

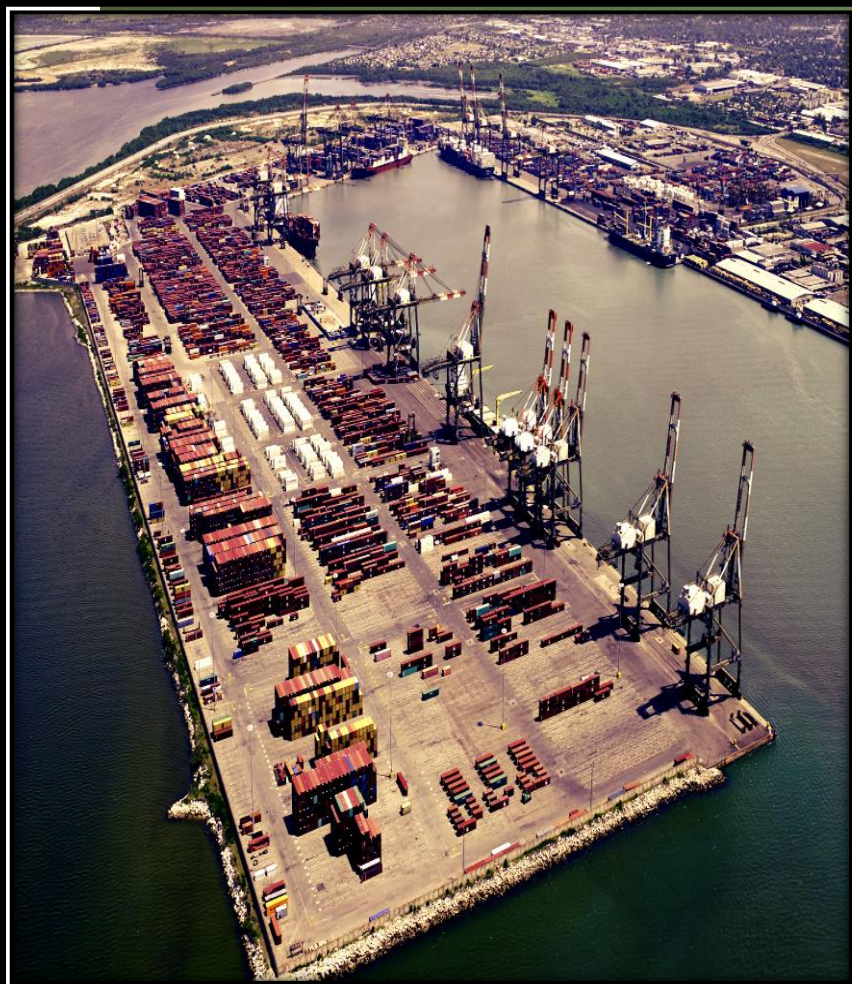


MINISTRY OF FINANCE & THE PUBLIC SERVICE

# JAMAICA'S PUBLIC PRIVATE PARTNERSHIPS (PPP) PROGRAMME

"FOSTERING NEW PARTNERSHIPS FOR NATIONAL DEVELOPMENT"

Kingston Container Terminal



Sangster's International Airport



PPP Tolled Highway





# Public Private Partnerships (PPPs)

Improvements in a country's stock of infrastructure is the heart of growth and development. However, Jamaica has not kept pace with its infrastructure needs. The government has recognized that partnering with the private sector is critical in order to narrow the gap. Hence in 2012, a PPP Policy was developed to guide the arrangements. The Policy provides for the establishment of two PPP Units, one at the Development Bank of Jamaica (DBJ) and the other in the Ministry of Finance and the Public Service (MOFPS).

# Public Private Partnerships (PPPs)

**MOFPS' PPP Unit – responsible for the assessment of value for money (VFM) and fiscal impact of PPP projects.**

**DBJ's PPP Unit - responsible for the development of the Business Case and the Transaction Phase of PPPs. The DBJ is also responsible for the day to day co-ordination of the PPP Programme including the following:**

- ▶ Provide advisory and administrative support to PPP Projects
- ▶ Identify and manage funds for project feasibility development
- ▶ Manage the process through to contract signing.

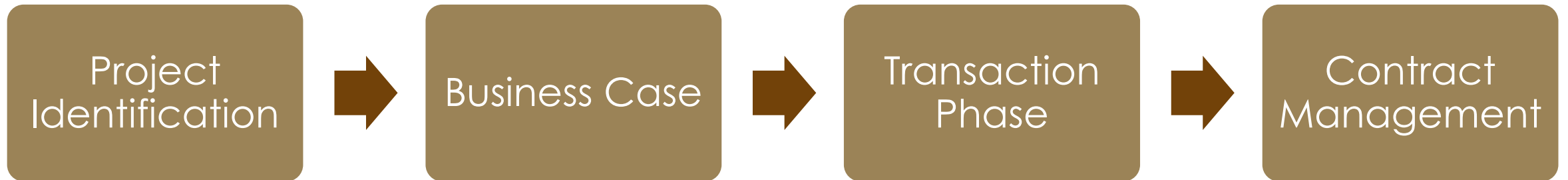
# What are Public Private Partnerships (PPPs)

PPPs are long-term procurement contracts between the public and private sectors, in which the skills of each party is focused in the designing, financing, building and operating of an infrastructure project or providing a service, through the optimum sharing of resources, risks and rewards. PPPs cover assets or services the government is obligated to provide to the Jamaican people.

# The Essential Characteristics of Public Private Partnerships (PPPs)

- ▶ Requires a private party to take on significant risks in the performance of the contract.
- ▶ Involves public infrastructure/asset or service provided for public benefit.
- ▶ Operations or management of the asset or service is within a specified period.
- ▶ Investment is capital intensive with long-term horizon
- ▶ Demand led with long-term estimates
- ▶ Output is a significant cost input to other sectors of the economy.

# Stages in the Public Private Partnerships (PPPs) Process



# Public Private Partnerships (PPPs)

The Four (4) Main Criteria against which a PPP Project is tested and Transaction Stages of the PPP process are:

## 1. Project is viable

- ▶ **Viability:** The project is feasible in that it is effective in meeting government's objectives; technically and legally feasible; environmentally compliant; socially sustainable and economically viable.



# Public Private Partnerships (PPPs)

The Four (4) Main Criteria against which a PPP Project is tested and Transaction Stages of the PPP process are:

## 2. PPP achieves value for money (VFM)

▶ **Value for Money:** VFM is based on two main drivers, namely:

a) *Competition for the award of the contract.* Efforts should be made to encourage wide investor interest.

b) *Optimum risk allocation.* Risk is transferred to the party best able to manage those risks.

# Public Private Partnerships (PPPs)

The Four (4) Main Criteria against which a PPP Project is tested and Transaction Stages of the PPP process are:

### 3. PPP is marketable

- ▶ **Marketability:** There are qualified private parties interested in undertaking the project. The project should be able to generate a commercial rate of return, sufficient to attract such parties and create competitive tension.

# Public Private Partnerships (PPPs)

The Four (4) Main Criteria against which a PPP Project is tested and Transaction Stages of the PPP process are:

## 4. PPP is fiscally responsible

- ▶ **Fiscally Responsible:** The cost of the project to government should be in alignment with fiscal priorities. Also, the project risks retained by the government should not be fiscally destabilizing.

# Public Bodies Management and Accountability Act (PBMA)(Amended in 2014)

- ▶ Section 6B of the PBMA Act provides for the accounting treatment of PPPs. Specifically, the Act states as follows “A public private partnership shall not be entered into by a public entity, except with the approval of Cabinet on the recommendation of the Public Investment Management Committed established under the Financial Administration and Audit Act.

# Accounting Treatment (Enhanced Fiscal Rules)

**PPPs do not create fiscal space. PPPs must be accounted for on the books of the Government.**

▶ Essentially PPPs are either classified as:

- 1. Government Pays**– Project that requires GOJ funding/ support for operations, e.g. schools or hospitals.

This will be covered in the budget as well as the public debt ceiling.



# Accounting Treatment (Enhanced Fiscal Rules)

2. **User Pays**- Projects that have self sustaining operations, e.g. air and sea ports.

**User-Pays** shall not be included in the public debt. Where users pay for the services rendered and it is demonstrated that the project is self sustaining with no reliance on government support, then the debt of the project is included under a separate contingency ceiling for PPPs:

- ❖ Between April 1, 2014- March 31, 2017, the PPP contingency ceiling is 3% of GDP.
- ❖ Between April 1, 2017- March 31, 2026, the ceiling will increase to 8% of GDP.

***Therefore growth in GDP is critical for debt sustainability .***



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