



Successful Public-Private Partnerships in the Caribbean Region

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Definition of PPPs

“A contractual agreement between a public agency and a private sector entity, where the skills and assets of both entities are shared in order to meet the common goal in delivering a service or facility for the use of the general public. The risks and rewards are also shared in the delivery”

US National Council for Public-Private Partnerships



PPP Models

Some examples:

- Design-Build (DB)
- Design-Build-Maintain (DBM)
- Design-Build-Operate-Maintain (DBOM)
- Design-Build-Own-Operate-Transfer (DBOOT)

Water Industry



- ▲ Sydney, Australia, 250,000 m³/d SWRO Plant (DBO)

- ▼ Hadera, Israel, 272,765 m³/d SWRO Plant (BOT)



Water Industry

Public sector's strength:

- Providing public infrastructural needs of the wider population

Private sector's strength:

- New and creative ideas, technologies, and highly innovative solutions, which are especially important in sea water desalination



CASE STUDY I:

Grand Cayman, Cayman Islands

Retail Water Supply - Public Water Utility Concession

- Distributor of potable water to about half the Island's population through a license agreement with the Cayman Islands Government.

Highlights:

- Public sector focuses on being a water regulator
- Private sector focuses on providing a safe and reliable supply of drinking water economically to the public



CASE STUDY II:

Grand Cayman, Cayman Islands

Bulk - DBOOT Contracts

- 3 long-term DBOOT contracts with public sector, supplying a total of 5 million US gallons per day

Highlights:

- Public sector focuses on being a water distributor
- Private sector focuses on providing a reliable bulk supply of drinking water utilising highly efficient technology



CASE STUDY III:

New Providence, Bahamas

Bulk - DBOO Contracts

- 2 long-term DBOO contracts with public sector, supplying a total of 14 million US gallons per day

Highlights:

- Public sector focuses on being a water distributor
- Private sector focuses on providing a reliable bulk supply of drinking water utilising highly efficient technology



PROs and CONs of PPPs

PROS

- Shared experience, expertise, resources and risk
- Potential for decreased capital and operating costs based on high efficiency of private entity
- Alternative financing options available rather than traditional debt financing
- Minimised liability risk and improved health and safety



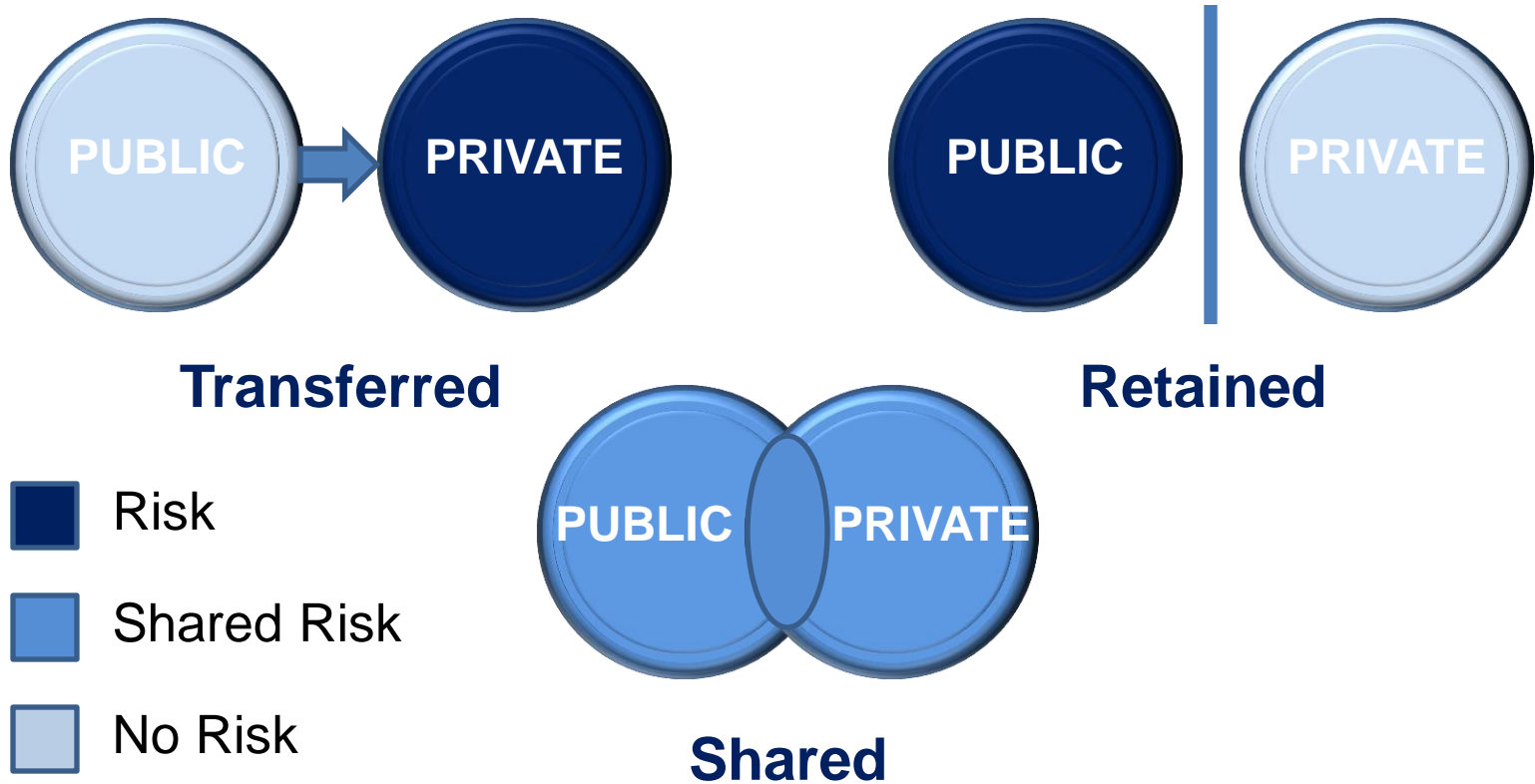
CONS

- Negative perception of lost ownership or control of national assets, public infrastructure or natural resources
- For seawater desalination, issue relating to control of natural resource is not a factor

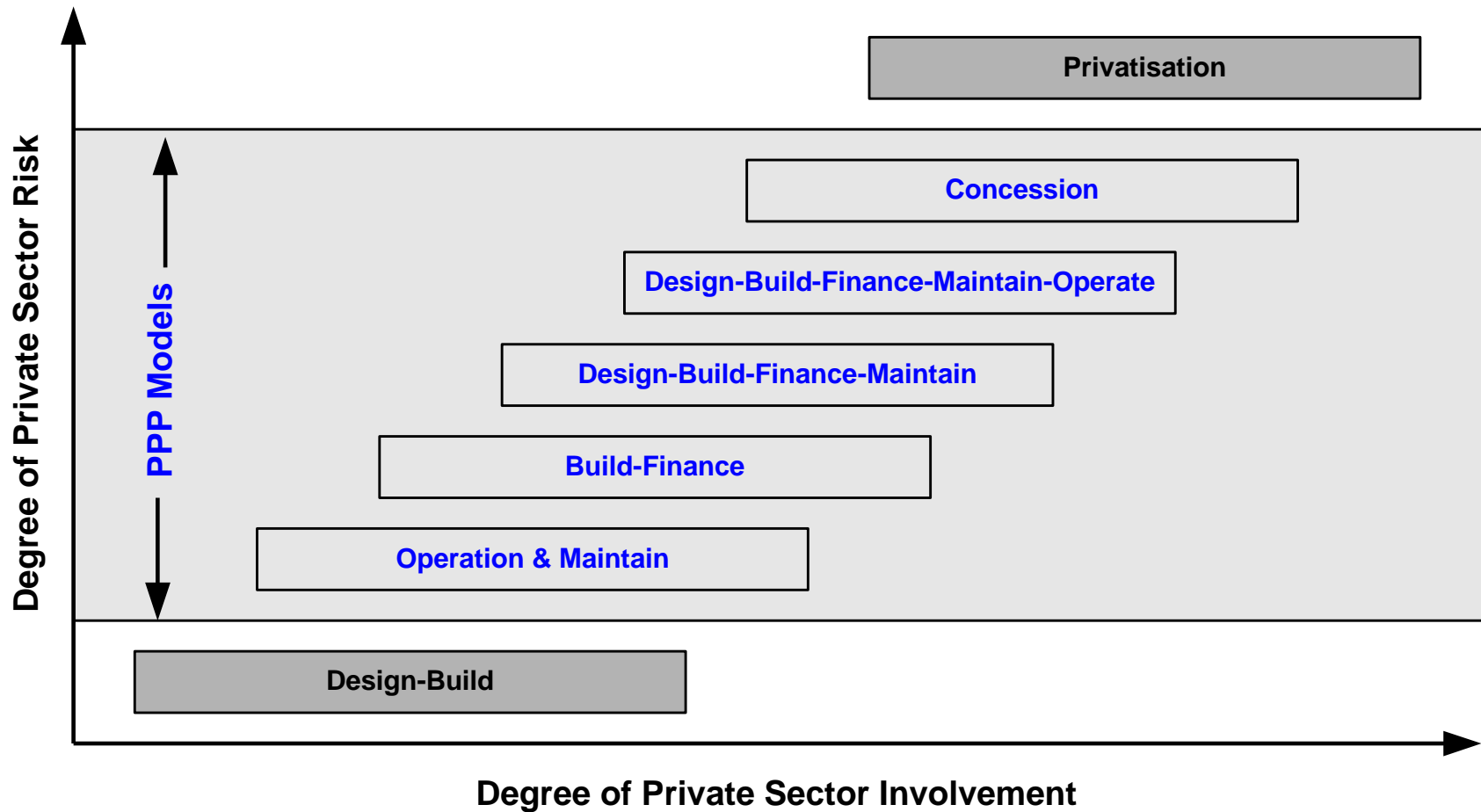


Risk Allocation

Risks can be allocated between the sectors in three ways:



Degree of Risk



Adapted from the Canadian Council for Public-Private Partnerships



Risks Unique to PPPs

- Risks are related typically to long timeframes of projects.
- Unique risk to the public sector
 - Long-term viability of the private entity
- Unique risk to the private sector
 - Discontinuity of government policy across election cycles

10 years

20 years

15 years

25 years





Key Success Factors

Statutory and political environment

- Supporting legislative, political and regulatory conditions

Due diligence

- Reputable background and proven expertise

Contractual terms

- Value for money, defined roles and responsibilities, risk allocation, dispute resolution

Economic viability

- Potential for profit-making



Key to Success

Modified Definition of PPPs

*“A contractual agreement between a public agency and a private sector entity, where the skills and assets of both entities are **allocated such that the skills and capabilities of each entity is maximised**, in order to meet the common goal in delivering a service or facility for the use of the general public. The risks and rewards are also shared in the delivery **according to its strength.**”*