR

DRAFT

Zanzibar Public-Private Partnership Policy (PPP)

ZANZIBAR PLANNING COMMISSION

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Zanzibar Public-Private Partnership Policy

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ABBREVIATIONS

BLOT	BuildLease Operate and Transfer
BOT	BuildOperate and Transfer
EoI	Expression of Interest
IA	Implementing Authority
MKUZA II	Mkakati wa Kukuza Uchumi na Kupunguza Umasikini Zanzibar II
MoF	Ministry of Finance
PDF	Project Development Fund
PPP	Public-Private Partnership
RFP	Request for Proposal
RGoZ	Revolutionary Government of Zanzibar
SPV	Special Purpose Vehicle
ZBC	Zanzibar Business Council
ZIPA	Zanzibar Investment Promotion Authority

1.0 INTRODUCTION

The Revolutionary Government of Zanzibar (RGoZ) recognizes the need to finance and develop infrastructure as the demand for public services grows and the strains on government budgets increase. With continuing global economic growth and expansion, the role of government in the provision of public services and infrastructure has equally increased, and more and more governments are looking to the private sector to participate in providing these services in partnership with the public sector. The RGoZ has determined that facilitation and encouragement of Public-Private Partnerships (PPPs) as a way to enhance the provision of public services will be a key strategy in ensuring timely and quality provision of the services in demand.

1.1. Key elements of the policy

- i) Establishment of institutional framework for PPP agenda.
- ii) Promoting domestic and international private sector investment to provide level playing field to all potential bidders by:
 - Developing a clear PPP process for project identification and preparation, project tendering and selection and project operation with project monitoring at each stage.
 - Implement a clear transparent, process for allocating government support.
 - Ensuring all provisions of PPP contract are in line with relevant existing laws and regulations
- iii) Support for MDAs to encourage the development of PPP project that provide value for money for Zanzibar, through:
 - Project Development funding;
 - Access to government support.
 - Technical assistance from the PPP Department to assist MDAs in selection, procurement and operation of PPPs.

1.2. National Policy Framework

PPP arrangements are consistent with Zanzibar Development Vision 2020 which is the country's long term plan for social and economic development towards 2020. As revisited in 2010 the vision objectives are to transform Zanzibar into a middle-income country and enable it to eradicate absolute poverty in society through building a strong and competitive economy, achieve high quality livelihood for citizens and improve governance and the rule of law without compromising Zanzibar's rich culture.

2.0 BACKGROUND

Zanzibar has limited experience with the implementation of PPP projects. Past experiences have made the Government skeptical to pursue additional PPP arrangements as a preferred way to develop critical infrastructure, particularly those services affecting social development. Through this policy, the RGoZ hopes to create a better understanding of the potential benefits that can be brought through PPPs and to provide guidance to both the government and private sector for future PPP implementation. This policy is designed to provide such guidance.

2.1. Development Goals

The Zanzibar Strategy for Growth and Reduction of Poverty II (known by the Swahili acronym MKUZA II) establishes the use of PPPs as an important way to mobilize additional resources for development of public infrastructure and commits to ensuring that the proper legal, regulatory and institutional frameworks are in place to promote and implement PPP projects.

This policy framework provides the foundation for PPPs which supports competitive and efficient delivery of services and creates a more conducive environment for PPP projects. Both the government and private sector can benefit significantly from PPPs, but development of these projects must be done carefully, and both must work under clear rules to properly allocate the benefits, risks and responsibilities associated with such projects.

2.2. Zanzibar PPP Program Objectives

The Revolutionary Government of Zanzibar's main goal under MKUZA II is to eradicate extreme poverty and increase economic growth in Zanzibar. In support of this goal, under the National PPP Policy, the government has outlined the following as its main objectives for promoting Public Private Partnerships:

- To expand coverage and improve quality of infrastructure services;

- To obtain capital to modernize and expand infrastructure;
- To achieve the efficiency and innovations typically associated with private sector management/operations;
- To transfer technology and knowhow from the private sector;
- To transfer risk that the private sector is better suited to manage;
- To obtain flexibility to: streamline procurement and operating procedures, structure innovative financing strategies and attract institutional investors, and attract and properly compensate competitive top management;
- To preserve and protect the environment;
- To provide high quality social services;
- To protect the heritage of Zanzibar; and
- To concentrate the government's role on strategic planning, policy making, regulation and monitoring.

3.0 POLICY VISION AND STRATEGY

3.1. Vision

A poverty-free Zanzibar with all the necessary infrastructure and public services perpetually in place, the achievement of which is partially due to well-collaborated public and private sector initiatives.

3.2. Mission

To implement a robust and transparent framework for public and private sector collaboration in Zanzibar through a competitive and professional PPP process.

3.3. Goal

To provide essential and productive infrastructure and public services in line with Zanzibar's natural and ethical environments, geared towards national economic and environmental sustainability.

3.4. Issues, Statements And Strategies

3.4.1. GUIDING PRINCIPLES

Key Issue

Requirement for established guiding principles for PPPs in Zanzibar.

Policy Statement

The Revolutionary Government of Zanzibar will design and publish a set of internationally acceptable guiding principles, tailored to the Zanzibar situation, which shall be adhered to in all PPP projects

Policy Strategy

Ensure that all government organizations dealing with PPPs, and the processes for all PPP projects, are consistent with a set of well-established guiding principles.

3.4.2. PUBLIC SECTOR FINANCIAL COMMITMENT

Key Issue

Insufficient government resources for PPP projects, and subsequent perception that government does not provide sufficient financial support for such projects.

Policy Statement

The Revolutionary Government of Zanzibar will provide financial support for PPP projects where doing so is in the overall interests of the citizens of Zanzibar given competing priorities.

Policy Strategy

Establish a Project Development Fund within the Planning Commission, and offer various forms of Government financial support to advance potential PPP projects.

3.4.3. CLIMATE CHANGE MEASURES AND ENVIRONMENTAL PROTECTION

Key Issue

Potential for the development of PPP projects to harm Zanzibar's fragile natural environment.

Policy Statement

The Revolutionary Government of Zanzibar will give due consideration to climate change threats and the protection of Zanzibar's natural resources under any PPP arrangement.

Policy Strategy

Implement all PPP projects in a way that minimizes, avoids, or adapts to climate change impacts on biodiversity, promotes environmental sustainability and complies with local and international standards.

3.4.4. THE PPP PROCESS

Key Issue

A undeveloped PPP process raises the possibilities for wastage of public opportunities and resources.

Policy Statement

The Revolutionary Government of Zanzibar will ensure that there is a clear process for identifying, tendering, negotiating, finalizing and monitoring the day-to-day performance of PPP projects.

Policy Strategy

Establish PPP legislation, regulations, and guidelines; establish management of PPP projects into Project Identification and Preparation, Project Tendering and Selection, and Project Operations and Monitoring phases respectively.

3.4.5. *TRANSPARENCY AND GOVERNANCE*

Key Issue

Possibility of nontransparent and lax PPP governance model; risk of inefficiency, corruption and unfairness.

Policy Statement

The Revolutionary Government of Zanzibar will ensure that the governance structures directing PPP projects are transparent and fair.

Policy Strategy

Ensure that the PPP legislation, regulations, and guidelines are sufficiently transparent by observing the principles of fairness and access to information. Ensure that institutional and legal frameworks will safeguard the strong governance structures in place for PPP project implementation and management.

3.4.6. *CAPACITY BUILDING*

Key Issue

Insufficient capacity within the relevant institutions in Zanzibar to undertake PPP project implementation and management to a productive standard.

Policy Statement

The Revolutionary Government of Zanzibar will ensure that the PPP Department and PPP nodes in other relevant institutions receive continuous capacity building opportunities.

Policy Strategy

Sufficient resources to be committed to capacity building, initiation of capacity building interventions where such need is identified, and development of capacity in parallel with PPP implantation.

3.4.7. *IMPLEMENTATION STRATEGIES*

Key Issue

Need for community support to PPP projects in order for the PPP process to be fully effective.

Policy Statement

The Revolutionary Government of Zanzibar will ensure that all relevant stakeholders are consulted and that all reasonable efforts are taken to obtain their support.

Policy Strategy

Establish and implement Government communication strategy to complement the PPP process.

3.4.8. MONITORING AND EVALUATION

Key Issue

Need for continuous monitoring and episodic evaluation of PPP projects.

Policy Statement

The Revolutionary Government of Zanzibar will integrate consistent oversight and regular review mechanisms throughout the PPP processes.

Policy Strategy

Ensure that the Implementing Authority is constantly and robustly monitoring and evaluating PPP projects, with the support and guidance of the Attorney General's Chambers (for contractual monitoring), the Department of National Planning, Sector Development and Poverty Reduction, and the PPP Department.

4.0 RATIONALE, DEFINITIONS AND SCOPE OF PPP POLICY

4.1. Rationale

The provision of adequate and high quality infrastructure in public services is the main challenge to Zanzibar's aspirations of development Vision 2020. At the moment, the government faces a growing gap between public investment needs and available resources. Government and development partners are the main sources of financing public infrastructure and services. The domestic and external mobilization of resources, official development assistance and loans are however far below the requirements needed to support the economic growth as set forth in the Vision 2020.

There is a need, therefore, for a shift in the way government mobilizes resources to development infrastructure and quality services. In order to close the gap in investment capital and technology to improve efficiency and delivery of public services, the government intends to use PPP arrangements.

4.2. Definitions

4.2.1. *PUBLIC-PRIVATE PARTNERSHIP*

According to this policy, PPP is the contractual agreement based on shared objectives between the government and the private sector whereby the private sector is given the (in some cases exclusive) right¹ and agrees to provide a public service or public infrastructure traditionally provided by the public sector on behalf of the government, in exchange for specific economic benefits over a specified period of time. Although the private sector will deliver the service, the public sector retains its legal/public obligation to provide the public service/infrastructure. The government also maintains responsibility for establishing minimum quality standards, and for imposing economic regulation in cases where monopolistic services are provided.

A PPP agreement is different from traditional procurement and other such arrangements where a contractor is hired to provide a specific service to the government. This policy covers only PPPs as defined above.

¹ The government should evaluate case by case when the exclusivity to provide a specific public service is required to attract private sector investors/operators. With respect to monopolistic services (i.e. port, airport services), the government always maintains the right to impose economic regulations and protect users' rights through an independent economic regulating entity. The economic regulation mechanism should be clearly specified in the bidding documents and the concession contract.

Under a PPP arrangement, the public sector maintains a significant role in the project either through purchase of the services provided, provision of public assets to be managed and improved by the private sector and/or through creation of the proper enabling environment for the PPP project to be successful. In any PPP arrangement, the government maintains its role as strategic planner, policy maker, and regulator.

Under a PPP, neither the government nor any government enterprise shall go beyond their obligation to provide basic infrastructure services. As such, this policy does not apply to purely private sector-driven enterprises where no government asset or public service is required.²

As part of a PPP, the private sector commonly provides design, construction, financing, operation, and maintenance services, as well as technical expertise and managerial skills, and is compensated according to performance.³ The public sector takes the lead role in identifying and implementing PPP projects,⁴ including conducting feasibility studies, mobilizing resources, risk sharing, monitoring and regulation. Risks must be identified and allocated to the party best able to bear and manage them at the lowest cost.

Ideally, PPP projects are financed by the private sector, however in some cases the Government or third-party donors participate in the long term financing structure, provides guarantees or other credit enhancements, or provides some form of capital contribution, when this offers value for money. Repayment sources for PPP projects can come entirely from service tariffs or user charges, entirely from Government budgets, or a combination of both.

4.2.2. PUBLIC SERVICES

Under this policy, provision of public services refers mainly to infrastructure or infrastructure services that are typically provided by the government. Traditionally, these services include (but are not limited to) the provision of infrastructure such as roads, bridges, ports, airports, energy, water, waste water treatment, solid waste, municipal services, telecommunications and others. However, these services may also include social sectors such as healthcare, housing, and education under non-traditional project repayment mechanisms in which the repayment of the investment does not come from the user, but from the government or a third party.

As part of the provision of such services, the private sector has the obligation to provide the quality and quantity of services agreed upon, in exchange for a fee. Under such an agreement, the private sector may be required to do some or all of the following: develop/construct, finance, operate, maintain, and eventually return ownership of

² In other words, where the private sector would invest on its own, there is generally no reason for government involvement.

³ This compensation may include both a fixed and variable fee.

⁴ Note that this does not preclude the private sector from identifying PPP opportunities and submitting unsolicited proposals.

the public asset back to the government. The government always has the right and obligation to monitor prices and quality of service, which may be set through a contract and/or independent regulatory body.

4.3. Types of PPP Arrangements to be Considered

The range of PPP structures is broad, differing in purpose, service scope, contract length, legal structure, and risk/benefit sharing. At one end of the spectrum would be management contracts where the private sector operates and manages existing public assets, while the other could involve the private sector structuring, designing, financing, constructing, operating, and maintaining an infrastructure asset, thereby taking a considerable proportion of the risks and associated benefits of the project. The PPP agreements under this policy will generally be in the form of a concession or similar structure, however the selection of the PPP arrangement for a particular project will depend on the Government's strategic objectives and policy in the related sector, the nature of the project and required level of investment, and on the potential economic benefits to be generated under the PPP arrangement. PPP agreements will be tailored to each specific project.

PPP structures can be considered for either greenfield or brownfield projects, or a combination of both.

Contract types can include but are not limited to: management contracts, short term concessions (for instance a short term concession to provide a service, e.g. selling food and beverage), joint venture contractual arrangements, and long term concessions. Long term concessions can be developed under various arrangements including Build Operate Transfer (BOT), Build Lease Operate Transfer (BLOT), or others.

4.4. Scope

4.4.1. PROJECT SIZE AND DURATION

There is no minimum or maximum project size specified in this policy, as each project will be considered based on the government's specific objectives and the level of investment required. For the purposes of this policy, two levels of projects have been defined: strategic projects and non-strategic projects. In the relevant legislation, these are referred to as 'Major Projects' and 'Non-Major Projects'. Non-strategic projects are defined as those projects that have a total investment cost of less than US\$10 million (or an amount determined by the Minister of Finance); that incur no government liabilities; and that are not for the provision of monopolistic services. All other projects are defined as strategic projects. The project life cycle for these two types of projects differs as outlined elsewhere in the policy. In all cases the terms of the PPP agreement depend on the nature of the business, the amount of the investment,

and the cash generating capacities of the project and is outlined in the PPP Guidelines for Zanzibar.

4.4.2. SECTORS

The typical sectors covered under PPP arrangements include transport (ports, airports, rail and roads), telecom, energy, and water/wastewater and can also include social sectors such as health, housing, and education; however other sectors can also be considered. This policy does not limit the sectors under which PPP arrangements will be considered, as long as those projects are in line with the government's established objectives (as described above). However, it should be emphasized that the overarching objective of PPP policy is to ensure delivery of more efficient and modern infrastructure and public services with participation of the private sector, and not to encourage the public sector to encroach on private sector activities.

4.4.3. PRIVATE OPERATOR/INVESTOR PROFILE

The profile of the private operator/investor should be clearly defined before the tendering process and should be consistent with the scope and size of the PPP project and the Government's strategic objectives. The private sector operator/investor's experience and capabilities are a critical component of the PPP arrangement, and must include:

- Experience developing and operating similar projects;
- Proven track record of similar investments and of mobilizing similar levels of financing (where relevant);
- Financial strength;
- Willingness to invest;
- Reputation and good name;
- Inclusion of local partners;
- No conflict of interest;
- Available staff (committed to the project);
- No cultural/language barriers;
- Technology transfer capabilities; and,
- Other sector and project-specific criteria.

4.4.4. LOCAL GOVERNMENT PROJECTS

Projects of strategic national importance must be handled at the national level (for instance ports, airports, and road projects), while smaller non-strategic projects, such as municipal services, can be promoted directly through local government. In case a discrepancy arises over

a specific project, the PPP Department⁵ shall make a determination as to whether the project will be handled at the national or local government level. The PPP Department also commits to providing support to local governments coordinated through the Office of Regional Administrations and Special Departments including training, capacity building, and ongoing assistance to promote local government-level PPP projects. A local government liaison within the PPP Department will continuously work with the Office of Regional Administrations and Special Departments as well as individual local government offices to provide technical assistance or resources necessary to support PPP projects at the local government level.

⁵ As of this writing, the current structure includes a PPP Unit under the Department of Economic Management at the Zanzibar Planning Commission; however the RGoZ envisions creation of a PPP Department.

5.0 KEY CONSIDERATIONS

In achieving the objectives of this policy suitable to the Zanzibar situation, there are some important considerations and design principles to which the policy's implementation must adhere. These considerations will ensure the eventuality of an effective policy.

5.1. Guiding principles

The PPP Policy, which is in line with both the Vision 2020 and MKUZA II, will have to strictly adhere to a set of guiding principles so as to cushion it against undue risks. These guiding principles are in line with the universally accepted norms and procedures customized to Zanzibar's socio-cultural situation. All government organizations entering into PPP projects must abide by the following guiding principles:

5.1.1. *VALUE FOR MONEY*

All PPP projects considered by the RGoZ must provide value for money to the public. To achieve value for money, a PPP arrangement must have economic, financial, social, and environmental benefits that are greater than the economic, financial, social and environmental costs associated with the project, compared to all other viable alternatives. In short, the PPP project must provide the government and the public at large with the highest value, compared to all other alternatives (such as traditional procurement). Achieving a balance between cost-effectiveness and efficiency by undertaking rigorous cost-benefit analysis is an important way for the government to ensure the project will provide value for money. Value for money is tested periodically during project preparation.

5.1.2. *PUBLIC INTEREST*

Any PPP project considered should be in the greater interest of the public. The value generated by a PPP project should be properly allocated among all stakeholders (i.e. users, government, employees, taxpayers, private sector, the environment, etc.).

5.1.3. *TRANSPARENCY AND ACCESS TO INFORMATION*

Transparency in all stages of the PPP process is a fundamental condition for any PPP project and should be ensured through proper mechanisms and formal processes. These mechanisms and processes will also enable the government to achieve a proper balance between transparency and flexibility.

Access to timely information is a critical element for ensuring transparency and attracting first class private sector operators/investors as well as keeping the general public informed. Information should be provided according to the following:

- All potential bidders should have equal access to all available information; and
- At the end of the bidding process following the contract signature, a 'white book' containing all the information related to the PPP process should be available for public consultation. The white book should be available within three months of contract signing.

5.1.4. ACCOUNTABILITY

One of the most important aspects of any PPP is clear allocation of responsibilities and accountability between all parties involved. In other words, any PPP arrangement must clearly establish the allocation of rights, obligations, and responsibilities between the private and public sectors.

5.1.5. COMPETITION

PPP projects should always promote greater competition through transparent bidding processes, selection of the most qualified bidder, and proper monitoring to ensure that services are provided according to the specifications and requirements of the project contract. This ensures that users receive the best quality of service for the best value, and incentivizes service providers/operators to continue to improve services and upgrade facilities. Government financial support to a PPP project (whether through a guarantee, a capital contribution or otherwise) will only be provided to private entities selected through competition. The nature of that support must be included in the bidding documents as part of the competition to ensure that the bids reflect the added value of that support.

5.1.6. BENEFIT-RISK ALLOCATION

A well-planned, -designed, and -structured PPP project can generate substantial value added. However, private sector participation can also generate additional risks and costs. One of the main risks is the natural conflict between the interests of private investors and those of the public at large. Proper allocation of risks and benefits among government, private sector operators and investors, service providers, and users is therefore fundamental. Risks should always be allocated to the group that is best able to manage that risk, and benefits should be allocated according to the level of risk assigned to each party.

5.1.7. RESULTS ORIENTED

In order to align PPP projects with government objectives and implementing principles, projects should be based on desired outcomes or results, rather than required inputs. This allows the private sector investor/operator greater flexibility and creativity in how infrastructure and infrastructure services will be delivered, while ensuring that those facilities and services meet the required results or operating capacity established by the government.

5.1.8. CORPORATE SOCIAL RESPONSIBILITY

Companies wishing to participate in PPP arrangements in Zanzibar must maintain a standard of corporate social responsibility that positively impacts local populations and that strives to improve the quality of life for the citizens of Zanzibar.

5.2. Public Sector Financial Commitment

For credible Government participation in PPP projects, the Government will need mechanisms to provide financial support and a fund for undertaking analysis for potential projects. Funding for such analysis will require a sustainable funding arrangement.

5.2.1. GOVERNMENT FINANCIAL SUPPORT

The government may provide a number of different types of financial support to a PPP project, including guarantees, indemnities, capital contributions, land, tax incentives, guaranteed traffic, equity, debt and operating grants. This financial support/leverage can be financially more efficient, allocating to Government certain risks and tasks that might be difficult or expensive to allocate to the private sector. The nature and size of the Government financial support will be determined based on the needs of each specific project.

Financial support provided by the government, whether in the form of capital or in-kind contributions, may only be awarded to a private investor selected through an open, competitive process and must be announced in the project bidding documents and available to all potential bidders.

As mentioned above, after the initial financing resources, the PPP project should be financed by the private sector, but in some cases the Government or third party donors may participate in the long-term financing structure.

5.2.2. PROJECT DEVELOPMENT FUND

The Revolutionary Government of Zanzibar commits to providing the necessary initial financial resources to ensure a properly structured project can attract the high-quality private sector investors/operators necessary to develop infrastructure and provide infrastructure services in Zanzibar. Under this PPP Policy, a Project Development Fund (PDF) is established under management of the PPP Department, and will be located in a commercial bank account. Approval of the use of PDF funds must come from the Ministry of Finance. These funds can be used to finance project development costs including pre-feasibility and feasibility studies, hiring of technical and transaction advisors, and other aspects, as determined necessary by the PPP Department. It is intended that PDF funds used for such activities will be recovered at financial close, paid by the winning bidder, in order to ensure the sustainability of the PDF for future projects.

5.3. Climate change measures and environmental protection

Environment and climate change are among the key issues for consideration in any development within Zanzibar, given both the size of the islands relative to their population and the sensitivity of its pristine environment vis-à-vis its vulnerability to climate change. There are already cases of beach erosion due to rising sea levels and of encroachment of seawater into agricultural lands. These are among the wake-up calls for any development projects, inclusive of infrastructure and/or physical service provision, to be considered in Zanzibar.

6.0 The PPP Process

In order to avoid wastage of resources and public opportunities, care has to be exercised in ensuring that the PPP process is wellplanned and executed. According to best practices, the approach should be planned into the following phases:

6.1. Phase 1 – Project Identification and Preparation

6.1.1. *PROJECT IDENTIFICATION*

Project identification is a critical part of the PPP process. Project opportunities that do not meet the government’s strategic objectives should be discharged in the early stages to avoid spending unnecessary time and money considering unqualified projects. Approval of the project should be based on a thorough cost-benefit analysis once it is determined the project adequately meets the government’s objectives.

Projects under consideration for PPP arrangements should be prioritized and timing of projects should be managed based on local and international market conditions. Pursuing several projects concurrently could significantly impact the successful implementation of those projects given the limited availability of private sector funding and resources. Projects should be launched at the most appropriate time to maximize the interest and participation of private sector investors, and the benefits to the government.

6.1.2. *PROJECT PREPARATION*

Once the project has been approved, the relevant line ministry and/or sponsoring authority (or local government) is responsible for carrying out a pre-feasibility study to determine the viability of the project. The pre-feasibility study identifies the basic characteristics of the project and assesses whether the project appears on a preliminary basis to represent value for money, technical viability, commercial viability and political buy-in. Once a pre-feasibility study is performed, and if the study is approved by the PPP Department, a feasibility study is conducted. All necessary funding for the project’s pre-feasibility and feasibility studies is provided either through approval of spending from the relevant Implementing Authority’s (IA’s) budget by the Ministry of Finance or through an application to use of funds from the Project Development Fund.

The project preparation phase ends with the approval of the project’s feasibility study. If the project is a Non-Major Project, the PPP Department shall provide approval of the full feasibility study. If the project is a Major Project, the full feasibility study shall be submitted to the Technical Committee for consideration. The Committee will then provide their recommendation to the Ministry of Finance, and the signature of the Principal Secretary of the Ministry of Finance shall confirm that PPP is the preferred procurement route and confirms

the proposed structure of the PPP agreement. The feasibility study also determines whether it is anticipated that the government will be required to provide resources to make the project financially feasible, and whether such resources would represent value for money.

During the Project Feasibility Assessment the RGoZ should ensure the following:

- That the PPP Project is technically, economically, financially, legally and environmentally sound;
- That the PPP Project's engineering and construction parameters are according to international norms and best practices;
- That the PPP Project's operations parameters are in line with international norms and best practices;
- That the business plan and the main inputs to the financial model are assessed with respect to assumptions that affect the expected future cash flow of the project;
- That the principal risks associated with the project are identified, that they are assessed according to how such risks may affect the project's financial viability, and that they are analyzed according to how they can best be mitigated and allocated.

The feasibility study should be sufficiently detailed to assist in drafting of the key documentation (project information memorandum, request for proposal, etc.) that will be required for the first stage of the procurement phase of the project.

6.2. Phase 2 – Project Tendering and Selection

Prior to beginning Phase 2, projects under consideration for PPP arrangements should be prioritized and timing of projects should be managed based on local and international market conditions. Pursuing several projects concurrently could significantly impact the successful implementation of those projects given the limited availability of private sector funding and resources. Projects should be launched at the most appropriate time to maximize the interest and participation of private sector investors, and the benefits to the government.

6.2.1. PROJECT TENDERING PROCESS

As required under this policy, the procurement process formally starts with an advertisement in the media, or relevant forums, inviting bidders to express their interest to bid for the PPP project. The invitation for 'Expressions of Interest' should contain a brief description of the project such as the scope, value, contact details for further information, criterion for pre-qualifying applicants, and deadline for submission of application. Firms should be allowed sufficient time to respond. For a PPP project, this should be a minimum of four (4) weeks. The purpose of pre-qualification is to disqualify those bidders who do not meet the minimum

qualifications/requirements and allow the IA to limit the pool of eligible bidders to those companies with a serious and legitimate interest in the project.

A prequalification document is prepared to provide more information on proposed risk allocation for the project and the criteria against which firms that submit EOIs will be prequalified. The PPP Technical Committee should be consulted on the short list of proponents. This phase ends with the issuance of a Request for Proposals (RFP).

Once the shortlist of bidders is established, RFP documents (bidding documents) are issued to shortlisted firms. After these firms have reviewed the documents, a bidders' conference should be held. The RFP documents should contain a full and clear description of the project and technical requirements, bidding process calendar, required investment, participation criteria, criteria for selection of winning bidder including weighting of that criteria, the proposed allocation of risks, risk matrix, output specification with required performance standard, and remedies against non-performance, etc. The amount of time given to bidders to respond to the RFP is established under the Zanzibar PPP Regulations. Once bids are submitted they are evaluated according to the criteria specified in the RFP and scored based on the specific weights assigned to each aspect of the project (on a project-by-project basis).

An important factor at the RFP stage is the quality and clarity of the bid documents, including the instructions to bidders, output specifications, proposed or draft contract documents and the efficiency with which the entire bidding process is managed. The draft contract included in the bidding documents should be as close to the final contract as possible and should take into consideration any requested changes discussed during the bidder's conference. All bid documents included in the RFP must be reviewed and approved by the PPP Technical Committee prior to being issued.

6.2.2. BID SELECTION PROCESS

The best bid from the combined technical and financial proposals is selected, and the draft contract included in the bidding document becomes the concession contract (with any changes from negotiations included). The contract should state clearly the amount of government financial support that will be provided to the project and must clearly state the roles and responsibilities of each party. The contract should incorporate, among other items, the bidders' technical and financial proposals and contractual terms agreed upon. Contracts between the bidder and sub-contractors providing design, construction, maintenance and/or operations services should also be finalized at this time. The selected bidder should submit agreements with sub-contractors and a letter of intent for financing to the relevant authority for review.

6.2.3. CONTRACT AWARD/SIGNATURE AND FINANCIAL CLOSING

The contract must first be submitted to the PPP Department and PPP Technical Committee for pre-approval, and then to the Attorney General's Chamber for a legal opinion, before it is

submitted to the Ministry of Finance (MoF) for final approval. Approval of the Principal Secretary (PS) of Finance is required before the PPP contract is signed with the selected bidder. The final PPP Agreement is signed between the Ministry of Finance and the selected bidder. This PPP Agreement includes a Memorandum of Understanding, which is signed between the Implementing Authority and the selected bidder

PPP contracts may be renegotiated in the case of major economic downturns, force majeure or other material changes of circumstance. Contracts can only be transferred with the permission of the relevant regulating authorities.

As part of the obligations of the private sector established in the contract, the requirement to insure the project facilities at all stages (construction, operations, etc.) and to provide third party liability insurance should be clearly stated.

At the end of the bidding process, following contract signature, the government should publish a 'white book' containing all information related to the PPP process – this information should be made available to the public within three months of contract signing.

6.3. Phase 3 – Project Operations And Monitoring

6.3.1. PROJECT CONSTRUCTION

The government must ensure the PPP Project is properly constructed in a safe and prudent manner and that it meets all best engineering practices within the relevant industry and complies with the requirements set forth under the concession contract. The relevant IA is responsible for hiring of a construction supervisor and monitoring project construction to ensure compliance with the PPP contract, with support from the PPP Department as needed.

6.3.2. PROJECT OPERATIONS

PPP project contracts should incorporate comprehensive oversight and regular review mechanisms. Performance targets should be easily measurable, incentives should be meaningful and rewards and penalties effective. All PPPs shall be coordinated and monitored by the relevant IA, as well as the relevant economic, technical, and environmental regulating bodies. As described in subsection 10.4.8 below, project monitoring is the responsibility of the relevant IA, with support from the PPP Department as needed.

Financial statements produced by Special Purpose Vehicles (SPVs) established under PPP arrangements should be audited by a professional third-party auditor.

The public service(s) provided by the concessionaire should meet the quality standards defined by the Agreement and should ensure equal access to all users and avoid monopolistic or discriminatory practices.

6.3.3. PROJECT MANAGEMENT AND REGULATION

The monitoring process requires the involvement of the technical and economic regulators assigned under the PPP project contract. These regulators monitor projects to ensure competition, avoid monopolistic practices, and protect users' rights. With respect to monopolistic services (i.e. port, airport services), the government always maintains the right to impose economic regulations and protect users' rights through an independent economic regulating entity.

Day to day activities and normal business operations are the responsibility of the private sector operator/investor under a PPP arrangement. To reinforce the separation of operations from regulation, Government officers should minimize or remove participate in direct management of any PPP project or special purpose vehicle/company.

6.3.4. MONITORING AND EVALUATION

Monitoring and evaluating the whole PPP process from preparation to implementation is a crucial and necessary step in ensuring that the exercise had been executed according to expectations and that its performance is satisfactorily acceptable. Moreover, it is an important learning step that would not necessitate into wheel re-invention in future PPP programs of comparable nature and scope. Through proper monitoring and evaluation, adjustments could be made to mitigate any reparable shortfalls to be identified in a particular project. In situations where the outcome will be seen to be too much short of acceptable standards, monitoring and evaluation is an important tool towards effective arbitration process between the relevant parties. Monitoring and evaluation is also an important documentation of the whole process, which archives the challenges faced and lessons learnt for a particular PPP program.

6.4. Unsolicited Bids

The government must realistically recognize that private investors/operators are often better positioned than government entities to identify potential demand for infrastructure projects and public services. However, unsolicited private sector proposals for PPP projects may create the potential for (and perceptions of) corruption, lack of transparency, and absence of a competitive tendering process and therefore bring into question whether the government will receive the best value for money possible. Achieving the right balance between encouraging such companies to submit project ideas without losing the transparency and efficiency gains of a well designed and implemented competitive public tender process is paramount.

While all proposals will be treated on a case-by-case basis, consideration of unsolicited proposals will be subject to pre-approval of the PPP Department and must be competitively bid. The process for consideration and implementation of unsolicited bids will be as follows:

1. Unsolicited bids are submitted to and reviewed by the PPP Department for consideration as a PPP project and must receive pre-approval. This pre-approval process includes due diligence of the private sector's proposal and preliminary analysis to determine if the project should be considered to be potentially in the public interest and, if pre-approved, if a pre-feasibility study is needed.
2. Once pre-approval is obtained by the PPP Department, the Department shall invite the proponent to submit as much information on the proposed project as is feasible (including a technical and economic pre-feasibility study, a preliminary environmental impact study and satisfactory information regarding the concept or technology contemplated in the proposal) to allow the Department to make a proper evaluation of the proponent's qualifications and the technical and economic feasibility of the project and to determine whether the project is likely to be successfully implemented in the manner proposed in terms acceptable to the Department.
3. If the feasibility study is approved, the project enters into a competitive bidding process and a tender is issued according to the process established under this policy (see Section 5.2).

***All documents/studies related to the project submitted as part of the unsolicited proposal must be included as part of the bidding documents and available to all bidders. The audited costs of conducting any existing studies that the winning bidder will be liable for should be clearly indicated.**

4. Once bids are received, the winning bidder is selected based on the selection criteria established in the bidding documents and the procedures described above in Section 5.2 with no bias towards the firm that submitted the unsolicited proposal.
5. If the unsolicited bidder is selected, no compensation is provided. If the unsolicited bidder is not selected, compensation will be provided by the winning bidder, based on the cost of the studies undertaken as part of the unsolicited bid, **only if those studies were undertaken and completed by an independent, qualified third party.**

7.0 Transparency and fairness

Transparency in all stages of the PPP process is a fundamental condition and should always be monitored by the PPP Department and Implementing Authorities. A number of principles should guide a competitive bidding process including transparency, fairness and efficiency.

7.1. Transparency

Transparency in the bidding process for a PPP project is a top priority. The private sector will only participate in a bidding process if it believes that the chances of successfully being awarded the eventual contract are proportionate to the costs to be incurred in bidding. Strong

procedures must be adopted during procurement of a PPP project to ensure that a level playing field is provided to all potential bidders. This places an obligation on the IA to state the basis on which successful bidders will be selected to all potential bidders from the beginning, while describing the range of works and services that are required. Potential bidders can then make an informed decision on whether or not to participate in the competition, and, if they do, to maximize their chances of submitting a successful bid.

To further instill transparency, the PPP Department will establish and maintain a web based PPP marketplace to transparently announce upcoming and ongoing PPP opportunities.

7.2. Fairness and Access to Information

The same factors that drive the need for transparency also drive the need for fairness to all potential bidders. All bidders or potential bidders should have access to the same level of information about the relevant IA's requirements, full information about the project including data and reports that would have an impact on the bidders' pricing or subsequent responsibilities, and about the procurement process itself.

The opportunity to bid for the project should be widely advertised and open to both local and foreign companies, using the PPP Department's and/or Planning Commission's website, local newspapers and the United Nations Business Development database (dg market).

Access to relevant and timely information is a critical part of infrastructure project development. This information is not only important at the preparation stage in determining Value for Money, required Government financial support, and identifying/allocating risk, etc., but also at the development stage as detailed design and feasibility studies are being prepared. Lack of access to relevant and timely information can result in significant delays, additional development and preparation of proposal costs, and an increase in the risk premium factored into the bidding price. The PPP Department is responsible for ensuring that all relevant parties release the necessary information in a timely manner

8.0 Project Governance

The process of defining an infrastructure project, obtaining all necessary approvals, managing the procurement process, the interface with bidders and key stakeholders, and signing of the contract can be demanding of time and effort. The head of the PPP Department should be responsible for facilitating and coordinating each project and working with the relevant IA to ensure the project is delivered according to the agreed timetable, that all key stakeholders are involved in the decision and that the IA and the Ministry of Finance are fully briefed on the evolving project and the policy and financial implications to the government. The head of the PPP Department should also stay informed of potential PPP opportunities and should be the first point of contact for any projects being considered under PPP arrangements. Project

implementation, oversight and monitoring, however, remain the responsibility of the relevant IA, with ongoing support provided by the PPP Department.

The PPP Technical Committee (made up of the Executive Secretary of the Planning Commission, a representative from Ministry of Finance, Deputy Attorney General, PS responsible for Land, PS responsible for Infrastructure, PS responsible for Environment, and the Executive Director of the Zanzibar Investment Promotion Authority (ZIPA) with others invited to participate as needed on an ad hoc basis) is responsible for reviewing project feasibility studies and recommending projects for approval or denial. Projects recommended for approval are then sent to the PS Finance for signature and official approval before the tendering process begins.

The project team within the PPP Department takes responsibility for initial review of the project concept note and consultation, in coordination with the Department of National Planning, Sector Development and Poverty Reduction, and acts as a coordinator between relevant parties throughout the project development and implementation phases of each project through to contract signing, providing support and capacity building as needed. The PPP Department should be supported by external advisers because of the more specialized financial and contractual issues involved in PPPs. Although financial close may mark the end of procurement of the project, the PPP Technical Committee must ensure that there is continuity between the parties involved at the procurement stage and the parties that will manage the construction and operational phases of the project within the relevant IA.

8.1. Legal Framework

The legal framework under which PPP projects will be developed in Zanzibar includes the following:

- The Public Private Partnerships Act 2015 (and the associated Regulations);
- Zanzibar Public Procurement Act No. 9 of 2005 and its Regulations;
- Zanzibar Investment Promotion and Protection Act No. 11 of 2004; and
- Zanzibar Planning Commission Act No. 3 of 2012.

All provisions of any PPP contract should be in line with the above laws and regulations, **and in compliance with all relevant labor, regulation, environmental, social, and other sector-specific laws and regulations in place in Zanzibar**. In cases where legal/regulatory guidance is not provided under the above-mentioned legal framework, decisions will be made on a case-by-case basis by the PPP Technical Committee and other relevant government bodies. If new laws or additional regulations are deemed necessary, the PPP Technical Committee in coordination with the Planning Commission and other relevant parties will become involved in proposing additional legislation.

8.2. Institutional framework and Responsibilities

The institutional framework under which PPP projects will be developed in Zanzibar includes the following institutions:

- Planning Commission and PPP Department
- Ministry of Finance
- Line Ministries and Local Government (Implementing Authorities)
- Attorney General's Office
- PPP Technical Committee
- Zanzibar Investment Promotion Authority (ZIPA)
- Zanzibar Business Council (ZBC)

The specific institutional responsibilities of each of the above-mentioned entities for each step of the PPP process as well as the approval process and entities in charge of approval are outlined in the tables below.

Table 7-1
Institutional Roles

Institution	Role
<p>Planning Commission and PPP Department</p>	<p>The PPP Department is responsible for providing support for implementation of PPP projects for the RGoZ. The PPP Department reports directly to the Executive Secretary of the Planning Commission. The role of the PPP Department includes project review and consultation, pre-approval of unsolicited proposals under consideration, approval of feasibility studies for non-strategic projects and providing support to Implementing Authorities in: 1) retention of technical and transaction advisors, 2) undertaking of feasibility studies, 3) project tendering and bid selection, 4) contract signing, and 5) project monitoring.</p> <p>The PPP Department is the coordinating entity responsible for ensuring that all PPP projects implemented in Zanzibar are in line with RGoZ objectives, that all proper procedures are followed and relevant approvals obtained during development and implementation of each project up through contract signing. The PPP Department also serves as the secretariat for the PPP Technical Committee.</p> <p>The PPP Department should be comprised of experts in economic and financial analysis, financial modeling, legal analysis and review, engineering, project management and coordination, accounting, procurement, demand forecasting, and due diligence issues, as well as sector-specific expertise. Some of these skills may be provided by full-time staff members, while others may be sub-contracted to outside technical experts as needed, paid for through the Project Development Fund. Other skills may be provided by experts from line ministries within the RGoZ. The budget for hiring staff and short-term or long-term experts within the PPP Department should come from a revolving reserve fund (PDF) paid for through successful transactions (prior to the first successful transaction, financing from the Planning Commission's budget or donor funding will be required). Management of the PDF and approval of the use of PDF funds must come from the Ministry of Finance.</p>
<p>Ministry of Finance</p>	<p>The Ministry of Finance is responsible for all major approvals related to PPP agreements, by way of the PS Finance's signature, including approval of feasibility studies, bidding documents, contracts, and contract renegotiation, based on the recommendations of the PPP Technical Committee and the legal opinion of the Attorney General's Chambers (for final approval). For non-strategic projects, only final contract approval and signature is required by the PS Finance. The PS Finance provides ongoing advice and support to the PPP Department on all budgeting and financing matters related to PPP projects under consideration.</p> <p>The Ministry of Finance signs the PPP Agreement on behalf of the RGoZ, an appendix to which is a Memorandum of Understanding which is signed between the Implementing Authority and the private party.</p>
<p>Line Ministries and Local Government (Implementing Authorities)</p>	<p>Line ministries and/or local governments (Implementing Authorities) are responsible for identifying projects (including development of project concept notes submitted to PPP Department), conducting pre-feasibility and feasibility studies, managing the tendering and selection process, hiring construction supervisors, and monitoring projects through the entire contract term (or in some cases subcontracting monitoring to a third party).</p> <p>Implementing Authorities (IAs) may choose to create specialized PPP units within their organizations to coordinate directly with the PPP Department, although this is not required. Experts from within the IAs may be called upon by the PPP Department to provide expertise and knowledge related to specific projects under consideration. The PPP Department provides ongoing support to the IAs during the project development phase through to contract signing and assists with the hiring of outside experts including technical experts and/or transaction advisors, as needed.</p> <p>The IA sign a Memorandum of Understanding with the private party undertaking a PPP as an appendix to any contract (PPP Agreement).</p>
<p>Attorney General's Chambers</p>	<p>The Attorney General, as the government's legal advisor and representative, is responsible for ensuring legal compliance within PPP arrangements, and should be involved in the review, approval and signing of PPP contracts, as well as in re-negotiation of contracts where material changes are involved. The Attorney General's Chambers provides a legal opinion on finalized bidders prior to execution of contracts. The Deputy Attorney General also sits on the PPP Technical Committee and provides support throughout the project life cycle in coordination with the PPP Department and/or Implementing Authorities.</p>

<p>PPP Technical Committee</p>	<p>The PPP Technical Committee, as described above, is a standing committee made up of the Executive Secretary of the Planning Commission, a representative from Ministry of Finance, Deputy Attorney General, PS responsible for Land, PS responsible for Infrastructure, PS responsible for Environment, and the Executive Director of the Zanzibar Investment Promotion Authority (ZIPA). The ES Planning Commission chairs the committee and can invite others to participate as needed on an ad hoc basis (representative from IA, etc.).</p> <p>The decision-making process is by consensus. If a consensus cannot be reached, then the Chairperson will initiate a vote. The Chairperson has a casting vote in the case of a tie. All discussions within the Technical Committee are intended to remain confidential.</p> <p>The Technical Committee reviews pre-feasibility studies for Major Projects, provides a recommend PS Finance after review of the project feasibility study, reviews and provide recommendations on the RFP documents for Major Projects to the PS Finance.</p> <p>The PPP Technical Committee is served by the PPP Department as the secretariat.</p>
<p>Zanzibar Investment Promotion Authority (ZIPA)</p>	<p>The Zanzibar Investment Promotion Authority plays a coordinating role between potential investors and the PPP Department in identification of potential PPP projects. By gauging private sector interest in specific projects, a PPP liaison assigned within ZIPA ensures that information on potential PPP projects is submitted to the PPP Department.</p> <p>ZIPA also provides information to investors on investment regulations and provides the necessary licenses, certificates, and permits required in order for private sector investors/operators to undertake projects within Zanzibar, and issues investment certificates that allow land use permits to be issued by the Ministry of Lands, Housing, Water and Energy. The Executive Director of ZIPA serves as a standing member of the PPP Technical Committee.</p>
<p>Zanzibar Business Council (ZBC)</p>	<p>The Zanzibar Business Council is a group jointly formed by representatives from the public and private sectors. Important changes to PPP policy, laws and regulations may be presented as part of the ZBC's regular activities in order to build awareness amongst all relevant stakeholders.</p>

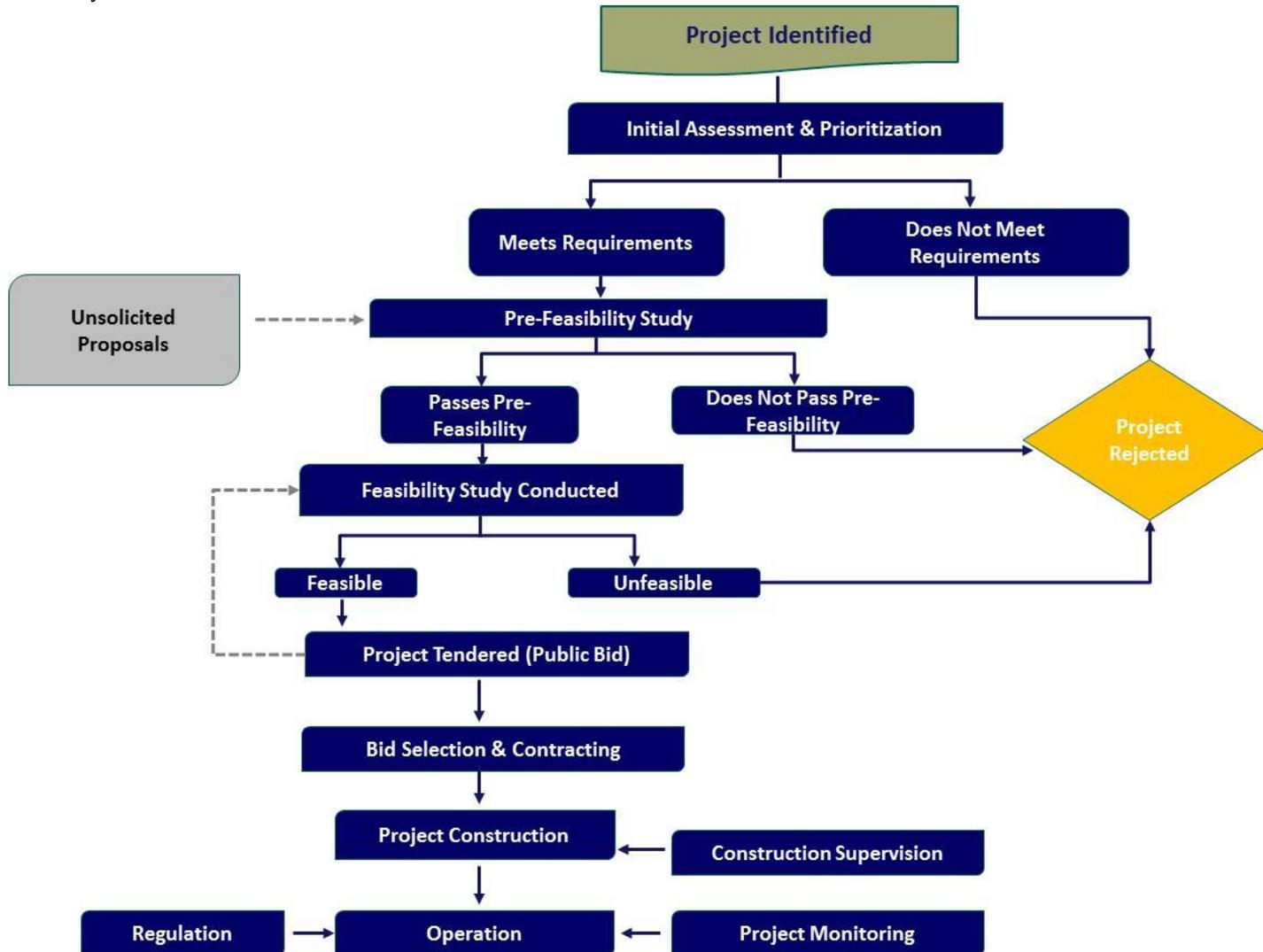
For each Phase within the PPP process, certain approvals are required in order to move to the next stage or phase of the project. This approval process is outlined below and names the entity or entities responsible for undertaking and providing approvals in each phase of the project cycle. The required approvals apply to all projects; however, for non-strategic projects the approving entities vary slightly. For non-strategic projects, all related project approvals must follow the same procedure as for strategic projects where approval is recommended by the PPP Technical Committee and approved by the PS of Finance.

Table 7-2
Summary of Institutional Responsibilities

Responsibility	Entities Responsible
P H A S E I	
Project Identification	Implementing Authority (Assistance from PPP Department/ZIPA in some cases)
Initial Project Assessment/Consultation	PPP Department
Pre-Approval of Unsolicited Proposals	PPP Department
Conduct Pre-Feasibility and Feasibility Studies ⁶	Implementing Authority
Feasibility study approval for non-strategic projects	PPP Department
Feasibility study approval for strategic projects	PS Finance based on PPP Technical Committee recommendation
P H A S E I I	
Development of bidding documents	Implementing Authority (Line Ministry, Local Government), Technical Advisor
Approval of RFP Documents for non-strategic projects	PPP Department
Approval of RFP Documents for strategic projects	PPP Technical Committee
Tendering Process	Implementing Authority with PPP Department Support, Technical Advisor
Bid Evaluation and Selection	Implementing Authority with PPP Department Support, Technical Advisor
Legal opinion	Attorney General's Chamber
Contract Review, Negotiation and Approval	Ministry of Finance, Attorney General's Chambers, Planning Commission
P H A S E I I I	
Project Construction Monitoring	Implementing Authority with PPP Department Support
Monitoring of sector-specific projects	Relevant Implementing Authority, with support from Attorney General's Chambers, Department of National Planning, Sectoral Development and Poverty Reduction, and the PPP Department
Regulation of PPP process	Relevant Independent Regulatory Body
Contract Renegotiation and Approval (if material changes needed)	Ministry of Finance with PPP Department support, Attorney General's Chambers

⁶ In the case of unsolicited proposals, a Pre-Feasibility Study may not be necessary provided a satisfactory study has already been completed (see section 5.4 of this Policy for further details).

Figure 7-1
Summary of the PPP Process



9.0 CAPACITY BUILDING

As PPP represents a substantially new scheme for the RGoZ, capacity building will be necessary for all stakeholders in the PPP process. The general level of awareness and understanding of PPP will be improved among all stakeholders to facilitate sound policy development and constructive discussion and debate.

There is a need to ensure that a sufficient level of resources is committed in order to deliver and monitor well-structured PPP projects. The success of the RGoZ's PPP program will depend on the development and retention of appropriate skills and expertise within the public sector.

It is important to recognize that capacities must be built among public institutions/officials, private sector, users and other stakeholders. A number of capacity building interventions will be initiated by the RGoZ to develop organizational and individual capacities for identification, procurement and management of PPP projects.

Capacity can be developed in parallel with the PPP implementation process by, for example, retaining a PPP expert that can lead the initial PPP efforts and at the same time train a group of local PPP experts. Additionally, the hiring of technical and transaction advisor(s) is not only important for ensuring that the government has the appropriate technical capacity to properly structure and successfully implement PPP projects, but also for providing continuous capacity building to the government throughout the project structuring and implementation process. The hiring of these technical and/or transaction advisors can be paid through the project development fund or by the winning bidder as part of the contract terms.

Significant budget should be allocated to the monitoring and capacity building process. Typically this budget comes from the most attractive initial PPP projects. Part of the proceeds of those initial PPP contracts should be allocated for this purpose under the project development fund.

10.0 IMPLEMENTATION STRATEGY

The PPP's success will always depend on thorough consultation and participation of all the relevant stakeholders. There is therefore an urgent need to consult and involve all the key players in the process, apart from the parties directly collaborating in the PPP.

10.1. Communications strategy

The success of PPP projects requires widespread public support. A PPP communications and awareness strategy, led by the PPP Department will be disseminated to key stakeholders, officials of the public service procuring agencies, employees in the sectors, where PPPs will be developed; also the general public. A communication strategy shall be developed for each PPP project by the Department in conjunction with the Implementing Authorities and, where applicable with the private sector.

The communications strategy should be implemented through appropriate media, including website(s), television, newspapers, journals, magazines, radio and public forums. The communications strategy will focus on the objective and subjective attributes of the project, which include economic and social benefits to be realized by its implementation, relationship to long term development, scope, content and timing of bidding process, likely bidders and other stakeholders, implementing private party and financing structure length and construction period.

10.2. Empowerment of Citizens

The implementation of PPPs should take into consideration other relevant policies that will ensure the empowerment of Zanzibari people in all socio-economic aspects. There should be exhaustive efforts at all levels and by all parties to ensure that PPPs engender the necessary supporting environment to attract the participation of local investors through inclusion in various socio-economic opportunities and the acceptance of projects at a community level. This will put in place enabling environment for PPPs to be the instruments of economic empowerment to support forthcoming Zanzibar Economic Empowerment Policy. The government will also develop Private Sector Development Strategy to enable local private sector to participate in the PPP projects.

11.0 CONCLUSION

The Revolutionary Government of Zanzibar has expressed its commitment to development of infrastructure and provision of infrastructure services through PPPs and commits to involving the private sector and other relevant stakeholders in the implementation of this policy. It is envisioned that PPPs will play an important role in the future development of Zanzibar, and this policy will be an important instrument in the successful implementation of those projects.

For the successful implementation of PPPs in Zanzibar under this national PPP Policy, communication and cooperation between all relevant stakeholders will be critical. By partnering with the private sector to develop and expand provision of infrastructure and related services, it is hoped that Zanzibar will be able to more effectively and quickly achieve its development objectives, become more internationally competitive, and provide a more conducive environment for private sector investment.

GLOSSARY OF TERMS

Bidders' Conference – A bidders' conference is a conference held with all firms who intend to submit proposals in response to an RFP. The conference allows prospective bidders to comment on the terms of reference and the draft concession contract before submitting their bids.

Brownfield Project – A project that makes use of previously used land or facilities that are upgraded, expanded or modernized to meet project requirements.

CAPEX – Capital expenditure (CAPEX) is the amount of required capital investment for a project.

Concession – A concession is defined as the granting of the use of a government asset to provide public services over a specific period of time whereby the concessionaire has the right to profit from the operation of the asset in exchange for a concession fee or other form of payment made to the government for use of those assets.

Force Majeure – A natural event that cannot be reasonably anticipated, controlled or prevented.

Greenfield Project – A project that makes use of previously unused land for development of a new facility or piece of infrastructure.

Government Financial Support – Financial support provided by the government to support a PPP project and bring additional value for money. Government financial support/leverage may be necessary to attract private sector bidders, for example where the private sector is not able to bear certain project risks or costs.

Heat the Market – Heating the market refers to actions taken by the transaction advisor to market the project to potential investors during Phase II of the project life cycle.

Independent Body – An independent body, for the purposes of this policy, is a third-party group independent from project operations, which ensures compliance with the project contract, laws and regulations, as well as international best practices. An independent body can be a government regulatory body or a private company hired to perform these services.

Non-Strategic Project (or 'Non-Major Project') – Non-strategic projects are defined as those projects that have a total investment cost of less than US\$10 million (or an amount officially determined by the Minister of Finance); that incur no government liabilities; and that are not for the provision of monopolistic services. All other projects are defined as strategic projects.

Project Concept Note – The project concept note provides a basic outline of the project including the type of project, anticipated project structure and cost, specific government

objectives for the project including desired outputs, and expected timeline of the project including project development, procurement, and construction.

Right of Substitution –The right to and possibility of substituting the existing concessionaire with a new concessionaire of the same quality and capability. The substitution may be required in limited circumstances due to underperformance or force majeure.

Special Purpose Vehicle – A special purpose vehicle is a limited recourse project company specifically created to finance, develop, operate, maintain, promote, etc. a specific project.

Strategic Project (or ‘Major Project’) –Strategic projects are defined as those projects that have a total investment cost of more than \$10 million (in 2014 USD terms); or that incur government liabilities; or that are for the provision of monopolistic services. All other projects are defined as non-strategic projects.

Third-party Auditor –An independent auditor, separate from both the government and the private sector that provides independent auditing and analysis.

Unsolicited bids – Unsolicited bids are those bids that are presented by a private sector project promoter for consideration without being solicited by the government. These projects are not presented in response to a public tendering process and request for proposals.

Value for Money – A project that achieves value for money is deemed to have economic, financial, social, and environmental benefits that are greater than the economic, financial, social and environmental costs associated with the project, compared to all other viable alternatives.

White Book –A collection of all technical studies, bidding documents, memoranda, contracts, and other documents relevant to a specific project that is made available for public consultation after contract signing with the purpose of providing full transparency throughout the bidding process.