Government of the Bahamas

Public-Private Partnerships (PPP) Policy

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List of Abbreviations

BOLT:	Build Own Lease Transfer
BOO:	Build Own Operate
BOT:	Build Operate Transfer
DBFM:	Design Build Finance Maintain
DBFOM:	Design Build Finance Operate Maintain
EoI:	Expressions of Interest
ICT:	Information and Communications Technology
MDA:	Ministry, Department, or Agency
OMM:	Operations, Maintenance & Management
PCN:	Project Concept Note
PPP:	Public-Private Partnership
RE:	Renewable Energy
RFEoI:	Request for Expressions of Interest
RfP:	Request for Proposals
SMART:	Specific, Measurable, Achievable, Realistic, and Time-bound.
SME:	Small and Medium-Sized Enterprises
USP:	Unsolicited Proposal
VfM:	Value for Money

1. Introduction

The Government of the Bahamas is committed to improving the quality of economic and social infrastructure across the Bahamas. The Government also recognizes that the public and private sectors both have roles to play in delivering the high-quality, responsive, resilient, and sustainable infrastructure services that the Bahamas needs.

To that end, the Government will engage in Public-Private Partnerships (PPPs), which are relationships with private sector entities, designed to introduce private sector resources and expertise into public infrastructure projects. PPPs will be used to support many of the Government's key policy objectives in infrastructure.

The provision and maintenance of appropriate infrastructure is essential to sustain economic and social development. In the Bahamas, the provision of quality infrastructure is challenged by the geographic dispersion of the islands, coupled with low population densities of the Family Islands. These factors result in higher than average infrastructure costs and create particular challenges with regard to policy, management and maintenance.

There are critical infrastructure gaps that urgently need to be addressed, in order to support medium and long-term growth and social development. PPPs will provide much-needed resources for improving infrastructure in the Bahamas. PPPs will be designed to improve the Value for Money (VfM) achieved from Government resources committed to infrastructure sectors. The Government's decision to implement a project as a PPP will be based on careful consideration of whether doing so will provide the best VfM.

This PPP Policy sets out the following:

1. **PPP definition**, and the essential features of PPP contracts.
2. **Objectives and scope** of the PPP programme, in the context of the Bahamas' development objectives, and the specific objectives of this PPP Policy.
3. **Key commercial principles** by which PPP contracts will be structured.
4. **Institutional responsibilities** for the PPP programme, and for developing, implementing, and approving PPP projects.
5. **Processes** by which PPP projects will be identified, developed, procured, and managed—including how the Government will treat unsolicited proposals.
6. Fiscal implications of PPP projects.
7. Transparency and accountability in the PPP programme.

This PPP Policy provides a high-level framework for the principles and processes underlying the Bahamas PPP programme. This policy may be supported by detailed guidance material and tools, intended to further clarify and help government officials meet the requirements set out in this policy.

2. PPP Definition

A **Public-Private Partnership (PPP)** is a long-term contract between a private party and a government agency, for providing or managing a public asset and associated service(s), in which the private party bears significant risk and management responsibility. In this context:

1. The **private party** to a PPP contract may be any majority privately-owned company or consortium.
2. The **Government agency** implementing the project may be a Ministry, a State Enterprise, a Statutory Body, or any other Government contracting authority. This agency retains overall responsibility for ensuring the service is provided to the public, at the quality required, by carefully monitoring the PPP contract.
3. The **public asset or service** may be a new infrastructure or other investment, or may involve the transfer of existing infrastructure or other public assets and services. PPP may be used in wide range of sectors, and for a wide range of assets and services—provided the public sector has an interest in having the service provided.
4. The **nature of a PPP contract** may vary; but involves the private sector bearing significant risk and management responsibility, for the delivery of a public asset or service. Annex 1— **Common PPP Structures**, lists the most common types of PPP contracts.

PPP contracts are designed to achieve several objectives:

1. **Transfer management responsibility** for delivery of a public asset or service to the private party, over the duration of a long-term contract. This may involve financing, designing, building or rehabilitating, maintaining, and operating the public asset and associated services; or some subset of these functions.
2. **Remunerate the private party based on outputs delivered**—such as the availability of the asset or the provision of services to clearly-defined performance standards. Payments to the private party may be made by users, by government, or by a combination of the two. Penalties may be imposed, by the government party or by regulatory agencies, for failure to meet contractually-specified standards.
3. **Allocate risk to the public and private parties clearly**, comprehensively, and in a way that achieves best VfM, by ensuring that each party bears those risks they are best suited to manage.

PPPs can help achieve greater value in providing infrastructure by tapping into the resources and expertise of the private sector, and creating incentives for good performance—as described further in Box 1 on **PPP Value Drivers**. However, PPP contracts are more complex to prepare, procure and monitor than traditional public procurement contracts—and hence present new challenges and risks. This PPP policy aims to provide a framework for managing PPPs in the Bahamas, in a way that capitalizes on these value drivers and manages the associated risks.

Box 1: PPP Value Drivers

PPPs can help increase the availability, quality, and resilience of infrastructure and other public services, while reducing the fiscal commitment and risk to the Government. Well-structured and managed PPPs can do so in several ways.

First, PPPs can **mobilize additional funding and financing sources** for infrastructure. Charging users or customers for products and services can also bring in more revenue to fund investment in public assets (for example, toll roads and bridges), and can sometimes be done more effectively or more easily with private operation under a PPP than by the public sector. Private operators may also find new ways to raise additional revenues from alternative uses for public assets, offsetting their cost to the government or service users (for example, through advertising revenues). Even where PPPs are ultimately paid from the public purse, the fiscal risk associated with financing and constructing new infrastructure is reduced by risk-sharing with the private party—although the government typically also retains risks, creating contingent liabilities that should be identified and taken into account.

PPPs can **achieve better Value for Money** from those resources—whether reduced costs or improved quality—through the following mechanisms:

1. **Whole of life costing**—PPP typically integrate up-front design and construction costs with ongoing operations and maintenance, under the responsibility of one company. This creates an incentive to carry out each function in a way that minimizes total project cost over the long term.
2. **Adequate maintenance funding** is thereby ensured over the asset lifetime, to avoid costly degradation of assets, and providing budget predictability.
3. **Innovation and efficiency**—specifying outputs in a contract, rather than over-prescribing inputs, provides opportunity for innovation in both asset design and process efficiency, and competitive procurement incentivizes bidders to develop innovative.
4. **Focus on service delivery**—under a PPP the responsible agency enters a long-term contract for services delivered. The PPP firm is focused on service delivery, free from competing objectives or constraints typical in the public sector.
5. **Accountability**—government payments, when necessary, are conditional on the private party providing specified outputs at the agreed quality, quantity, and timeframe. If performance requirements are not met, service payments may be abated and/or financial penalties applied.

3. Objectives and Scope

The Government of the Bahamas will use PPPs as an instrument to implement priority investment and infrastructure projects that are aligned with the Government's development objectives, where doing so is expected to provide the best value for scarce resources. This section briefly sets out the objectives of the PPP programme, in the context of the Bahamas' development objectives, and the specific objectives of this PPP Policy.

3.1. Objectives of the Bahamas' National PPP Policy

This National PPP Policy (the Policy) sets out clearly how the Government of the Bahamas will identify, develop, implement and manage PPPs. The Policy aims to ensure the potential benefits of using PPPs, to deliver public assets and services bear out in practice, such that PPPs are developed effectively and efficiently, and in a way that achieves VfM, both for the Government and service users. It also aims to guide the private sector on what they can expect in developing and implementing PPP projects with the Government of the Bahamas.

The major objective of this Policy is to ensure PPP projects are selected, developed, and implemented according to the following **guiding principles**:

1. **VfM**—PPPs are selected and structured to achieve the optimal combination of benefits described above.
2. **Fiscal responsibility**—the fiscal impact of PPP projects is well-understood, their expected costs are affordable, and the level of fiscal risk (including contingent liabilities) is acceptable to the Government.
3. **Transparency and probity** in how PPPs are identified, developed, procured and managed.
4. **Environmental and social sustainability**—environmental and social impacts of PPP projects are carefully assessed, and are managed and mitigated appropriately.
5. **Partnership and inclusiveness**—PPPs meet and balance the objectives of all interested parties—the government agency and private party, as well as service users and other stakeholders—and are managed through a spirit of partnership and cooperation to achieve common goals of improved infrastructure services.

3.2. Scope of the Bahamas' PPP Programme

Pressing development issues facing the Bahamas include: (i) upgrading social and economic infrastructure; (ii) reducing the constraints on access to quality education and training; (iii) increasing social inclusion and enhancing citizen security; (iv) boosting competitiveness of the private sector, especially Small and Medium-Sized Enterprises (SMEs); (v) improving public finances and planning; and (vi) strengthening resilience to climate change and disaster risk management.

Meeting the Bahamas' infrastructure need is beyond the fiscal capacity of the Government alone, and the Government of the Bahamas intends to engage the private sector in providing and managing public assets through PPPs. The objective of the PPP programme is to make the best use of the financial and technical resources of the public and private sectors to provide high-quality, responsive, resilient, and sustainable public assets and services in a way that achieves VfM for the Government and service users.

PPPs will be used to deliver high-priority projects that are central to achieving the Bahamas' overall development objectives, where the use of PPPs is expected to deliver greater VfM than other procurement and implementation alternatives. The Government will therefore consider PPPs for proposed investment projects that have the following characteristics:

1. **Assets with significant investment value**. Since the cost of preparing and managing a PPP contract is significant for both public and private parties, PPP will typically only be considered for projects with a minimum investment value of US$10 million. However, smaller projects could be considered on a case by case basis.
2. **Output requirements that can be clearly specified and monitored**. Specifying outputs rather than inputs, and linking payment to delivery of those outputs, are key features of PPP contracts. PPPs will therefore be used only for delivering assets and services whose outputs can be clearly and contractually specified, and effectively monitored in practice.
3. **Outputs address stable needs over the contract lifetime**. The long-term nature of PPP contracts reduces the flexibility of the Government to adjust specifications over time. PPPs will therefore be considered for assets and services for which needs are expected to be relatively predictable—while also building in mechanisms for dealing with change.
4. **Scope for innovation or improved infrastructure performance.** The use of PPPs will be focused on those sectors and services that are currently under-performing, or where the Bahamas could benefit most from introducing private sector and international experience and expertise. This would include sectors where there is a need for expansion, innovation and/or the adoption of new technology.
5. **Ability to generate revenues beyond Government payments**. To maximize benefits in alleviating fiscal constraints, the use of PPPs will be focused on projects that are expected to generate commercial revenues, whether from charging service users or ancillary sources.
6. **Priority sectors**. PPPs will be used to deliver new assets and services to support the delivery of priority actions in the Bahamas, as well as essential or emerging sectors to deliver new assets and services where priorities might arise. PPPs will be used to develop new assets and services in the following economic sectors:

   i. Electricity generation and distribution, including the development of Renewable Energy (RE) sources, in the Family Islands;
   ii. Ports;

iii. Airports;

iv. Roads and bridges;

v. Information and Communications Technology (ICT);

vi. Urban renewal; and

vii. Government buildings and facilities.

4. PPP Commercial Principles

PPP contracts will be designed to achieve the best VfM for the Government and service users. To that end, this section outlines commercial principles that will guide the preparation of PPP contracts in the Bahamas. The Government may develop and adopt detailed guidance material and standardized PPP contract forms that encapsulate these commercial principles.

4.1. Risk Allocation and Management

Appropriate allocation of risk between the Government and private party is critical to successful PPP projects. Project risks will be allocated following the principle that each party bears the risks they are best-placed to manage. This means risks will be allocated to the party best able to:

1. Influence and hence minimize the risk, where possible;
2. Anticipate or respond to the risk, if it cannot be influenced or avoided; and
3. Absorb the risk, where it cannot be influenced and its impact cannot be controlled.

Following these principles, the party to which a risk is allocated will also have control over decisions related to the risk factor. Examples of risks to be considered include land acquisition risks, design and construction risks, demand risk, macroeconomic risks such as inflation and foreign exchange rates, regulatory risks and force majeure risks.

Risk allocation will be achieved primarily through the PPP contractual agreements. Allocation mechanisms may include the performance-based payment and penalty mechanisms described in Section 4.2. Where appropriate, Government may consider the provision of guarantees or indemnities, as a mechanism for accepting or sharing certain project risks. The Government will accept or share in only those risks that the Government is best positioned to manage, and will not offer loan guarantees or guarantees on overall project returns.

To ensure the intended risk transfer to the private party is achieved in practice, a minimum level of equity finance may be required. Performance bonds may also be required in cases or project stages where the equity of the private party is limited.

The Government may adopt detailed guidance and tools for risk allocation and management, including defining preferred risk allocations.

4.2. Payment Mechanisms and Performance Specifications

The PPP contract will clearly set out the performance standards required for the delivery of services, and the mechanism(s) by which the private party will be paid. A key feature of PPP contracts is that these payments are performance linked, such that the private party's remuneration depends on achieving or surpassing contractually-defined minimum performance standards.

Performance standards will be output-based—that is, they will define the standards of the asset or service required, rather than specifying how those standards should be achieved. For example, a bridge PPP would not over-specify the technology to be employed by the private party, so long as the resulting asset/service meets or surpasses minimum service standards. They will also be SMART: Specific, Measurable, Achievable, Realistic, and Time-bound.

Payment mechanisms by which the private party will be remunerated may include user charges, Government payments or a combination of the two, as follows:

1. For PPPs that involve charging users for services, such as a toll road or bridge, the PPP contract will establish the right of the private party to collect charges and mechanisms and responsibilities for setting and/or adjusting the level of charges over time.
2. For PPPs where the Government pays for the delivery of assets or services, payments will generally commence only upon delivery of the asset or service to the contractually-specified standards. Payments may be linked to availability of the asset or delivery of specific outputs. Government payments may in some cases include capital contributions during construction (viability gap funding), where this is considered to result in the best VfM. Any such payments will be linked with achievement of contractually-defined construction milestones by the private party. The contract will define the timing and mechanism by which Government payments will be made.

In either case, the PPP contract may also define **bonuses or penalties** for achieving or failing to achieve clearly-defined performance targets. The PPP contract may also require the private operator to post performance bond(s), to ensure compliance with contractual minimum standards

4.3. Fiscal Incentives

PPPs in the Bahamas will not be eligible for any PPP-specific fiscal incentives. All PPP projects may avail themselves of standardized fiscal incentives, as applicable to all private sector projects in the Bahamas.

4.4. Refinancing

When a PPP is being implemented, changes to the project risk profile or in capital markets may mean that the private party can replace or renegotiate its original debt on more favourable terms. Each PPP contract will set out how the gains from refinancing will be determined and treated. The preferred approach will be to split such gains 50:50 between the public and private parties to the contract.

4.5. Dispute Resolution Mechanisms

Due to the long term and complex nature of PPP contracts, differences in interpretation can arise, leading to disputes. Each PPP contract will establish a resolution process to ensure disputes are resolved quickly and efficiently, without interruption of service. The preferred approach will be first one of mediation, followed by arbitration, and in only as a last resort to turn to litigation through the courts.

4.6. Termination Provisions

Upon termination of the PPP contract, the project assets will revert to the Government. A termination date will be clearly set in the PPP contract, along with arrangements for contract close and asset handover. The PPP contract will also set out circumstances that would allow for early termination by both parties, and the financial consequences thereof. While the latter may vary by project, the Government will generally not make termination payments that include compensation to equity holders that are a result of private party default.

4.7. Renegotiation

Given the long-term nature of PPP projects, unpredictable changes over the lifetime of the contract are inevitable. PPP contracts will therefore include appropriate adjustment mechanisms, by which service levels or payment mechanisms may be adjusted, in response to changing market and technological circumstances. Such adjustment mechanisms will aim to create a clear process and boundaries for change.

PPP contracts will be carefully designed to minimize the need for renegotiation during the contractual term, by building in appropriate mechanisms for dealing with change. Contract renegotiations will be approached with caution, given the absence of competitive pressure on the private party. The Government will accept an offer for renegotiation only if it believes that renegotiation is likely to improve VfM, and if the same ends cannot be achieved within the terms of the existing contract.

Any proposed renegotiation will be approached following the same principles, criteria and analysis as a new PPP contract. Cabinet approval will be required for the revised contract. Where renegotiation requires adjustment to contractual payments, Government will use benchmarking or market testing, in lieu of a competitive process, to help ensure VfM.

5. Institutional Responsibilities for PPPs

Developing and implementing PPP projects will require close coordination between several Government entities, private entities and third parties. The PPP programme will be overseen by the PPP Steering Committee. A team in Ministry of Finance will be designated as a **PPP Operational Unit**, to act as secretariat to that Steering Committee, and supervise the day-to-day management of the PPP programme. Each PPP initiative will be the responsibility of the sponsoring Ministry or Government Agency, and will be implemented by a multi-agency Project Team. Proposed PPPs will be reviewed and approved by Cabinet, at key stages in the development and procurement processes.

The roles of the PPP Steering Committee, PPP Operational Unit, and PPP Project Teams - as well as the responsibilities for review and approval of PPP projects - are described below.

5.1. PPP Steering Committee

A PPP Steering Committee will be established to provide direction to the PPP programme, and oversee the development and implementation of PPP projects. The responsibilities of the PPP Steering Committee are as follows:

1. Guide the development of PPP policy;
2. Select projects to be developed as a PPP, based on an initial screening by the sponsoring Ministry or Agency, with help from the PPP Operational Unit, as needed;
3. Hold PPP Project Teams accountable for developing and implementing PPP projects, following an agreed processes and timelines;
4. Recommend key contract terms and preferred bidders in PPP projects, for approval by Cabinet;
5. Guide Contract Managers to monitor the project, and manage changes, during the lifetime of the PPP contract; and
6. Periodically commission independent evaluations, of individual PPP projects, as well as the national PPP programme.

The PPP Steering Committee consists of Permanent Secretaries of the following Ministries or Government agencies:

1. Ministry of Finance
2. Ministry of Public Works
3. Prime Minister's Office
4. Attorney General

The Permanent Secretary from the Ministry of Finance will act as the Chair of the Steering Committee. Representatives from other Ministries may temporarily join the Steering

Committee, when projects under their portfolios are being considered or implemented as PPPs. Representatives from the private sector may also be periodically invited to sit on the Steering Committee, provided that they sign non-disclosure agreements, and that they agree to recuse themselves, in cases where conflicts of interest may arise.

5.2. PPP Operational Unit

The Ministry of Finance will designate a **PPP Operational Unit**, to act as Secretariat to the PPP Steering Committee in managing the PPP Programme. The responsibilities of the PPP Operational Unit are as follows:

1. **Develop and disseminate PPP Policy**. Advise on development of PPP policy and regulation; develop guidance material and templates and build understanding in public and private sectors of the Government's PPP programme.
2. **Deliver the PPP programme**. Ensure that all PPP projects are developed in accordance with this PPP Policy, and the principles and processes contained herein. This includes ensuring that projects are properly reviewed against required criteria at each stage; that review processes are completed; that Cabinet submissions include all the information required for well-informed decisions; and that PPP projects are well managed.
3. **Contribute to development of PPP projects.** By forming part of the PPP Project Team responsible for developing each PPP project, the Unit will provide technical input to sponsoring Ministries and Agencies.
4. **Ensure adequate funding for project development and procurement.** Assess the internal and external costs of developing, structuring, and transaction advisory services; and ensure that funds are made available from budgetary sources, donors or other sources.
5. **Be a repository of skills and knowledge.** Continually build institutional knowledge about structuring and managing PPPs, drawing from domestic and international experience. This includes compiling information on PPP projects in the Bahamas and the Caribbean region, and systematically analysing the success of those projects—what has worked and what has not worked—to inform the development of the PPP programme in the Bahamas.
6. **Conduct consultation with stakeholders:** The PPP Operational Unit will be responsible for conducting sensitisation sessions with relevant stakeholders (Government, private sector, civil society, etc.) in the Bahamas, to spread awareness and understanding of PPPs.

5.3. PPP Project Teams

A **PPP Project Team**, reporting to the PPP Steering Committee, will be established for each project selected for implementation as a PPP. For each project that is taken forward, the PPP Operational Unit will analyse the skills and time commitments required to develop, evaluate, and procure each project, and recommend the individuals who will comprise the PPP Project Team.

Project Team members will include senior officials from the sponsoring Ministry or Agency, who will act as the chair, the Ministry of Finance, and the PPP Operational Unit, who will provide technical advice. The Project Team will be supported by suitably qualified advisers.

The Project Team will be responsible for developing the Business Case and managing the Transaction. These functions will include, but are not limited to:

1. Supervising consultants;
2. Evaluating whether the project meets the PPP Criteria;
3. Drafting the Business Case documents and accompanying Steering Committee submission;
4. Structuring the PPP;
5. Drafting project agreements (with assistance from legal counsel);
6. Prequalifying bidders;
7. Drafting and issuing the RfP; and
8. Conducting the tender, evaluating bids; and providing support to the contracting agency until contract award and financial close.

When the PPP transaction reaches financial close, the project will be handed over to a **Contract Manager**, or management team, who will be appointed by the responsible Ministry or agency, to manage the PPP contract throughout its duration. The Contract Manager will be brought into the project prior to financial close, to become familiar with its contractual terms, and may refer to the PPP Steering Committee, to provide guidance as needed to manage change over the contract lifetime.

5.4. PPP Reviews and Approvals

All PPP projects will require review and approval at key stages in the PPP development process. The objectives of these reviews and approvals are to ensure that PPP projects are aligned with Government priorities, are developed according to this Policy and its guiding principles, and are approved at the highest levels of Government.

Table 1 below sets out PPP review and approval requirements. At each stage, approvals will be based on the relevant submission demonstrating that the PPP is (or is expected to be) compliant with the PPP Criteria set out in Box 2. The PPP Project Team will be responsible for coordinating this review and approval process—except for the Project Concept Note stage, which may be part of the broader Public Investment Management process.

Table 1: Reviews and Approvals

Stage	Responsible Agency	Approving Authority	What is Approved
1. Project Identification	Sponsoring Ministry of Agency	Steering Committee	Decision to proceed to Business Case; approval of budget allocation

2. Project Screening	PPP Operational Unit, Project Team	Steering Committee	Project Concept Note (PCN), and decision to proceed to Business Case
3. Business Case	PPP Operational Unit, Project Team, Steering Committee	Cabinet	Business Case Report, project structure, and decision to proceed to procurement
4. Prequalification	PPP Operational Unit, Project Team	Steering Committee	List of prequalified bidders
5. Transaction	PPP Operational Unit, Project Team, Steering Committee	Cabinet	1. Preliminary approval of Draft Bid Documents 2. Final contracts prior to issue of Request for Proposals (RfP) 3. Signing of PPP Contracts, upon receiving non-objection from the Minister of Finance
6. Contract Management	PPP Operational Unit, Contract Manager	Steering Committee	Periodic monitoring reports

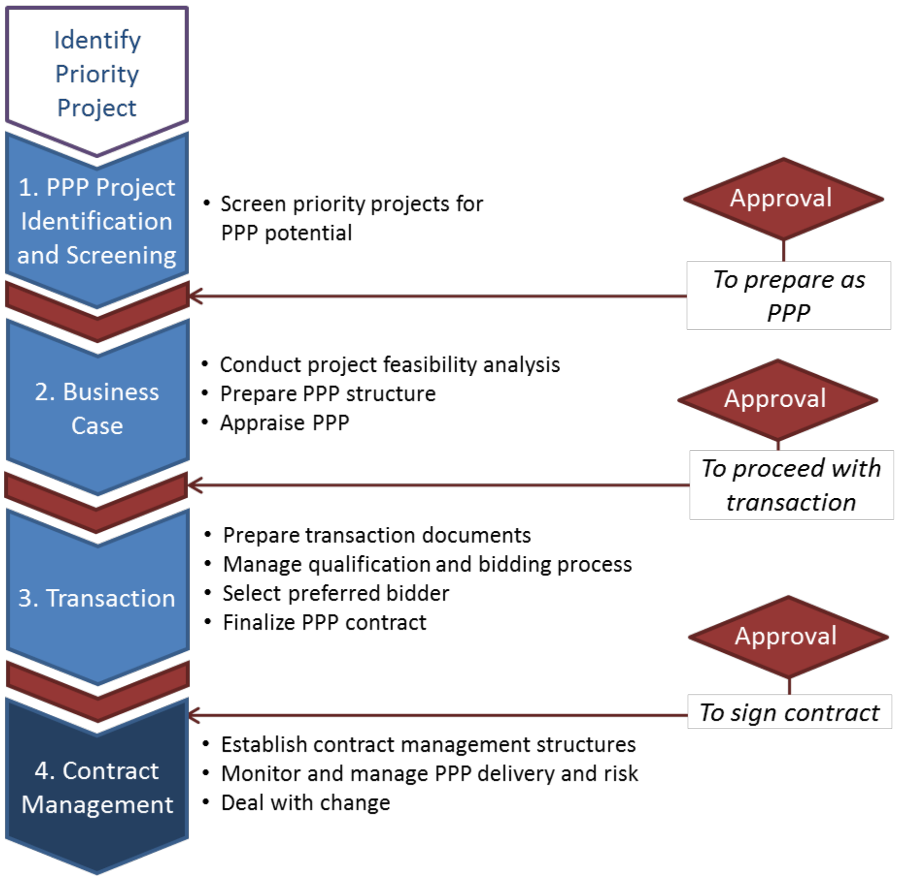
6. PPP Procurement Processes

To achieve the objectives stated in this PPP Policy, all PPP projects in the Bahamas will be developed and implemented following a consistent, transparent process. In general, the PPP process consists of four stages, as shown in Figure 1:

1) Identifying and screening potential PPP projects;
2) Developing a business case;
3) Preparing for and implementing a PPP transaction; and
4) Managing PPP contracts.

Figure 1 below sets out the criteria against which a proposed PPP will be assessed at each key decision point.

Figure 1: Standard PPP Development Process



The following sections provide an overview of each stage of the PPP process. Detailed guidance and tools may be prepared and adopted to support responsible Government officials at each stage. Box 2 below shows the key PPP project appraisal criteria.

Box 2: PPP Project Appraisal Criteria

To ensure that the objectives of the PPP programme are achieved in practice, the Government will ensure that all PPP projects meet the following four criteria:

1) **Feasibility and economic viability of the project**—the underlying project makes sense, in that it is central to policy priorities and sector and infrastructure plans; that it is technically, legally, environmentally and socially feasible; economically justified and the least-cost solution to the identified service need.
2) **Fiscal responsibility**—the project's cost to Government is in line with fiscal priorities, and risks retained by Government (both explicit and contingent) would not be fiscally destabilizing.
3) **Commercial viability**—there are qualified private parties available to implement the project, and the project is expected to provide a commercial rate of return sufficient to attract such parties and create competitive tension.
4) **Value for money (VfM)**—the proposed PPP is expected to achieve VfM, compared to alternative implementation options; and (that is, the PPP is well structured).

6.1. PPP Project Identification and Screening

PPPs are first and foremost public investment projects. Hence, as shown in Figure 1, the process of developing and implementing a PPP is preceded by identifying a priority public investment or service need. The aim of this stage is to select from among priority projects those that are expected to provide better VfM if implemented as PPPs.

Identifying priority public investments and service needs in a given sector is primarily the responsibility of the Ministry, Department, or Agency (MDA) responsible for that sector. From among the list of priority projects put forward by the MDAs, those investment projects that have the characteristics listed in Section 3.1: **Objectives of the Bahamas' National PPP Policy** may be considered for implementation as PPPs. In certain circumstances, potential PPP project ideas may also arise from unsolicited proposals from the private sector, as described in Section 4.5 **Unsolicited Proposals** below.

Potential projects will be screened for their PPP potential, by carrying out a quick and approximate check that a PPP solution is likely to meet the criteria described in Box 2 above—**PPP Project Appraisal Criteria.** Depending on the complexity of the project, this could require stakeholder consultations, and pre-feasibility analysis by specialist consultants, to identify technical solutions and major risks, and estimate project costs and revenues. Project screening will seek answers to the key questions shown in Box 3: **PPP Suitability Analysis.**

Box 3: PPP Suitability Analysis

When the Government plans to deliver a project, it must assess whether the project is suitable for procurement as a PPP, based on how likely it is to generate VfM for the government and users. The results of the Suitability Analysis are used to identify weaknesses in the project's characteristics or scope, as well as the inherent risks of the project. The Government may conduct two levels of analysis: Project Suitability, and Context Suitability:

Criterion	**Project Suitability**
Project objective	Does the project involve the supply of a public service?
Project type	Does the project allow a substantial transfer of risk to the private sector?
Project size	Does the size of the project justify the transaction costs?
Project plans	Are there preliminary design or implementation plans?
Value for Money	Will the project provide VfM for Government and users?
Market Precedents	Does the PPP market have experience with similar projects?

Criterion	**Context Suitability**
Support	Is there sufficient support for PPP delivery – including donor support?
Institutions	Are there institutional structures in place to implement PPPs?
Appetite	Will there be sufficient private sector interest?
Finance	Is there a functioning project finance market?
Public sector capacity	Does the government have the required skills to implement a PPP?

The Suitability Analysis will be presented by the relevant MDA in a **Project Concept Note**, along with an estimate of the work and resources required to develop a business case and prepare for a transaction.

This Project Concept Note will be submitted to the PPP Steering Committee, for review and approval to proceed to the Business Case stage. The contents of the Project Concept Note will include but not be limited to the contents shown in Table 2 below.

Table 2: Contents of Project Concept Note.

Heading	Contents
Project	Name and location of project
Project Description	Description of project (investments, services, etc.)
Rationale	Problems the PPP project intends to solve, such as physical deficiencies, inefficiencies, financial and regulatory issues, etc.
Implementing agency	Name and contact information of implementing agency or agencies
Project History	Description of work completed and current position in project cycle
Project Schedule	Key dates and events up to the present time
Needs Analysis	The project development activities and timeframe, starting with the appointment of consultants and ending with the selection of the private party and financial closure.
Pre-Feasibility Analysis	Findings and conclusions
PPP Suitability Analysis	Findings and conclusions
Options Analysis	Findings and conclusions
PPP Model	Findings and conclusions
Risk Assessment	If known, type of PPP contract, payment mechanism, duration, and expected benefits from PPP
Key financial Information	Identification of key risks and challenges in the implementation of the PPP project
Recommendation	If known, investment costs, annual operating costs, contract value and expected impact on public finance
Funding Request	Total estimated budget for further project preparation and procurement and the amount requested. It can also include recommendations on cost sharing arrangements with the winning bidder, through the competitive tendering process.

6.2. Business Case

Once a priority public investment project has been identified and initially approved for development as a PPP, the next step is to develop a Business Case. A project Business Case sets out the scope and proposed structure of the project, and a detailed assessment of its viability and suitability for implementation as a PPP.

Developing a Business Case is an iterative process, through which the scope and structure of a proposed PPP is progressively developed and assessed against the criteria set out in Box 2: **PPP Project Appraisal Criteria**. Depending on the nature of the project, the work involved in preparing a Business Case will include, but not limited to:

1. Further stakeholder consultations on project needs and options.
2. Technical feasibility analysis, including identifying costs and significant risks.
3. Preparation of concept design drawings.
4. Social and environmental impact assessments and management plans.
5. Financial and economic analysis of the project and of proposed PPP structures, including estimating revenues.
6. Developing key commercial terms for the proposed PPP, including the contract type, risk allocation, and payment mechanisms, following key commercial principles described in Section 0, and assessing its commercial attractiveness, including through initial market sounding.
7. VfM analysis: assessing and articulating the rationale for implementing the project as a PPP under the proposed structure in terms of VfM for government and service users.
8. Fiscal analysis: identifying and assessing the level of fiscal support required for the project—both direct, and contingent through the risks to be accepted by Government under the proposed structure—and the affordability of this support given fiscal priorities and constraints (with reference to the treatment of PPP liabilities described in Section 0 below).

The Business Case will present the resultant project scope and structure, and summarize the results of this analysis, demonstrating the compliance of the proposed project with the criteria described in Box 2. The Business Case will be prepared by the PPP Project Team, with assistance and review by the PPP Operational Unit, and submitted to the PPP Steering Committee for review and approval. The Steering Committee may request additional analysis to be done by the Project Team, or by specialist consultants, on certain aspects of the Business Case Report. Upon final approval of the Business Case by the Steering Committee, the Report will be submitted to Cabinet, as described further in Section 5.4: **PPP Approvals**.

Table 3 below provides guidance on the components of the Business Case report.

Table 3: Contents of the Business Case Report

Criterion	Demonstration
Effective in meeting government objectives	The project is consistent with the sector's overall strategy, relevant development plans and integrates with existing and planned assets and services.
Technically feasible	A feasibility study indicates that the project as defined for consideration as a PPP is technically feasible.
Legally feasible	Legal due diligence has assessed all legal issues bearing on the project, including reviewing applicable laws and regulations, use rights, and legalities of the project site, and indicates the project is legally feasible.
Environmentally compliant	Environmental impact assessment(s) indicates that the project is, or is highly likely to be, in compliance with environmental laws, and that any negative impacts have been mitigated to the fullest extent.
Socially sustainable	A social impact assessment and public consultation indicate the project is socially sustainable.
Economically viable	An economic analysis of the project (as defined for consideration as a PPP) indicates the project is economically viable.

6.3. Transaction Implementation

Once Cabinet has given its approval to proceed based with implementation of the PPP project on the basis of the Business Case, the PPP Project Team will prepare and implement the PPP transaction. The objectives at this stage are twofold:

1) To select a competent firm or consortium to act as the private developer/operator; and

2) To identify the most effective and efficient solutions to the proposed project's objectives—both from technical, and VfM perspectives.

Achieving these objectives requires a well-prepared, transparent, competitive transaction process. The primary means to reach the government's objectives is through competition. PPP procurement will aim to maximize competition between the private parties bidding for the project. This will result in better terms and conditions for the government and users.

To enhance and maintain competition, the procurement process will be guided by three principles: (i) transparency, (ii) free and open competition, and (iii) fairness.

Principles of transparency to be adopted throughout the Transaction Implementation process are shown in Box 4 below:

Box 4: Competition and Transparency in the PPP Transaction Processes

To ensure that the objectives of the PPP programme are achieved in practice and that the best Value for Money is achieved, the Government of the Bahamas will ensure that all PPP projects meet the following standards of competition and transparency:

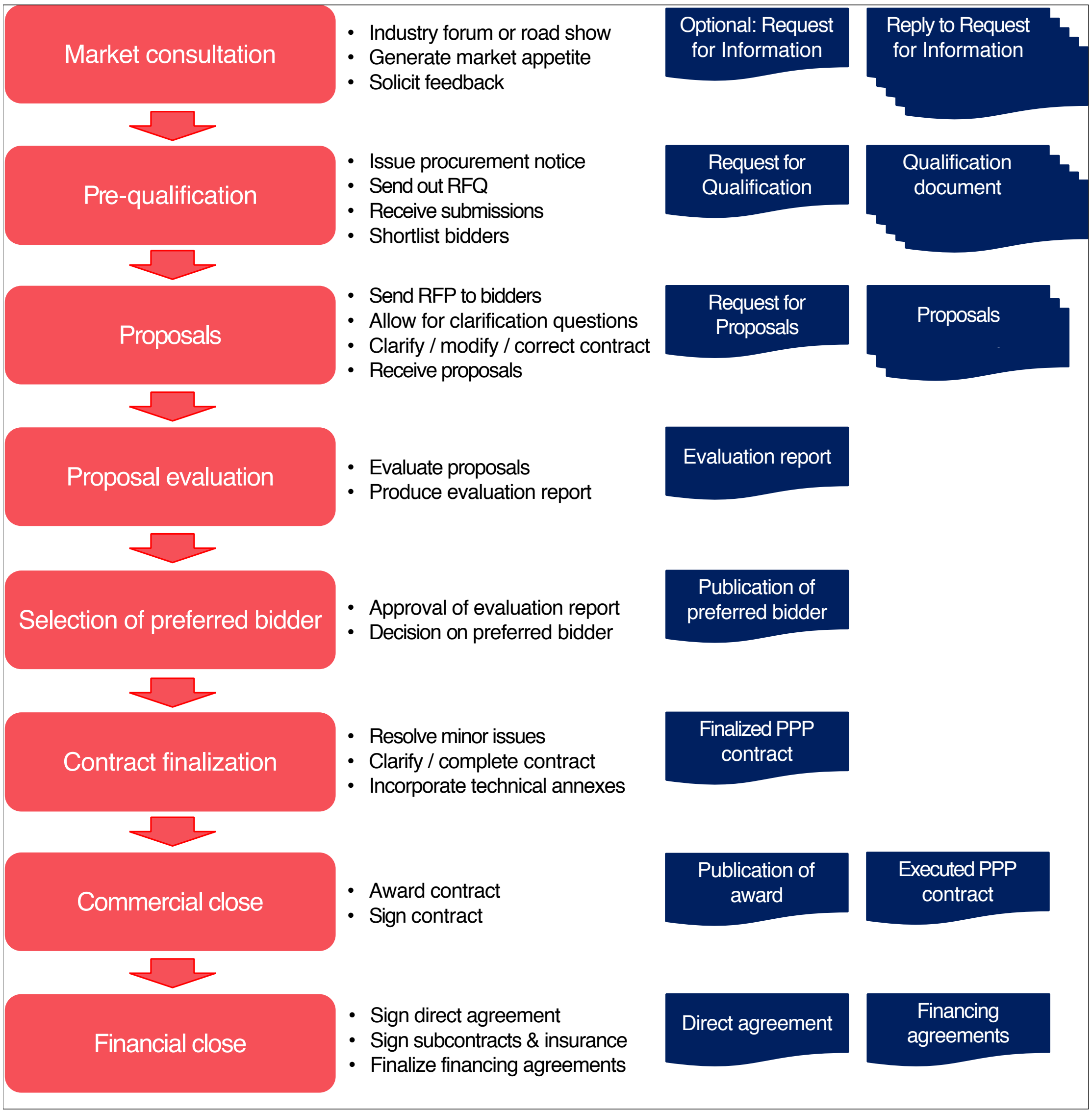
1. Open market consultations, in which information on the project is shared with the industry;
2. International publication of Requests for Expressions of Interest (RFEoI);
3. Equal access to data by all Bidders;
4. Selection of the Winning Bidder on the basis of:
   - Previously announced procedures and objective criteria; and
   - Proper justification and notification of decisions
5. Publication of the award of the contract and the justification;
6. Registration of the decisions during the selection procedure (so that they can be referred to in disputes); and
7. Review procedures (enabling losing Bidders who feel that they have been treated unfairly to file a complaint).

A PPP transaction is a form of public procurement. As such, PPP transaction processes will be consistent with the Bahamas' relevant procurement law or regulations.

In deciding upon a procurement strategy, the Project Team will dialogue with the market early in the process, to help ensure that the project is feasible, bankable, and has sufficient market interest. The proposed risk allocation must be thoroughly analysed, to achieve VfM, bankability and affordability. The PPP Project Team, with support from the PPP Operational Unit and technical consultants, will make recommendations on the procurement strategy, for approval by the Steering Committee.

The PPP procurement process will follow a standard pattern, illustrated in Figure 2 below.

Figure 2: Standard PPP Procurement Process



Source: Caribbean PPP Toolkit

While the specific transaction process may vary depending on the individual project, it will include the following general steps:

1. **Invite Expressions of Interest (EoIs).** To ascertain the level of market interest and determine whether private parties have the financial and technical capabilities to deliver the project, the Project Team will notify the market of the investment opportunity, and invite expressions of interest, and on the basis of responses received select a shortlist of potential bidders. The objective of qualification is to bring only the best bidders to the table, which will improve the quality of bids and the likelihood of reaching financial close. This process may be initiated in parallel with preparation of draft transaction documents. Requests for EOIs will be published in national, regional and globally-followed platforms relevant to the sector, and will provide an overview of the project scope, as well as clear guidelines for the submission requirements and criteria for assessing bidder qualifications.

2. **Qualify bidders.** The objective of the qualification stage is to make sure that only bidders that are qualified to implement the project participate in the bidding process. In line with the principles of open competitions and fairness, qualification will not be used to discriminate against some bidders, or to favour specific bidders. The qualification stage will culminate with issuance of a list of qualified bidders, approved by the PPP Steering Committee as outlined in Section 4.4 of this Policy. On the basis of market feedback, the Project Team will then finalize the PPP structuring and transaction documents. In case the complexity or characteristics of the project imply a low number of potential bidders, the qualification phase may be omitted, in which case bidders will be required to demonstrate that they meet specified qualification criteria upon submission of bids. Qualification will be determined before the assessment of proposals, and only the proposals presented by qualified bidders will be considered.

3. **Prepare draft transaction documents**. To attract qualified investors and achieve competition in the bidding process, the PPP transaction documents must be comprehensive and well-prepared. Draft PPP transaction documents will be prepared by the Project Team, and approved by the PPP Steering Committee, to be issued to qualified bidders.Transaction documents will include, but not be limited to:

   – **Full draft contract agreements**, based on the key commercial terms for the project as defined in the Business Case, and following the commercial principles set out in Section 0.The nature of this contract documentation will vary with the nature of the project, particularly whether it involves existing or new assets.

   – **Request for Proposal (RFP) documents**, which should include a detailed description of the bidding process, required proposal contents, and evaluation criteria.

4. **Issue Request for Proposals (RfP) and manage interactions with bidders.** The Project Team will ensure that all bidders benefit from open and equal access to project information, and that the transaction adheres to the highest standards of transparency and probity. Protocols for bidder interactions during bid preparation will be established in the RfP documentation—these will include a structured, transparent and fair process for obtaining bidder feedback, and finalisation of the draft PPP contracts. Bidders may request clarifications or changes in selected terms and conditions of the RfP and the draft PPP contracts. In such cases, the following principles should be followed:

   I. In case certain aspects of the transaction structure are considered "non-negotiable" by the Government, these will be communicated to all bidders, clearly and in writing;

   II. Bidders will submit requests for clarifications or changes in writing, within the approved dates;

   III. Responses to bidder requests will also be made in writing;

   IV. In some cases, bidders may be permitted to submit marked-up copies of the draft Transaction Documents; and

   V. All written responses to individual bidder requests to be sent to all bidders.

   Where bidders request clarification or changes to certain aspects of the draft contracts, the Project Team will seek guidance before responding. For example, if the request is about existing asset conditions, the Ministry/Agency will be consulted on the response. Similarly, if a request is about a legal clause, the legal advisor and/or the Office of the Attorney-General and Ministry of Legal Affairs will be consulted.

Where bidders request changes to the PPP Contract or evaluation criteria, the PPP Project Team will evaluate the requested changes, and make recommendations to the PPP Steering Committee—which will authorize any changes. Generally speaking, changes made at this stage should be comparatively small, and not significantly change the risk profile of the project. Changes that clarify contractual provisions of the draft contracts, rather than alter their legal interpretation, will generally be acceptable if supported by the Project Team's legal advisors.

5. **Evaluate and select preferred bidder.** Bidders will submit prescribed bidding packages, giving full details of their qualifications and experience in the relevant field, their technical and financial proposals, and their legal incorporation documents. The process typically would be a two-envelope bidding process: containing technical and financial bids. In case there was no qualification phase, there will be also a third envelope, containing proof that the bidder meets the qualification criteria, which will be assessed before technical and financial bids are opened. The Project Team, or an Evaluation Panel appointed by the Project Team, will evaluate bids, following the evaluation criteria and process outlined in the RfP. This will typically involve the following steps:

   i. **Checking for conformity and completeness**. Instructions to bidders should stipulate that incomplete and non-conforming bids may be rejected without being evaluated further.

   ii. **Technical Evaluation**. The Evaluation Panel will review the technical proposals and evaluate them against the technical criteria established in the RfP. This may involve assessment of the technology proposed, the methods and work plan, and the senior management team proposed. Evaluation will also include assessment of the social and environmental impacts of the projects, and all relevant mitigating factors. Proposals that score below a pre-established minimum level may be rejected, in which case the accompanying financial bids will be returned to the bidder, unopened.

   iii. **Financial evaluation**. The Panel will review the financial proposals. This will start by checking that they are complete and consistent, both internally and with the accompanying technical proposal. The Panel will then score each bidder's financial proposal, based on the financial criteria established in the RfP.

   iv. **Evaluation Report**. The Evaluation Panel will report to the PPP Project Team on the results of the bid evaluation. The report should specify:

      - Which bidders were dropped from consideration because they did not demonstrate qualifications or achieve the minimum technical score;
      - Which bidder is evaluated highest overall, including both technical and financial bids, and the ranking of the other bidders; and

- Any risks, uncertainties, or qualifications to the bid documents which could affect the ranking, or the ability to conclude a contract with the highest evaluated bidder.

6. **Finalize contract.** Once the preferred bidder has been selected, the Government will finalize the PPP contractual agreements with that bidder. Some negotiation may still be necessary to clarify elements of the proposal or contract, but the Government will not incorporate substantive changes to the PPP contract at this stage (that is, changes that could have resulted in a different result from the bidding process).
7. **Final approval.** The final contract must be re-submitted to Cabinet for approval before signing. This submission must present any changes to the expected cost and project structure as approved at Business Case stage, and provide a clear rationale for how those changes remain consistent with the PPP criteria set out in Box 2 above.
8. **Contract execution and financial close**. Once the contract is signed, several more steps and conditions precedent may be needed, in order to achieve contract effectiveness and financial close. These may include legislative and/or regulatory changes. The Project Team will remain responsible for timely and comprehensive completion of these actions.

Detailed guidance on the transaction process may be prepared and adopted by Government, to further assist implementing agencies in following the above policies, including model transaction documents.

6.4. Contract Management

The PPP contract will be monitored and managed over its lifetime, to ensure all parties' obligations are met, and services are delivered as expected. The responsible Government Agency, in consultation with the PPP Operational Unit, will designate a Contract Manager (or contract management team, as needed), and develop the processes and tools for managing the contract. The Contract Manager will:

- **Monitor PPP delivery and risk**—ensuring that services are delivered continuously and to a high standard, in accordance with the contract; risk allocations are maintained in practice and risks are properly mitigated; and payments or penalties are made according to contract specifications. This may include establishing and managing contract monitoring arrangements such as use of independent engineers or mechanisms for consumer feedback. Performance of the PPP will be measured against original projections, as amended.
- **Manage change**—ensuring that external risks and opportunities are spotted and changing circumstances are acted on effectively in a way that achieves VfM over the project lifetime; and putting into practice contractually-defined mechanisms to deal with contract adjustments, dispute resolution, and contract termination
- **Mange contract expiry and asset handover**—managing the transition of assets and operations at the end of the contract term, including ensuring these meet contractually-required quality and operational standards.

Government reporting requirements for PPP projects will be aligned, as much as possible, with broader public investment project monitoring and oversight.

6.5. Unsolicited Proposals

An **Unsolicited Proposal (USP)** is a proposal initiated by a private party to undertake a PPP project, which was not specifically requested by Government. Unsolicited proposals may allow the Bahamas to may benefit from private sector innovation, and new ideas on ways to meet infrastructure needs. However, they also bring their own unique challenges, principally regarding transparency and VfM. The Government will therefore consider unsolicited proposals that are demonstrated to be of public interest, but only under a framework that preserves competitive pressure, transparency, and fiscal discipline.

The Government will accept unsolicited proposals, only if they fall into one of the following three categories:

1. A solution to a publicly-identified challenge, that is unique to the private entity proposing it. For example, the proponent may own assets, land or technology that make it uniquely able to provide a public service.
2. An innovative solution to a priority infrastructure or public service challenge—that is, one that was not already under consideration or development by the Government.
3. A way of taking advantage of new markets, technologies or unique project ideas.

If the project being proposed is approved, procurement will generally be through an open, competitive tender process. Tender documents will be prepared in collaboration with the project proponent, and any confidential information contained in the proposal will be identified and protected. If the proponent is not selected as the winning bidder, the winning bidder may be required to compensate the proponent for costs incurred in developing the project, to an amount agreed in advance by the Government, the proponent and the other bidders.

A project may be considered for sole-source procurement, only where there is a clear reason that the original proposer is the only one capable of implementing it. In such cases, the Government will make every effort to ensure the proposal provides VfM.

Detailed guidance and tools may be prepared and adopted, to clarify requirements and processes for dealing with unsolicited PPP project proposals.

7. Fiscal Management and Accounting for PPPs

Under PPP projects, the private party is typically responsible for raising the financing needed for design, construction and commissioning of the project. Nonetheless, PPPs typically create fiscal obligations for the Government, which can in some cases be similar to those arising from traditionally-procured projects, financed by Government debt. PPP fiscal obligations may be direct—that is where the payment need is known—or contingent—where the occurrence, timing, and magnitude of a payment depends on uncertain future events (for example: demand risk).

The Government of the Bahamas is committed to responsible management of its fiscal commitments arising from PPP projects. This includes identifying and appraising the fiscal implications of all proposed PPPs and ensuring these are in line with fiscal priorities, as described in Section 0: **PPP Commercial Principles**. It also includes recognizing and reporting fiscal commitments to PPPs in public financial plans, reports, and accounts.

Following international practice[1], the Government will determine as follows when and how PPP projects and their associated liabilities should be recognized as contributing to public debt:

1. For "**Government-Pays"** PPPs—where the revenue stream to the private party comprises payments from the responsible government entity— the Government will recognize and include in measures of public debt a liability equal to the value of the PPP asset
2. **"User-Pays"** PPPs will not generally be considered as creating liabilities that should be recognized and factored into public debt measures. Nonetheless, where these projects involve fiscal risk through the provision of Government guarantees or other risk-sharing mechanisms, the associated contingent liabilities will be disclosed in notes to public financial statements and reported alongside information on public debt. These contingent liabilities will be recognized as public liabilities only if payment is considered probable.

For PPP projects involving a combination of government and user payments, the treatment in accounts and public financial reporting will be split accordingly. The Government may develop and adopt detailed guidance material and standard PPP contract clauses that encapsulate these principles.

[1] This approach is based on the principles set out in the International Public Sector Accounting Standard (IPSAS) 32, which defines how governments should account for PPP liabilities, and IPSAS 19, which defines the treatment of contingent liabilities.

8. Transparency and Accountability

The Government of the Bahamas is committed to a fully transparent process that ensures that information about PPP projects and the performance of the PPP programme is publicly available. The PPP information would be subject to the Freedom of Information Act. This will enable independent auditing entities and the public to hold the Government accountable for its management of the PPP programme.

To that end, the Government will disclose PPP project and programme information as follows:

1. Information on each potential PPP project and invitation for Expressions of Interest will be published as part of the tender process;
2. PPP contracts will be published as soon they become effective, along with a summary of the key project features and commercial terms. Certain contractual details may be excluded to protect commercially sensitive information;
3. Contract changes will also be published as soon as they become effective; and
4. Performance data of each active PPP will be publically available.

PPP projects and the PPP programme as a while may be periodically audited by the Auditor General to assess whether the provisions of this policy have been followed, and whether the resultant projects are achieving the stated aims of the policy. External advisors may be contracted to provide appropriate expertise in assessing PPP project quality.

Annex 1: Common PPP Structures

PPP contracts can be structured in many ways, to address different circumstances and needs of individual infrastructure projects. Terms like "concessions", "joint-ventures", "management contracts" and "privatizations" are used with imprecise meanings; adding to the confusion that frequently exists as to what constitutes a Public-Private Partnership. Public and private sector parties commonly specify the structure of the PPP in the contract; the following are the principal contract types:

1. DBFOM: Design Build Finance Operate Maintain

This could be described as the "classic" PPP structure. Under the Design-Build-Finance-Operate-Maintain ("DBFOM") approach, responsibility for designing, building, financing, operating and maintaining the asset are bundled together and transferred to the private operator. There are many variations in DBFOM arrangements, particularly in the degree to which the public sector transfers financial and technical responsibilities to the private sector. All DBFOM projects, however, are either partially or wholly financed by debt; secured by the private partner. There is a great deal of overlap in PPP nomenclature, and DBFOM could be said to include variants of the Build Operate Transfer ("BOT") approach.

Under PPP structures, the concept of "ownership" of assets is different to the traditional concept of ownership. Under PPPs, the private partner is regarded as the "owner" of the asset only in economic terms; the private party can make economic use of the asset, under specified contractual terms. However, the asset often remains, in legal terms, owned by the government. Thus, in Jamaica's Highway 2000 PPP project, the private sector operators may be said to own the assets, but they do not "own the road".

2. DBFM: Design Build Finance Maintain

The Design Build Finance Maintain ("DBFM") structure is similar to the DBFOM. However, under a DBFM approach, the private party is not responsible for "operations" of the asset (except for maintenance and some technical services) in the term of the agreement. Caribbean government agencies have structured several PPP projects using the DBFM structure in recent years. Under this structure, the private operator maintains the buildings and the technical aspects of the facility; leaving the government to provide the services.

3. BOT: Build Operate Transfer

Under the Build Operate Transfer ("BOT") approach, the private party constructs the assets to the specifications agreed to by the contracting authority; operates the assets for the period specified in the contract; and then transfers the asset back to the agency at the end of the contractual period. At this time, the contracting authority could either (i) resume operating responsibility for the asset itself; (ii) re-contract the operations to the original contract holder; or (iii) re-tender the contract in a competitive transaction. Caribbean governments have employed the BOT approach to implement PPP projects across a variety of sectors and assets. BOT PPP projects have been particularly common in the transportation sector.

4. BOLT: Build Own Lease Transfer

Under a Build Own Lease Transfer ("BOLT") structure, the private sector party constructs and owns the facility (design could be by either the public or private party), leases the facility to the public agency over a long-term period, then at the end of the lease period, transfers ownership of the facility to the public party. The chief advantage of the BOLT model is that it removes the burden of raising the finances for the project from the public agency, and places it on the private party. This way the BOLT developer assumes all the risk; the risk of raising the project financing and the risk during the construction period.

In the Caribbean region, BOLT arrangements have frequently been used by governments for the financing and construction of new office buildings and other facilities. One of the advantages of a BOLT contract is that it relieves the government of the burden of raising finance for the project, and transfers the risks of construction overruns and delays onto the private party. For example, the Barbados Water Authority (BWA) entered a BOLT arrangement with a private party for the financing and construction of its new headquarters building.

5. BOO: Build Own Operate

Under a Build Own Operate ("BOO") structure, the private sector contractor constructs and operates a facility in perpetuity, without ever transferring ownership to a public agency. The legal title to the facility remains with the private sector, and there is no obligation for the public agency to purchase the facility or assume the title, at the end of the contract period. In the energy sector, Independent Power Producers (IPPs) are a common form of BOO arrangement. Government agencies in the Dominican Republic have commonly used the BOO structure for IPP projects. In 200o, the government of the Dominican Republic entered a BOO agreement with the private sector for the San Pedro de Macoris Power Plant project. The IDB provided a risk guarantee covering US $144 million of funding, enabling the project to receive a favourable credit rating. Jamaica has also made extensive use of BOO structures in the energy sector.

6. OMM: Operations, Maintenance & Management

At the light end of the PPP spectrum; the Operations, Maintenance & Management ("OMM") contract is an arrangement (also called a Management Contract), whereby a public agency contracts with a private partner to operate, maintain and manage a facility. Under this contract option the public agency retains ownership of the facility but the private partner is responsible for management, operation of the facility, under a long-term contract. The private operator may invest some of its own capital, for example in the provision of operating supplies and equipment, and will perform under the contract in order to recover the investment and earn a reasonable return. In the Caribbean, examples of this type of contract can be found in the tourism sector, where governments build hotels and gives them out to private hotel companies to market and manage, such as the Hilton Hotels in Barbados and Trinidad and Tobago, both of which have operated successfully for several decades.

To obtain greater private sector efficiencies, a variant is to structure a Performance-Based Management Contract (PBMC), where a significant portion of the operator's income is earned by improving performance, as defined through Key Performance Indicators (KPIs). This could also include requiring the operator to invest, for example, in machinery and equipment, to improve efficiency. Under these PBMC structures, the operator takes on more risk than under standard management contracts. However, unless the private operator takes on a significant degree of financial risk ("skin in the game"), OMM Contracts typically would not be classed as PPPs.

Source: https://issuu.com/caribank/docs/ppp_toolkit-interactive?e=21431045/49237432