



**Jamaica - Institutional Arrangement of Public Private Partnership**  
***National Education Trust Case - Schools Energy Efficiency and Solar Project***

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## PRESENTATION OUTLINE

- The National Education Trust
- Policy Framework – Public Investment Management Secretariat
- Why PPP
- Popular PPP Models
- The Institutional Arrangements of PPP in Jamaica
- Stages in the PPP Process
- Criteria for Selection of a PPP
- The Schools' Energy Efficiency and Solar Project
- Where are we now ?
- Lessons Learnt



## THE NATIONAL EDUCATION TRUST

- ❑ National Education Trust (NET) is an agency of the Ministry of Education, Youth and Information (MOEYI). The National Education Trust was formed out of the Education Transformation System which started in 2004.
- ❑ The role of NET is to assist the Government of Jamaica to facilitate the development of the education system by developing and nurturing relationships with development partners, donors and other stakeholders to identify funding, plan and implement infrastructure and development projects to meet the needs in education.



## POLICY FRAMEWORK – PUBLIC INVESTMENT MANAGEMENT SECRETARIAT

- ❑ The Public Investment Management Secretariat is an agency of the Ministry of Finance and Public Service to which all project ideas/concepts are submitted for initial appraisal prior to the Public Investment Management Committee taking a decision to recommend projects to the Cabinet for inclusion in the Public Sector Investment Project Portfolio



## POLICY FRAMEWORK – PUBLIC INVESTMENT MANAGEMENT SECRETARIAT

- The **Public Investment Management System (PIMS)** aims to streamline the preparation, appraisal, approval and management of all Government projects in Jamaica, regardless of the source of funding, the type of procurement or implementation method used. It will enhance the efficiency of the projects which are implemented by the Government of Jamaica. The PIMS will ensure that the Government receives value for money, and over time, sustained economic growth and development from each project that is implemented.
- **OBJECTIVES OF THE PIMS:**
- Promote growth and development and encourage capital formation for future investment.
- Maximize efficiency of public investment through better project selection and management of investment expenditure.
- Improve the quality of social and economic infrastructure in the country.



## POLICY FRAMEWORK – WHY PPPs

- The GOJ embarked on a programme of fiscal rationalisation, since its reengagement of the IMF in 2008. The fiscal rationalisation initiative has caused MDAs to find ways to deliver critical infrastructure and services while **limiting fiscal exposure and risks** and achieving planned development goals.



# SOME POPULAR PPP MODELS

- **Build Operate and Transfer (BOT)**

Private partner design, build, operate (at the end of contract transfer to MDA)

- **Build-Operate-Lease-Transfer (BOLT)**

Concession is given to design, build, own, lease asset and at the end of the lease transfer to the MDA

- **Design, Build, Finance and Operate (DBFO)**

The private party design, construction, financing, and operate for the period of concession

- **Design, Build, Finance, Operate, Maintain (DBFOM)**

The private party design, construction, financing, operate, maintain for the contract period



## INSTITUTIONAL FRAMEWORK FOR PPPS IN JAMAICA

- Cabinet has overall responsibility for the approval of the PPPs. The Development Bank of Jamaica (DBJ) serves as the Privatisation Agency and reports to the Privatisation Committee.
- The DBJ appoints an *Enterprise Team* which is assigned the task of selecting a suitable private partner for a project.





## INSTITUTIONAL FRAMEWORK OF PPP

- **DBJ's PPP Unit is 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 PPP process up to contract signing.

**MOFPS' PPP Unit is responsible for the assessment of value for money (VFM) and fiscal impact of PPP on the fiscal space.**



# INSTITUTIONAL FRAMEWORK OF PPP

## Enterprise Teams

The Cabinet appoints the Enterprise Team for each PPP.

The core functions of the Enterprise Team are:

- ensure that the process and modalities are compatible with the general principles of the PPP
- ensure that the expectations of interest groups are duly considered
- Each member of the Enterprise Team is expected to present the views of his/her subject Ministry/ Agency concerning the PPP
- facilitate the expeditious and successful selection of a private partner within the designated timetable.



# STAGES IN THE PPPs PROCESS

Project Identification

Preparation of Concept Paper and Approval

Preparation of Business Case

Transaction Phase to select Private Partner

Implementation and Contract Management



## CRITERIA FOR SELECTION OF PPP PROJECT

- **Viability:** The project is feasible, in that it is effective in meeting government's objectives. Technically sound, legally feasible; environmentally compliant; socially sustainable and economically viable.
- **Value for Money:** VFM is based on two main drivers:
  - *Competition for the award of the contract.* Efforts should be made to encourage wide investor interest.
  - *Optimum risk allocation.* Risk is transferred to the party best able to manage those risks.



## CRITERIA FOR SELECTING PUBLIC PRIVATE PARTNERSHIPS (PPPS)

- **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.
- **Fiscal Responsibility:** 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.



## SCHOOL ENERGY EFFICIENCY AND SOLAR PROJECT - IDENTIFICATION AND JUSTIFICATION

- There are 971 public schools with an average monthly electricity bill of approximately US\$5000 per month per school, this amounts to approximately US\$58.3 million per year.
- The **Schools Energy Efficiency and Solar Project** was identified by the **National Education Trust (NET)** to address the Government's objective of reducing schools' electricity costs while encouraging energy efficiency (EE) and the use of renewable energy to enhance energy security in the country.





## PROJECT CONCEPT PREPERATION AND APPROVAL

- The **Schools Energy Efficiency and Solar Project** Concept Paper was prepared by the National Education Trust and submitted to the **Public Investment Management Secretariat (PIMSEC) an agency of the Ministry of Finance and Public Service** with responsibility for the approval of all public sector projects, before they are presented to Cabinet.
- The project was approved by PIMSEC because not only, did it meet the 4 criteria for selection, it was also aligned with the Vision 2030 Jamaica Plan which has its goal for energy; to “*create a modern, efficient, diversified and environmentally sustainable energy sector providing affordable and accessible energy supplies*”.



## PROJECT OVERSIGHT AND MANAGEMENT - The Enterprise Team

- This project is the first integrated Energy Efficiency Solar retrofit package to be implemented under the GoJ PPP Policy and is intended to be used as a pilot in 30 secondary level schools.
- An eleven (11) members Enterprise Team, consisting of representatives of the Ministries of Finance & Public Service (MoF&PS), Science, Energy & Technology (MSET) and Education, Youth & Information (MoEYI), Chaired by Chairman of the NET, was appointed by Cabinet to oversee the implementation of the project. The Enterprise team is supported by the PPP Units of the Development Bank of Jamaica (DBJ) and the MoF&PS and the NET as the Project Manager.



## BUSINESS CASE

- ❑ A consultant was contracted and the Business Case developed, which recommended that the **most viable, cost effective, marketable and fiscally responsible** transaction be structured is a **Design, Build, Finance, Operate and Maintain (DBFOM) 15-year Public Private Partnership (PPP)**.
- ❑ The project is designed as an energy savings performance contract between a qualified private partner, competitively selected, and the Government of Jamaica (GoJ).

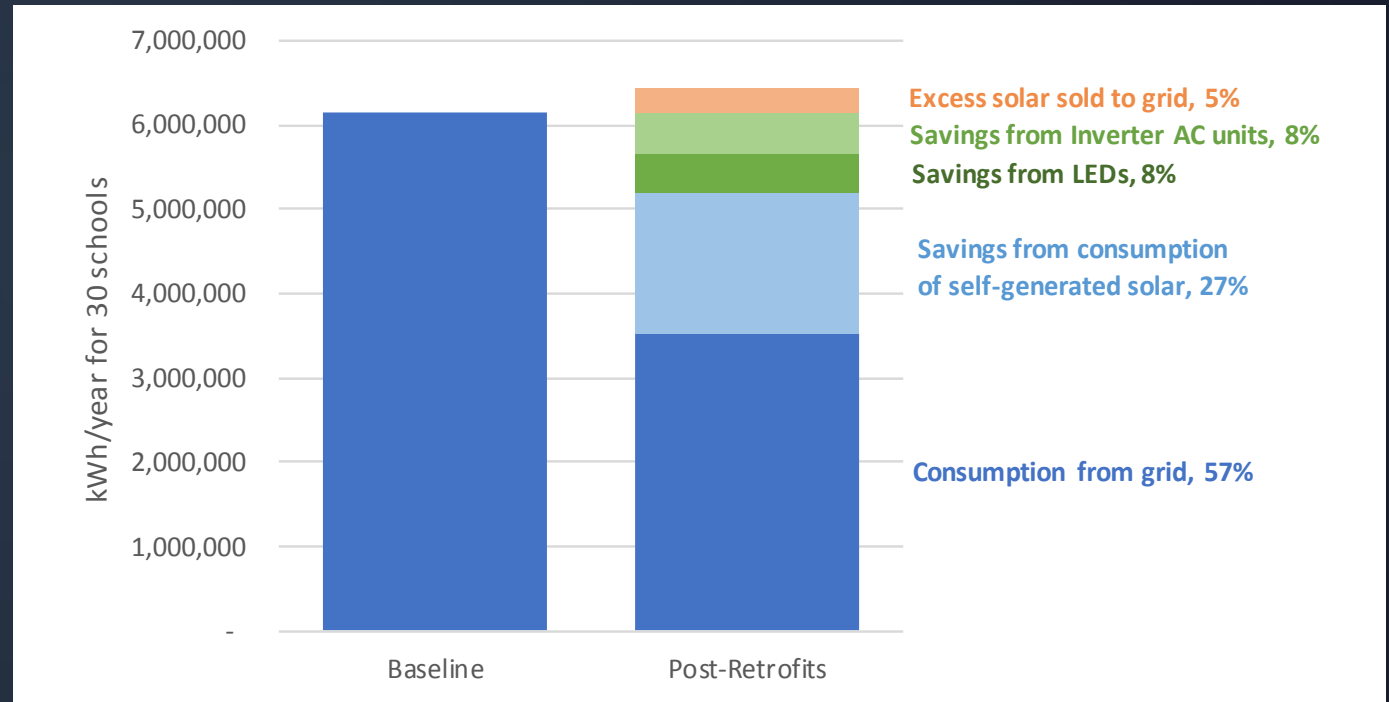


## BUSINESS CASE JUSTIFICATION

- Structuring the project as a DBFOM PPP and implementing it in 30 schools, will result in savings to the Government of Jamaica (GoJ) of US\$2.9 million (J\$378 million) in electricity expenses over 15 years.

# BUSINESS CASE JUSTIFICATION

## Expected Change in Schools' Energy Consumption and Generation



Percentages represent the proportion of baseline consumption.



## BUSINESS CASE JUSTIFICATION - PPP VALUE DRIVERS TO THE PROJECT

PPP Value Driver	Applicability to the Project
Risk transfer	The DBFOM model maximizes risk transfer to the private sector.
Whole-of-life costing	The Contractor would be able to optimize the trade-off between capital expenditure and maintenance, or develop designs that minimize operating costs.
Innovation	The output is energy savings. Minimum technical specifications are prescribed, the Contractor is also incentivized to propose additional energy saving measures.
Focus on service delivery	Most school managers are not incentivized to focus on energy savings. This problem is eliminated under the PPP, because the Contractor is incentivized to provide energy savings.
Mobilization of additional funding	The Government would like to achieve lower electricity bills off-balance sheet, and at no upfront capital cost. The PPP meets this goal.
Accountability	If the Contractor does not achieve the guaranteed savings level, payment to the Contractor will be reduced by the savings deficit.





## BUSINESS CASE JUSTIFICATION

Summary of the GoJ's Electricity Bill Savings	J\$	US\$
Average annual electricity bill per school	7,159,260	\$55,649
Number of schools	30	30
Electricity bill	214,777,807	\$1,669,474
Electricity bill savings (%)	43%	43%
GoJ share of savings (%)	27%	27%
Annual GoJ electricity bill savings per year	25,229,001	\$196,106
Number of years	15	15
Total GoJ electricity bill savings	378,435,017	\$2,941,586
Present value of electricity bill savings	263,971,447	\$2,051,857



## WHERE ARE WE NOW

- ☐ The Business Case was approved by the Enterprise Team, the Minister and Permanent Secretary of the MOEYI.
- ☐ Written endorsements were received from DBJ, MoF&PS and MSET.
- ☐ The Cabinet Submission is prepared for the Minister to present to Cabinet as soon as possible.
- ☐ The Procurement Plan and Request for Quotation (RFQ) are prepared.
- ☐ Request for Expression of Interest was conducted and several qualified bidders were identified.
- ☐ A Focus Group (Market sounding) with financiers was conducted and several showed interest in financing the project.
- ☐ Energy Audit and structural assessment of all 30 schools was conducted.
- ☐ We are currently procuring a contractor to carry out repairs to the roofs of 13 schools to facilitate the installation of the solar panels.



## LESSONS LEARNED

1. The project must meet “**real needs**” of the beneficiaries.
2. The project must be aligned with the national objectives in order to get support at the political level
3. Having a national PPP Policy with clear criteria and procedures for selection is very beneficial.
4. Having the key players at the decision making table is critical to getting support at the regulatory level.
5. Being able to show substantial savings to the Government is very important for project support at all levels.

