



PROJECT PREPARATION AND DEVELOPMENT FACILITY (PPDF)



Southern Africa Development Community Project Preparation and Development Facility

OPERATIONAL GUIDELINES

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PROJECT PREPARATION AND DEVELOPMENT FACILITY (PPDF)



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ACRONYMS

AOC	Advisory and Oversight Committee
BCIC	Board for Credit and Investment Committee
BFS	Bankable Feasibility Study
DBSA	Development Bank of Southern Africa
ERR	Early Review Report
FIP	Finance and Investment Protocol
FM	Fund Manager
IC	Investment Committee
ICP	International Co-operation partners
ICT	Information and Communications Technology
MOU	Memorandum of Understanding
PEA	Project Executing Agency
PPDF	Project Preparation and Development Facility
PPP	Public Private Partnerships
RDF	Regional Development Fund
RIDMP	Regional Infrastructure Development Master Plan
SADC	Southern Africa Development Community
TFCAs	Trans Frontier Conservation Areas
VAT	Value Added Tax

DEFINITIONS

“Committee of Ministers”	means the Committee of SADC Ministers responsible for Finance and Investment;
Contributor/Donor	means the institutions that made funds available towards the PPDF
“DBSA”	means the Development Bank of Southern Africa Limited, established in terms of the Development Bank of Southern Africa Act 13 of 1997 with the core mandate to provide finance for infrastructure development in the SADC Region;
PPDF Secretariat	means the Project Executing Agency (DBSA) responsible for the management of the SADC PPDF
PPDF Business and Sustainability Plan	means a comprehensive document setting out the PPDF’s objectives and strategies, including cost recovery model for regional projects supported by the PPDF to ensure sustainable funding of the PPDF in line with the key purpose of the PPDF
“SADC PPDF”	means the SADC Project Preparation and Development Facility established as a programme under the SADC Finance and Investment Protocol
“SADC Region”	means the area under the jurisdiction of the countries which are SADC Member States;
“SADC Secretariat”	means an institution of SADC established by Article 9 of the SADC Treaty;
“PPDF Advisory and Oversight Committee”	means a committee established to oversee and approve the activities of the SADC PPDF in accordance with the MOU/ MOA concluded between the SADC Secretariat and DBSA

1. INTRODUCTION

1.1 Background

- 1.1.1 Article 26A of the Southern Africa Development Community (SADC) Treaty provides for the establishment of a special SADC Fund to be known as the SADC Regional Development Fund (RDF).
- 1.1.2 In March 1998, SADC Ministers of Finance considered the outcome of a study whose purpose was to recommend a development financing mechanism for SADC. The study had recommended:
- 1.1.2.1 the establishment of a sub-regional Development Finance Resource Centre;
 - 1.1.2.2 a SADC-wide Development Finance Institutions Network; and
 - 1.1.2.3 a Regional Development Fund.
- 1.1.3 The first two entities have since been established, while the third was given further consideration through a feasibility study¹ to determine its desirability and feasibility. Phase 1 of the study recommended that before the institutionalisation of the RDF, priority should be given to the establishment of a financing vehicle to support the promotion and preparation of major infrastructure projects. This recommendation was based on the prevailing view amongst donors and private investors that the main constraint to the development of economic infrastructure was not the unavailability of investment capital in the region, but rather there was a lack of expertise with regard to the successful development of bankable projects for market presentation.
- 1.1.4 The feasibility of a project preparation facility to address the perceived constraint was assessed through a second study² in May 2005. This study, which recommended that such a fund be incorporated into the legal framework of the proposed Protocol on

¹ "Report on the desirability and viability of a SADC Development Fund", Jordan Management Consultancy Ltd, May 2003

² Final Report "SADC Project Preparation and Development Fund (PPDF) – Investigation of the Modus Operandi" GOPA Worldwide Consultants, May 2005

Finance and Investment (FIP), was given Ministerial approval. In August 2006, the SADC Heads of State adopted and signed the Protocol on Finance and Investment, under which it was agreed to establish a Project Preparation and Development Facility (PPDF)³.

1.1.5 To operationalise the PPDF, a Memorandum of Understanding (MOU) was concluded between the SADC Secretariat and the Development Bank of Southern Africa (DBSA) in August 2008 and its extension in November 2014. Under the terms of the MOU, DBSA will assume responsibility for the administration, management, and disbursement of PPDF funds.

1.1.6 Based on the 2005 study on the PPDF, the facility will be financed through:

- 1.1.6.1 Contributions by SADC Member States;
- 1.1.6.2 Contributions by International Cooperating Partners (ICPs); and
- 1.1.6.3 Contributions through SADC PPDF self-generated funds, including interest generated by the funds.

1.2 Purpose of the SADC PPDF

1.2.1 SADC has identified infrastructure as one of the major drivers for economic growth and poverty reduction in the region. The aim of the SADC PPDF is to:

- 1.2.1.1 Create a conducive environment for investment through financing the preparation of infrastructure projects based in at least one SADC Member State or those with a direct and positive impact on another Member State. The PPDF will concentrate on those projects that will be considered as enablers of regional integration.
- 1.2.1.2 Provide technical assistance in infrastructure project identification, preparation and feasibility studies with a view to making the projects bankable and attractive to investors.

³ Chapter Nine, Article 16 “Development of a SADC Project Preparation and Development Fund”

1.2.2 The PPDF will finance preparation of projects in the following sectors:

- 1.2.2.1 Transport: including road, bridges, air, shipping, rail, ports, and border posts;
- 1.2.2.2 Energy: including generation, transmission and distribution, including projects supporting alternative and/or renewable energy;
- 1.2.2.3 Information and Communication Technologies, including Telecommunications;
- 1.2.2.4 Water and Sanitation;
- 1.2.2.5 Tourism related infrastructure (as in Trans-frontier Conservation Areas); and
- 1.2.2.6 Other areas as identified within the Infrastructure Sector Plans and the Regional Infrastructure Development Master Plan (RIDMP).

1.2.3 The PPDF will consider new (Greenfield) projects as well as those in need of upgrading and/or rehabilitation.

2. OBJECTIVES OF THE SADC PPDF OPERATIONAL GUIDELINES

2.1 The objectives of the SADC Project Preparation and Development Facility Operational Guidelines, henceforth referred to as *“the Guidelines”*, are to set rules and procedures which shall guide the preparation of proposals, processing of applications, approval of support and effective implementation of the PPDF. Furthermore, the Guidelines will be utilised in funds mobilisation and interaction with co-funders and partners in the projects.

2.2 The Guidelines are intended to contribute to:

2.2.1 The effective and efficient management of the SADC PPDF; and

2.2.2 The effective use of the resources available within the SADC PPDF.

- 2.3 The Guidelines include Annexes which will be used in the processing and assessment of applications by different users. The relevant Annexes are listed under the table of contents.

3. MANAGEMENT AND OVERSIGHT OF THE SADC PPDF

- 3.1 The bodies involved directly in the management of the SADC PPDF are:
- 3.1.1 ***SADC Ministers of Finance and Investment:*** These shall be the SADC Ministers responsible for Finance and Investment and will meet as such during their regular annual meetings to provide guidance for the future of the PPDF in line with the Finance and Investment Protocol (FIP). The Ministers will provide strategic direction to Advisory and Oversight Committee (AOC) on the direction of the PPDF.
 - 3.1.2 ***The Advisory and Oversight Committee:*** The Advisory and Oversight Committee (AOC) functions are as set out in article 7 of the Memorandum of Agreement between DBSA and SADC Secretariat effective. The AOC will report annually on its activities to the Ministers of Finance and Investment.
 - 3.1.3 ***The Development Bank of Southern Africa:*** is the Project Executing Agent of the SADC PPDF in accordance with the provisions of article 1.3.3 and article 6 of the MOA concluded between SADC Secretariat and DBSA.
 - 3.1.4 ***The SADC Secretariat:*** Is the custodian of the SADC PPDF in accordance with the provisions of article 4.1 and article 5 of the MOA concluded between SADC Secretariat and DBSA.
- 3.2 SADC will utilize the SADC ICP Coordination structures to improve coordination, communication, planning and monitoring with ICPs contributing to the PPDF with respect to PPDF implementation.

4 SCOPE OF THE PPDF

4.1 Scope of Activities to be financed under the PPDF

- 4.1.1 The activities eligible for financing under the PPDF facility are: feasibility studies, advisory services, environmental and social impact assessment as well as any other activity of an advisory, technical or operational nature related to preparation of projects. Broadly, these activities will include:

Pre-investment Activities

4.1.1.1 The activities cover provision of technical advice and assistance in analysing projects, including preparation of project proposals, review and revision of project proposals, environmental and social impact analyses. Early stage project assessment (pre-feasibility phase) will also be supported if the project is of regional strategic importance.

Enabling Environment Activities

4.1.1.2 Enabling environment activities include provision of assistance in programmes aimed at improving enabling environment for delivery of infrastructure services, namely: consensus-building for appropriate policy, regulatory and institutional reforms; identification, promotion and dissemination of best practices in infrastructure development and operations.

Studies

4.1.1.3 PPDF resources will be applied to undertake the preparation of feasibility studies, update or additional analysis of existing studies, environmental and social impact assessments, design studies and other related studies in order to improve on the project quality and enhance prospects to attract financing for the project.

Advisory Services

4.1.1.4 Advisory services related to infrastructure development activities designed to assess key opportunities for private-public partnerships, where limited and timely assistance in their preparation and implementation is required. This includes advisory services on public-private partnership options, concessions, due diligence activities, project structuring, legal and transaction advice etc.

Marketing of Investments

4.1.1.5 PPDF resources can be applied to promote PPDF projects to attract investment into the targeted projects. This will include developing marketing material for presentation at identified investment platforms.

Capacity Building

4.1.1.6 PPDF resources will be applied to support capacity building of SADC Member States and Specialised Infrastructure Development Institutions, specifically in connection with activities mentioned in section 1.2.2 above. Capacity building initiatives of a general nature (i.e. those not linked to identified projects, processes, and activities) would not be supported by the facility.

5. MODALITIES FOR IMPLEMENTATION OF THE PPDF

5.1 Focal Sectors

5.1.1 The PPDF will provide grant financing to selected projects in the sectors and areas outlined in section 1.2.2 of these Guidelines.

5.2 Special Conditions

5.2.1 Should a Contributor/Donor decide to specify special conditions for the use of its contribution, such specific conditions shall be contained in the co-operation agreement concluded between SADC Secretariat and the respective Contributor.

5.3 Entities Eligible for Financing

5.3.1 All SADC Member States are eligible to apply for PPDF financing as long as the proposed project is intended to support regional infrastructure development in the energy, transport, water resources, ICT, TFCAs, and other areas not falling within the scope of these sectors but identified as of regional significance in the SADC Infrastructure sector plans. The RIDMP will be used to identify the region's priorities.

5.3.2 The following entities will be eligible:

5.3.2.1 Governments of SADC Member States and their agencies;

5.3.2.2 Regional Institutions promoted by Governments of SADC Member States;

5.3.2.3 Oceanic States projects that do not reflect a regional outlook as required by Tier 1 Assessment, in order for the Oceanic States to benefit from the PPDF.

5.3.3 A private sector applicant may apply for funding under the PPDF. The projects proposed by private sector organisations, and involving the participation of the public sector (Public-Private Partnerships (PPPs)) would be eligible for financing under the PPDF on the condition that the applicant has a letter of support from the respective government's representative.

5.3.4 Project proposals can be promoted by two or more eligible entities. In this case, one of these entities will vest the role of the Applicant, and the other(s), will play the role of the partner organisation(s).

5.4 Eligible Territories

5.4.1 Projects are expected to take place within the boundaries of the SADC Member States. However projects taking place outside the boundaries of the Member States but for the benefit of SADC Member States will also be eligible.

5.5 Beneficiary Contribution and Minimum Amount of Grants

5.5.1 To ensure ownership and commitment by the beneficiary, it shall be a mandatory requirement that the beneficiary contribute a minimum of five percent (5%) of the total cost of the proposed preparatory activity. This amount will exclude any tax related implications.

5.5.2 Projects with a minimum grant requirement of USD 250,000 will be considered.

5.6 Items eligible for inclusion in the Budget

5.6.1 Items eligible for inclusion in the budget include, but are not limited to the following:

a) Service contracts to carry out:

- Feasibility studies;
- Economic and financial analysis;
- Detailed design;
- Preparation of tender dossiers for works and supervision contracts; and
- Legal and Transaction Advisory Services.
- Environmental and Social Impact Assessment Studies
- ⁴Those taxes that cannot be reclaimed and refunded to the PPDF at financial close.

⁴ Subject to relevant ICP conditions and submitted evidence that taxes could not be reclaimed.

b) Marketing of Investments

- Promotion of PPDF projects to attract investment by developing marketing material for presentation at identified investment platforms.

5.6.2 The following items are not eligible:

- Items not actually paid;
- Items incurred before the implementation contract was signed;
- debts and provisions for losses or debts;
- interest owed;
- items already financed by a third party for preparing the proposal or for proposed activities;
- Purchases of land or buildings;
- Credit to third parties;
- Salary costs of the personnel of national administrations;
- Currency exchange losses; and
- ⁵Taxes, and VAT, except when it cannot be reclaimed at financial close.

5.7 Financing rules

- 5.7.1 Costs for the activities to be funded by the PPDF must not include VAT (VAT is not reimbursable).
- 5.7.2 Applicants will have to provide in their applications, a detailed explanation of the activities to be implemented and the results to be achieved by the implementation of each activity.
- 5.7.3 Actual costs must be recorded in the beneficiary's accounts or tax documents. They should be identifiable and verifiable, and be backed up by the original supporting documents.

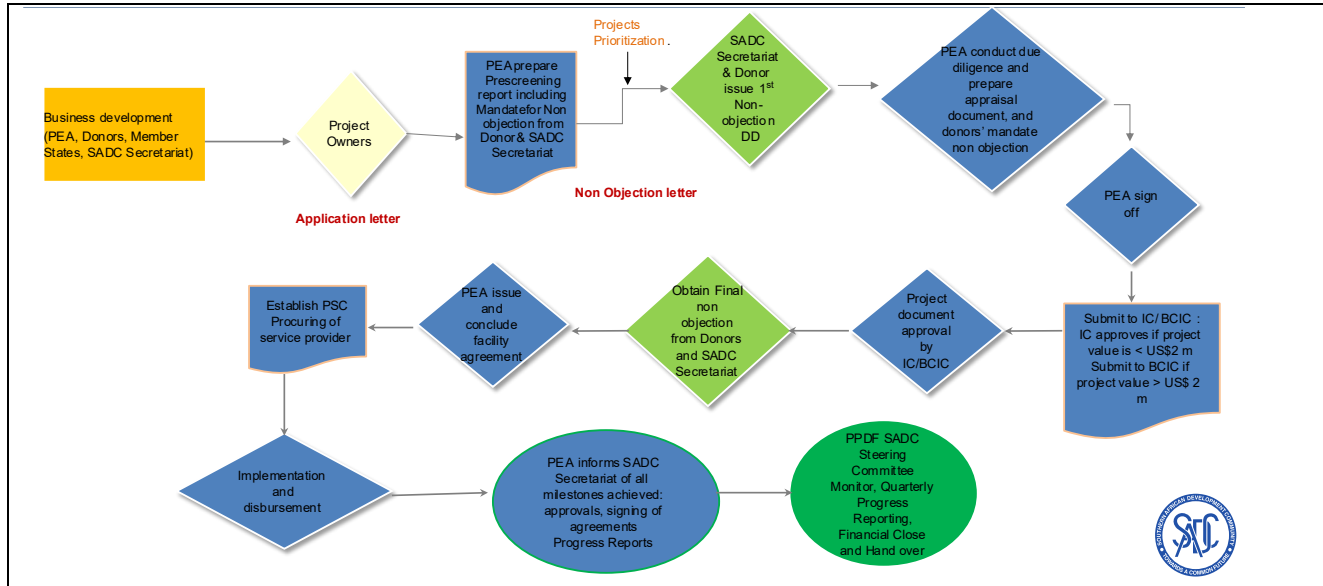
⁵ Subject to relevant ICP conditions

- 5.7.4 The contribution of the beneficiary is a mandatory prerequisite to a project's approval. The minimum contribution must be 5% of the actual total cost of the proposed preparatory activity and must be a cash contribution towards the first payment.
- 5.7.5 The currency to be used for each project will be agreed with the beneficiary.
- 5.7.6 The exchange rate for operations in a different currency is the one published by the Reserve Bank of South Africa on the day the transaction takes place.

5.8 Modalities of Applying for the PPDF Resources

- 5.8.1 Projects to be financed under the PPDF will be as per 1.2.2 above.
- 5.8.2 All applications for financial support from the PPDF to be forwarded/channelled to the PEA.
- 5.8.3 A website has been developed where applications can be submitted to a dedicated email address. The application should include the following information:
- i. Application letter
 - ii. Project name
 - iii. Contact details of the organisation
 - iv. Project description
 - v. Project objective
 - vi. Geographical coverage
 - vii. Current project stage
 - viii. Project stage (for which the PPDF funding is required for)
 - ix. Development impact
 - x. Cost to prepare the project
 - xi. A full project background consisting of technical details, financial position, economic impact and benefits, the institutional set-up of the proposed project, the environmental impacts and benefits of the proposed project

5.8.4 The following approval process will be followed to obtain support from the PPDF:



Notes:

- 1 The project owner will be required to submit an application to the PEA through the online application catered for by the PPDF Website. The application must contain the information contained in the application guidelines and 5.8.3 above.
- 2 The PEA will establish whether the proposal is within the mandate of the PPDF and in accordance with these Operational Guidelines .
- 3 The PEA will prepare a summary of the applications with a recommendation which will be submitted to the SADC Secretariat and the ICP whose funds will be considered to support them.
- 4 The SADC Secretariat shall consider whether the proposal is within the regional integration mandate of SADC and provide an in-principle no- objection to proceed.
- 5 Parallel to (4) above, the proposal will be submitted to the participating ICP to confirm if the proposal is within its funding mandate.
- 6 Once both non-objections are obtained, the PEA will undertake a due diligence. The results of the due diligence will be included in an appraisal report with clear recommendations and submitted to the PEA internal governing structures (Investment Committee/Board for Credit and Investment Committee) for internal approval.
- 7 After the internal approval by PEA, the SADC Secretariat and ICP to consider the appraisal report and provide a final non objection.
- 8 After the approval and comments from the SADC Secretariat and ICP, the PEA shall proceed to implement the project (establishing of a project steering committee, procurement of service providers, disbursements, monitoring and bi-annual progress reports to the SADC Secretariat).

- 9 The PEA will provide progress reports to SADC Secretariat and the ICP on a bi-annual basis and conduct presentations on the implementation progress of the PPDF at the AOC meetings.

5.9 Selection of Projects for Financing

5.9.1 Proposals selected to be financed by PPDF will be chosen:

- (i) On the basis of the SADC RIDMP as revised from time to time.
- (ii) From proposals for development of projects that contribute to regional integration.

5.9.2 The process for selection will be carried out in accordance with steps outlined in 5.8 above to gauge assessment for relevance and for fitness of the applicant/organisation and technical quality of the proposal, and will be executed in 3 steps, in accordance with Annex 1:

- a) Tier 1:** By the SADC Secretariat Infrastructure and Services Directorate: Assessment for Impact on Regional Integration & relevance of the proposal in the context of the RIDMP;
- b) Tier 2:** By the ICP: Assessment of alignment to the contributing ICP/Donor's Fund mandate;
- c) Tier 3:** By the PEA (IC): Assessment for Fitness of the Applicant/Organisation and Technical Quality of the Proposal. This level of the assessment will be conducted as follows:
 - (i) The preparation of an Early Review Report for presentation to the Tier 1 & Tier 2 assessment process;
 - (ii) Full due diligence of the project to be presented in an appraisal report for consideration by the PEA in line with governance processes.
 - (iii) PEA to approve the detailed project appraisal reports post due diligence and Facility Agreements for contracting with project owners.

A detailed overview of the Three Tier selection is included in Annex 1.

5.9.3 The criteria for evaluation and selection is as follows:

- (i) The contribution of the infrastructure project foreseen to regional integration in the SADC region.
- (ii) The current priorities in the SADC region for particular types of new infrastructure.
- (iii) The fitness of the applicant/organisation that would undertake the activities described in the proposal for which support is requested.
- (iv) The technical quality of the proposal including both the existing state of the infrastructure project preparation and the prospects for realisation of the infrastructure project envisaged.

(a) Assessment for Relevance (Tier 1)

As per the MOA between the SADC Secretariat and the PEA, the SADC Secretariat shall be accountable for the achievement of the aims and objectives of the PPDF, and in this regard, shall assess the relevance of proposals based on the following criteria:

- I. Capacity of the proposed project to contribute significantly to the achievement of the region's priorities as indicated in the sectoral programming documents approved by SADC. The RIDMP will be used to identify the region's priorities.
- II. Expected outputs and results contributing to making the project bankable and improving the SADC Infrastructure system in future.
- III. Plausibility of the realisation of investments following the completion of the present project.

(b) Assessment for Fitness of the Applicant/Organisation and Technical Quality of the Proposal (Tier 2)

As per the MOA between the SADC Secretariat and PEA, the PEA, shall prepare documentation, descriptions and detailed specifications for projects which are eligible for the programme and shall, on receipt of the proposals, carry out a desktop review to determine if the proposal is viable, properly prepared and verify whether the application is proposed by an eligible applicant/organisation. This assessment will lead to the preparation of an ERR and/or appraisal for each qualifying proposal. The criteria that will be taken into account by the PEA are the following:

- I. Fitness of the Organisation proposing the project:

- Assess fitness of the proposal in relation to the core business of the Applicant.
- Previous experience of the Applicant and their partners in similar projects.
- Mandate of the applicant to apply for the grant.

II. Technical quality of the proposal:

- An assessment of the technical, legal, institutional, economic, environmental and financial aspects of the proposal;
- Consistency of the proposed activities with the results to be achieved.
- Appropriateness of the time schedule.
- Inclusion of realistic assumptions and risk management in the proposal.
- Presence of an adequate team in charge of project implementation.
- Adequate monitoring of project implementation.

(c) Approval by the PEA Investment Committees (ICs) (Tier 3)

- I. The PEA's Early Review Committee will receive the report of the assessments undertaken by the SADC Secretariat and the PEA on the evaluation criteria as outlined above with their recommendations for financing of the proposals (Early Review Report).
- II. Applications deemed successful at this stage will then be subjected to a process of due diligence by the PEA which will result in the preparation of detailed project proposals. These proposals will be submitted to the PEA's IC for a final decision on financing.
- III. On completion of the final assessment, the PEA's IC will decide whether to award the grant or not and will deliver a record of their decisions together with the list of projects to the PEA PPDF management team.

(d) Approval by SADC Secretariat and No-Objection by ICP

- I. The PEA's PPDF management team will submit the decision record of the PEA's IC approval and the final appraisal report to the SADC Secretariat for approval.
- II. SADC Secretariat will provide written confirmation of their approval within 14 days of receipt of the documents from the PEA PPDF management team.



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- III. Applications approved by SADC Secretariat will be forwarded to the ICP for final non-objection within 3 days from receipt of confirmation of approval by SADC Secretariat.
- IV. The ICP will provide written confirmation of their non-objection to the award of the grant or not and will deliver a record of their decision within 14 working days from receipt of such request.

5.10 Contractual phase⁶

- 5.10.1 Upon receipt of the final decision from SADC Secretariat and ICP, PEA will inform all applicants about the decision on their project, within 14 days and if applicable, enter into the relevant contractual arrangements. The PEA will inform the unsuccessful applicant accordingly.
- 5.10.2 The PEA will dispatch the Contract in three originals to the beneficiary and inform the SADC Secretariat by letter on each delivered contract.
- 5.10.3 All grant facility contracts shall be signed by the PEA on behalf of the PPDF.
- 5.10.4 The grant beneficiary has 45 calendar days to deliver the countersigned contract to the PEA who will, similarly, send the other countersigned contract to the SADC Secretariat.
- 5.10.5 Failure to comply with provisions of 5.10.4 may result in the cancellation of the offer.

5.11 Grant Implementation

- 5.11.1 The grant shall enter into force on the date of counter signature by the grant beneficiary and meeting of the conditions precedent to the first disbursement as set out in the facility agreement.
- 5.11.2 The maximum amount of the grant will be stipulated in the contract. Under no circumstances will this amount be above the amount requested by the grant applicant.

⁶All projects implementing the PPDF must respect the relevant conditions described in the individual financing agreements with International Cooperating Partners.

5.11.3 Any amendment to the contract must be set out in a written addendum to the original contract. Minor amendments may be notified to the PEA provided they comply with the following:

5.11.3.1 They do not affect the basic purpose of the Project.

5.11.3.2 The financial impact is limited to a transfer between the main budget headings involving a variation of less than 20% of the original amount. The total grant amount, however, shall not be increased.

5.11.4 Procurement under the PPDF facility shall be carried out and approved in line with the PEA procurement policies and processes (applying international competitive bidding standards) and in line with the PPDF procurement guidelines which may be amended from time to time by the AOC in consultation with the ICPs.

5.12 Disbursements and Suspension of Disbursements

5.12.2 A time limit for first interim disbursement shall be set in the contract concluded for the services to be delivered. As a rule, this period should not exceed 18 months. Failure to comply with this time limit may result in cancellation of the grant.

5.12.1 Upon receipt of invoices from the service provider and of no-objection from the beneficiary, the PEA shall make payments directly to the service provider on eligible expenditure as per contractual milestones. On signature of the contract an amount not exceeding 20% of the total amount may be advanced.

5.12.3 Disbursement of the PPDF resources may be suspended if the AOC, on recommendation from the PEA, are of the opinion that the withdrawn amounts are not being used for or complying with the agreed purpose or standards. The PEA would, thereafter, take necessary measures to recover misused funds from the beneficiary.

6 RESOURCE MOBILISATION FOR THE PPDF

6.1 Resource Mobilisation

6.1.1 The SADC Secretariat has the responsibility to facilitate that the PPDF is sufficiently resourced in accordance with the SADC Resource Mobilisation Framework.

7 REPORTING ARRANGEMENTS AND PROJECT AUDIT

7.1 Reporting Arrangements

- 7.1.1 The beneficiary is required to submit to the PEA quarterly reports on the physical and financial status of implementation of activities financed under the PPDF. In order to make possible adequate monitoring of project implementation, each beneficiary will be required to submit quarterly reports. In addition, the beneficiary will submit a final report three months after completion of the project. All reports will be submitted to and approved by the PPDF Secretariat.
- 7.1.2 The PEA will submit to each AOC meeting progress reports on the activities of the PPDF, including applications, projects and programmes financed out of the resources of the PPDF and the status of financed projects. The report shall include:
- a) a description of each activity approved since the last progress report;
 - b) consultants contracted by the sponsor;
 - c) brief description of the progress of on-going activities;
 - d) brief description of any proposed activities still under consideration;
 - e) a summary, in table form, of all Facility activities;
 - f) data on the approval process (e.g. number of requests received and number approved, time taken to approve, etc.);
 - g) a copy of the final version of each study completed;
 - h) a statement of cumulative receipts and expenditure; and
 - i) a statement of used resources of the Facility.
- 7.1.3 The AOC will report to the SADC Ministers of Finance and Investment annually at the scheduled SADC meetings on activities including:
- a) Progress reports:
 - i. Projects considered
 - ii. Projects rejected and accepted
 - iii. Amounts approved
 - b) Financial records:
 - i. Disbursement schedule per project
 - ii. Overall disbursement status

Based on the above mentioned a) progress reports and b) financial records, the SADC Ministers of Finance and Investment shall, inter alia, give guidance on the strategic direction of the PPDF and if needed, propose measures to ensure financial integrity of the PPDF.

7.2 Facility/ Project Audit

- 7.2.1 The PEA will appoint external auditors for the PPDF to conduct annual audits.

- 7.2.2 The auditors will submit to the PEA an annual audit report on the operations of the PPDF. The PEA will submit the audit report to the SADC Secretariat and ICP no later than three months after the end of the PEA's financial year.
- 7.2.3 The beneficiary must keep accurate and regular records and dedicated, transparent accounts of project implementation for a period of seven years following payment of the balance. The SADC Secretariat and/ ICP can, at any time, ask to audit the records of a financed project.
- 7.2.4 The SADC Secretariat and/ ICP will have the right to verify through additional audits that the entire process, from the preparation to the selection of the grant beneficiaries was performed in a transparent manner.

7.3 Information and Communication

- 7.3.1 Subject to the SADC Secretariat's confidentiality of information requirements, information on the PPDF may be disclosed and disseminated to the general public, including governments, civil society organisations and the private sector, unless there is a compelling reason not to do so.
- 7.3.2 Information on approved applications including details on the applicants, scope and amounts shall be publicised simultaneously on the SADC Secretariat and the PEA websites.
- 7.3.3 Information on potential bankable projects will be publicised on the PEA and the SADC Secretariat websites.

ANNEX 1: PROPOSAL SELECTION PROCEDURE AND CRITERIA

The selection procedure shall be carried out in three phases.

1. TIER 1 – ASSESSMENT FOR IMPACT ON REGIONAL INTEGRATION

1.1 The Infrastructure and Services Directorate of the SADC Secretariat will analyse the infrastructure project envisaged for which project development funding is proposed in relation to: (i) priorities for regional infrastructure in the SADC RIDMP and, for new projects, consistency with the objective of regional integration; and (ii) current priorities in the SADC region for infrastructure development. Projects which meet these Tier 1 criteria will be selected for Tier 2 evaluation. The others will not be considered further.

TIER 1: EVALUATION OF REGIONAL INTEGRATION POLICY COHERENCE*/

Criteria Assessment	(Y/N)
1. Is the infrastructure project included in the SADC RIDMP?	
2. If the infrastructure project is not included in the SADC RIDMP, is it consistent with the objective of regional integration?	
3. Does the infrastructure project meet current priorities in the SADC region for infrastructure projects?	

*/ Two criteria must be evaluated affirmatively for the proposal to be evaluated under Tier 2 criteria.

- 1.1.1. The SADC Secretariat is expected to decide on regional integration policy coherence within thirty days of receipt of an application which in its judgment is complete.
- 1.1.2. The decision of the assessment team is documented in the Specific Proposal Assessment Document presented below:

2. TIER 3 – ASSESSMENT FOR FITNESS OF THE ORGANISATION AND TECHNICAL QUALITY OF THE PROPOSAL

2.1 The PEA will review three criteria in assessing a proposal:

- 2.1.1. Applicant's fitness: is the applicant organisation capable of supervising the activities described in the proposal and implementing the infrastructure project;
 - 2.1.2. Existing documentation preparation: assessment of the quality and consistency of the existing documentation on the infrastructure project (especially studies), any shortcomings or gaps in all key aspects of the infrastructure project; and
 - 2.1.3. Proposal quality: is the proposal realistic in regard to identifying the gaps in development of the infrastructure project, the schedule and cost of implementing the activities described in the proposal, and are the outlines of terms of reference for key service providers for implementation of the proposal activities satisfactory. These three sets of criteria and their numerical weights are indicated in the table below. The table provides a grade to be given to each assessment criterion of a proposal. This rating is subjective, since the weight for each criterion and the grade given for a criterion is subjective, but it gives an indication of the validity of a proposal. The overall rating should be used to decide whether to accept a proposal (for example if above a certain rating threshold), but it would be inappropriate to use it to rank projects for priority for grants.
- 2.2. The PEA is expected to review and make recommendations on the fitness of the applicant, the quality of the existing documentation on infrastructure project preparation, and the technical quality of the proposal within sixty days of receipt of an application which in its judgment is complete.
- 2.3. The PEA will prepare a report (the ERR) if necessary for the investment Committees (ICs) summarising its findings and indicating its grades for each proposal in accordance with the table presented below.
- 2.4. The PEA will undertake due diligence at Member State level, leading to the preparation of a detailed appraisal report, including a draft contract.

SELECTION CRITERIA FOR TIER 2

Selection Criteria	
Criteria	Sub-Criteria
Project Preparation Quality	<i>Technical design and tender documents</i> Quality of design State of preparation of tender documents
	<i>Market and Economic studies</i> Market analysis Marketing strategy Reliability of sales prospects Sensitivity of economic benefits Strength of economic return
	<i>Financial studies</i> Readiness of financing plan Likelihood of expected revenues Strength of overall financial return Robustness of business plan Licensing agreements
	<i>Environmental studies</i> Quality and standards of ESIA Appropriateness of remedial measures Results of public enquiry Status of environmental authorizations
	<i>Social studies and Public information</i> Relocation plan for expropriated persons Public acceptance of project
	<i>Institutional and Legal studies</i> Conformity with national legislation Status of building authorizations
	<i>Risks analysis</i> Overall preparedness of project Political risk
Proposal Quality	Project Presentation
	Outlines of Terms of Reference
	Schedule and Cost
Applicant Fitness	General Capacity
	Previous Experience in Similar Projects
	Adequacy of Proposal and Implementation Personnel

3. TIER 3 – PEA INVESTMENT COMMITTEES

- 3.1. Proposals for funding that have a positive impact on regional integration, are proposed by eligible applicants, are properly presented, and have already been substantially prepared in a satisfactory manner will enter the next stage for decision on PPDF financing. Such proposals will be submitted to the PEA Investment Committees for approval.
- 3.2. The Committee is authorised by the DBSA Chief Executive Officer to carry out any activity within its terms of reference in support of the Bank's strategy, mandate and agreed business objectives.
- 3.3. It is authorised to seek any information or data it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- 3.4. The Committee is authorised to obtain legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
- 3.5. The Committee is authorised to consider, make a decision on or approve the following:
- i. Approve all Early Review Reports (ERRs) thereby giving business teams the authority to proceed with detailed project due diligence.
 - ii. Approve credits, investments (loans, equity and grants) and project preparation under delegated
 - iii. authority as per Table 1 below.
 - iv. Review projects for recommendation to the Board for Credit and Investment Committee (BCIC).
 - v. Set or amend terms and conditions of investments within delegation of authority.
 - vi. Approval of breaches to approved credit conditions or exposures within its limits or recommend to BCIC where limits are outside of its authority.
 - vii. Ensure that there is adherence to compliance, financial, risk and operational policies in the approval of projects.
 - viii. Approve guarantees in line with delegations.
 - ix. Consider and approve Planning and Non-lending support facilities.
 - x. Consider and approve bids/tenders according to delegated mandate.

TABLE 3: DELEGATED COUNTERPARTY CREDIT APPROVAL LIMITS AND PROJECT PREPARATION LIMITS FOR INVESTMENT COMMITTEE

PROJECT PREPARATION		
	IC	BCIC
South Africa and Common Monetary Area	≤R15 million	>R15 million
International (Outside of Common Monetary Area)	≤\$2 million	>\$2 million

TABLE 1: DELEGATED COUNTERPARTY CREDIT APPROVAL LIMITS AND PROJECT PREPARATION LIMITS FOR INVESTMENT COMMITTEE

SOUTH AFRICA	MS1 – MS10	MS11 – MS13	HIGHER THAN MS13
Public Sector	≤R1 billion	≤R500 million	BCIC
Private Sector	≤R250 million	≤R125 million	BCIC
State Supported Programmes	≤R500 million	≤R250 million	BCIC

TABLE 2: DELEGATED NON SOUTH AFRICA COUNTRY TRANSACTION LIMITS FOR INVESTMENT COMMITTEE

	DEAL RATINGS		
REST OF AFRICA	MS1 – MS10	MS11 – MS13	HIGHER THAN MS13
Low and medium Risk Ratings	≤R1 billion	≤R300 million	BCIC
Higher Risk Rating	R0	R0	BCIC

Linked to country risk rating with a 10% variation allowance for movement in forex.



**PROJECT PREPARATION AND
DEVELOPMENT FACILITY (PPDF)**



**SAMPLE OF DECISION RECORD
INVESTMENT COMMITTEE MEETING**

Date:

PROJECT NAME	
PROJECT NUMBER:	
APPLICANT:	
RECIPIENT:	
SUPPORTING PUBLIC ENTITIES:	
COUNTRY:	
GRANT AMOUNT:	
GRANT TYPE:	PROJECT PREPARATION GRANT
DECISION:	<p>The PEA Investment Committee:</p> <ol style="list-style-type: none">1. Approved a project preparation grant for the amount of to the (Project Sponsor).2. Delegated to the PEA Group Executive: Project Preparation the authority to enter into negotiations and conclude a Project Preparation Facility Agreement with the applicant subject to the Proposed Key Funding Terms and Conditions

RECOMMENDED:

Manager:

Date

APPROVED:

Chairperson

Date:



PROJECT PREPARATION AND DEVELOPMENT FACILITY (PPDF)



PROJECT SUMMARY

Project Title	Project Number:		TBD
	Project Stage		
Financial Data	Project investment value:		N/A
	Funding sources:-		
	Own contribution:		
	DFI contribution:		
	PPDF Grant:		
	Total Funds:		
Grant Applicant / Client Details	Applicant:		
	Supporting Public Entity		
	Project Owner		
	Recipient of the Grant		
	Country / Province:		
Executive Summary			
Sector			
Product Offered			
Development Impact			
Strategic Considerations			
Value Proposition			
Economic and Financial			
Project Scale			
Project timing			
Project quality and Standards			
Sustainability			
Other benefits			

ANNEX 2: PPDF ONLINE APPLICATION FORM

STEP ONE: CONTACT DETAILS	
Name of organisation and address details	Include the name and address of your organisation (town, city, province, country)
Type of organisation	Choose from drop down menu 1. <i>Public entity</i> 2. <i>Private entity as party to a PPP (A Mandate Letter or Contract between public and private entities must be attached hereto)</i>
Organisation's registration number	Include your organisations registration number. This can include, for example, company registration number.
Main contact	Provide the contact details (name, job title, email, cellphone, landline and fax) of the person applying on behalf of the organisation.
Contact details of the organisation	Provide landline telephone, email, facsimile, website, physical address, postal address and website. Please note that this email address will be used for all future correspondence.
STEP TWO: PROJECT INFORMATION	
Project title	Include the title of your project.
Project description	Describe the project in not more than 500 words. The project description should include details on what is to be constructed/ built and how, the problem the project will address as well as a project plan that describes the activities the members will undertake. The project description also includes the location of the project and the length of the project.
Project objective	Describe the objective in not more than 50 words. Project objectives are statements that describe but are not limited to the following: <ul style="list-style-type: none"> • The intended achievements such as outcomes (not outputs) on the target group in the short and medium term. • How the project will address the needs of the target group. • How will the situation be different as a result of the project? • Whether the project is supported by all stakeholders affected and in what way, are the objectives and outcomes measurable. • Critical success factors.
Proposed Project structure	Present the structure in a diagram format and also to provide a short description in 200 words or less.
Sector	Choose from the drop down menu one of the following: 1. <i>Transport infrastructure</i>

	<ol style="list-style-type: none"> 2. <i>Energy infrastructure</i> 3. <i>ICT infrastructure</i> 4. <i>Water and Sanitation infrastructure</i> 5. <i>Tourism related infrastructure</i>
Geographical coverage	<p>Choose from drop down menu</p> <ol style="list-style-type: none"> 1. <i>Within the boundaries of SADC Member States; or</i> 2. <i>Outside the boundaries of SADC Member States for the benefit of a SADC Member State/s.</i>
Current Project Stage	<p>Choose from drop down menu</p> <ol style="list-style-type: none"> 1. <i>Project definition</i> 2. <i>Pre - Feasibility</i> 3. <i>Feasibility Studies</i> 4. <i>Advisory Service required to structure the project and mobilise equity loan funding.</i> <p>Enabling Environment Activities Please attach required information for the applicable stage of your project in the project stage. The concept document should cover the following information:</p> <p><u>General project information</u> (project name, location– town/city and province, country, project background, rationale, objectives,) contextual economic and market assessment.)</p> <p><u>High level Project description</u> (project activities/ business in the context of the PPDF, total project cost, indicate project status – whether existing or new, etc.)</p> <p><u>High level institutional information</u> (governance structures, human resources, manpower requirements, stakeholder relations, management (capacity development and institutional strengthening, etc.)</p> <p><u>High level costs and financing plan.</u></p> <p><u>Statement of development impact</u> (goals/ objectives, impact –local, community, national)</p> <p><u>High level technical information</u> (technology to be applied, alternatives, designs, supporting infrastructure, logistics)</p> <p><u>Legal information</u> (high level corporate structure/ legal entity under which the project will be operating)</p> <p>Studies (Pre-feasibility or Feasibility Studies) Please attach required information for the applicable stage of your project in the project stage. The Pre/ Feasibility Study should cover the following information:</p>

	<p><u>General project information</u> (project name, location– town/city and province, country, project background, rationale, objectives,) contextual economic and Market assessment)</p> <p><u>Project description</u> (project activities/business in the context of the PPDF, total project cost, indicate project status–whether existing or new, etc.)</p> <p><u>Institutional information</u> (governance structures, human resources, manpower requirements, stakeholder relations, management (capacity development and institutional strengthening, etc.)</p> <p><u>Costs and financing plan</u> (funding and capital structure ,capital costs operating costs ,administrative expenses, financial sustainability to be confirmed by the project feasibility)</p> <p><u>Statement of development impact</u> (goals /objectives, impact –local, community, national)</p> <p><u>Technical information</u> (technology to be applied, alternatives ,designs, supporting infrastructure, logistics)</p> <p><u>Legal information</u> (corporate structure/ legal entity under which the project will be operating, corporate documentation ,property and intellectual property ownership, litigation and outstanding clearances, material contracts and agreements, non-disclosures)</p> <p>Advisory services to structure a project Please attach required information for the applicable stage of your project in the project stage. The Feasibility Study should cover the following information:</p> <p><u>General project information</u> (project name, location– town/city and province, country, project background, rationale, objectives, contextual, economic and market assessment)</p> <p><u>Project description</u> (project activities/business in the context of the PPDF, total project cost, indicate project status–whether existing or new, etc.)</p> <p><u>Institutional information</u> (governance structures, human resources, manpower requirements, stakeholder relations, management (capacity development and institutional strengthening, etc.)</p> <p><u>Costs and financing plan</u> (funding and capital structure, capital costs, operating costs, administrative expenses, financial sustainability to be confirmed by the project feasibility)</p>
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	<p><u>Statement of development impact</u> (goals /objectives, impact – local, community, national)</p> <p><u>Technical information</u> (technology to be applied, alternatives, designs, supporting infrastructure, logistics)</p> <p><u>Legal information</u> (corporate structure/legal entity under which the project will be operating, corporate documentation, property and intellectual property ownership litigation and outstanding clearances, material contracts and agreements, non-disclosures)</p>
Project Stage for which funding is being applied for	<p>Choose from drop down menu. (See current stage for definitions)</p> <ol style="list-style-type: none"> 1. <i>Enabling environment and project definition</i> 2. <i>Pre-feasibility</i> 3. <i>Feasibility studies to bring a project to bankability</i> 4. <i>Advisory services to structure a project (e.g. PPPs, Legal etc.) and mobilise equity loan funding.</i>
Development impact	<p>The project's expected development impact can be determined by (but not limited to) the following:</p> <ul style="list-style-type: none"> • Is there sufficient demand for the project (e.g. infrastructure or service) and will the project address this demand and/or is the demand for the project clearly defined in the authorities' development plan? • Is there a proper linkage between the project and the existing infrastructure, including resources? • Project's potential economic viability and affordability in terms of willingness and ability of consumers/ institutions to pay for the service. • Additionality: value added activities within the market chain and/ or improved quality of life, • What will be the primary and secondary long term economic effects of the development intervention, directly and indirectly, intended or unintended? • What will be the estimated economic development impact of the project in terms of economic growth and employment creation on the South African economy? • What is the impact of the project on the needs of the poor?
STEP THREE: PROJECT FUNDING	

<p>Cost to prepare the project</p>	<p>Select the currency and include the total estimated costs of your project for completed and future stages.</p> <p>Indicate the co-funding sources and amounts including own contributions where applicable.</p>
<p>STEP 4: FULL PROJECT BACKGROUND</p>	
<p>TECHNICAL</p>	
<p>(Provide support information up to a maximum of 500 words. Detailed support information should be uploaded under step 5 of the application).</p> <p>The information should address (but is not limited to) questions such as whether:</p> <ul style="list-style-type: none"> • The project is well designed and clear in its conceptual and practical approach. • The methodology is appropriate and mobilises the right kind of expertise. • The respective roles and responsibilities among the project partners and team members are clearly defined. • The work plan is appropriate and realistic with regard to the project goals. • The project location provides any particular challenges (social/environmental/access to infrastructure). • The project is dependent on other projects. • The technology in the project is conventional or untested. • There is already a robust project information memorandum (PIM) or business case. • There are more favourable alternative solutions that meet the objective of this project (maintenance, rehabilitation of existing infrastructure etc.). 	
<p>FINANCIAL</p>	
<p>(Describe the financial position of the proposed project up to a maximum of 500 words. Detailed support information should be uploaded under step 5 of the application).</p> <p>The information should address/ include (but is not limited to) the following:</p> <ul style="list-style-type: none"> • What is the size of the investment value of the project? • A detailed budget for the project with defined milestones. • Whether the scope of works is itemised per budget line item. • Whether the cost for project preparation is informed by credible quotations. • The affordability/ sustainability of the project. • What are the expected tariffs/ sources of revenue to repay debt etc.? • Estimated capital costs. • Any financial analysis done on the project. 	
<p>ECONOMIC</p>	

Describe the economic impacts and benefits of the proposed project up to a maximum of 500 words. Detailed support information should be uploaded under step 5 of the application).

The information should include (but is not limited to):

- Whether there is sufficient demand for the project (e.g. infrastructure or service) and will the project address this demand and/or is the demand for the project clearly defined in the authorities' development plan.
- Whether the project adds value in terms of unlocking economic potential and improvement of user benefits (e.g. are there secondary impacts and/or economic efficiency gains).
- Micro-economic analysis: (describe the return on investment, payback etc., liquidity analysis and sensitivity analysis using some relevant variables etc.)
- Macro-economic analysis (Describe the fundability of the project, economic impact during and post implementation, possible off-takers, power purchase agreements and market risk etc.)

Whether the project is likely to improve the conditions of life by addressing poverty and unemployment.

INSTITUTIONAL

Describe the Institutional set-up of the proposed project up to a maximum of 500 words). Detailed support information should be uploaded under step 5 of the application).

The information should address (but is not limited to) questions such as whether:

- The project sponsor intends to appoint reputable Transaction Advisors to conduct the project preparation.
- The project will be carried out by the sponsor's internal team only or does the project sponsor lack internal or external capacity support.
- The project sponsor has completed and implemented similar projects before?
- A steering committee has been appointed to oversee the implementation of the project.
- The CVs (educational and professional qualifications) and job specifications of the project manager, directors and other staff, who will be involved in the implementation of the project, has been provided.

ENVIRONMENTAL

Describe the environmental impacts and benefits of the proposed project up to a maximum of 500 words). Detailed support information should be uploaded under step 5 of the application).

The information should address (but is not limited to) the following:

Legislative and regulatory requirements

Please indicate which key environmental legislation will be applicable to the project and if permits/ licences/ approvals have been obtained in terms of the applicable legislation.

Institutional capacity for environmental management

Please indicate your organisation's capacity, skills and experience to implement the project in an environmentally responsible manner. This refers to project planning, implementation, (including construction) project operation as well as undertaking monitoring tasks as may be required by various environmental laws. Highlight where your organisation may lack the required skills.

Mitigation of negative impacts

Please describe the most important negative impacts that your project may have on the natural resources in the area where it will be implemented. Indicate what mitigation measures will be put in place to minimise these negative impacts.

Enhancement of positive impacts

Please describe the most important positive impacts that your project will have on the natural resources of the area. Describe what measures you will put in place to enhance the positive impacts on the natural environment.

STEP 5: SUPPORTING DOCUMENTS

Please upload supporting documentation (where applicable) related to the project such as (but not limited to) the following:

- The letter of application signed by the appropriate authorized signatory of the organisation.
- Locality plan (if not included in the project documents).
- Pre-feasibility studies.
- Project information memorandum.
- Project programme.
- Project financing strategy (including potential sources of financing and equity etc.).
- Project budget and financial model (if available).
- Environmental impact analysis approvals.
- Project team organogram.
- Draft terms of reference for the stage applied for (mandatory).

Documents will have to be in one of the following formats: pdf, doc, xl, txt, csv, ppt, odt, rtf, wpd, zip, rar, jpg, gif, png, bmp, tif, docx, xls,xlsx, pptx and should not exceed 15 MB in size.