

## **Ridge to Reef – Results Framework – Public-Private Partnerships (PPPs)**

### **Component**

2. Establishing public-private partnerships for tourism sector investment in ICM in Muri

### **Outcomes**

2.2. Accepted Mechanisms for Public-Private Partnerships for the tourism sector in ICM established

### **Activities**

2.2.1.2 Develop guidelines for public-private partnerships for the tourism sector in ICM

### **Produced**

K.2.2.1.1 Review National and Regional public-private partnerships arrangements report

K.2.2.1.2 Guidelines for public-private partnerships for the tourism sector in ICM

### **Outputs**

#### **K.2.2.1.1. Review national and regional public-private partnerships arrangements report**

Between March – October 2018 an international PPP expert (PPP expert) was commissioned through Asia Development Bank's (ADB) Office of Public Private Partnerships to explore opportunities for the Cook Islands to expand its current level of contracting out and to identify opportunities to develop public private partnerships (PPPs).

The PPP expert developed a draft PPP policy<sup>1</sup> which adopts the definition of PPP as a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility and remuneration is linked to performance.

Since the cost of preparing and managing a PPP contract is significant for both public and private parties, a PPP under the proposed Policy for the Cook Islands will only be considered for projects with a minimum investment value of \$5m. However, smaller projects could be considered on a case by case basis. Where the PPP involves the provision of services only, such as a performance-based maintenance contract, to be considered under the proposed Policy the term of the contract must be no less than 5 years with annual payments to the private sector partner of not less than \$1 million or for a term of not less than 3 years with annual payments to the private sector partner of not less than \$1.75 million.<sup>2</sup>

The reports and case studies provided by the PPP expert focus on large-scale, multi-agency and complex long-term projects which may not be appropriate for the level of investment and partnerships envisaged by the Ridge to Reef framework. For example, PPP case studies provided include a 22 year arrangement to design, build, finance and operate a water treatment plant in Papua New Guinea; a 44 year concession to manage water production and distribution, including financing of new capital expenditure in Vanuatu; and a 4 year design and build arrangement for a de-salination plant in the Marshall Islands.

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<sup>1</sup> Technical Assistance Consultant's Report ADB TA – 9292 - Draft Cook Islands PPP Policy August 2018

<sup>2</sup> Case studies in private sector participation, water supply services (attached)

The Ridge to Reef ICM for Muri may be more suited to smaller scale grassroots partnership arrangements between the non-government sector, private sector and/or government sector depending on funding and other resource requirements. These partnerships could be developed through simpler instruments such as memoranda of understanding or contractual arrangements between the parties concerned (for example boardwalk construction and maintenance in Muri).

#### **K.2.2.1.2 Guidelines for public-private partnerships for the tourism sector in ICM**

The PPP expert provided guidelines for public-private partnerships which are relevant to guide partnerships for the tourism sector in ICM. These guidelines have been adapted to suit the arrangements envisaged by the Muri Ridge to Reef ICM.

#### **Guidelines for contractual arrangements<sup>3</sup>**

##### **1. Identifying the Project**

- a. A person established as the focal point for partnership agreement development and sponsorship. Their role would be to draw together the expertise from the various agencies to assess, develop and implement the arrangement. The person would need to be at a reasonably senior level
- b. Needs and options analysis – selecting the project
- c. Scoping the project – collecting the information
- d. Preliminary economic feasibility
- e. Testing project suitability and affordability
- f. Readiness of the project – project management plan
- g. Appraisal and decision to move forward

##### **2. Procurement analysis and considerations**

- a. Quality of service
- b. Operational efficiency – efficiency in operations, maintenance or lifecycle costs
- c. Schedule of delivery – implementation, commencement of services
- d. Innovation and creativity – encourage? Scope for innovation and creativity?
- e. Scope for risk transfer – in a cost effective manner
- f. Market interest and capacity
- g. Legality
- h. Service disruption and transition
- i. Staff impact
- j. Asset quality
- k. Flexibility and adaptability
- l. Stakeholder impacts
- m. Cost and schedule certainty
- n. Accounting treatment
- o. Net present cost

##### **3. Capacity assessment**

- a. Private sector capacity
- b. Government capacity

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<sup>3</sup> Adapted from the PPP training module provided by Chris Russell, ADB TA August 2018

- c. Project design and assessment, including risk identification
- d. Preparation of business plan
- e. Contract preparation
- f. Tender evaluation where applicable
- g. Contract management and performance monitoring

**4. Contractual considerations –a contract should cover:**

- a. Statement of purpose: why are we entering into this contract
- b. Parties: who are the parties, who is accountable
- c. Term
- d. Disposition of risks: as between the parties and terms on which an amendment-renegotiation can occur
- e. Price: price agreed and basis on which price might be altered during the term
- f. Payment: times, amount and methods of payment
- g. Specification: subject of contract is specified with measures (assessable standards) for all aspects of performance
- h. Reporting arrangements: contractor reports against agreed measures and standards
- i. Assessments: procedures, participants, attestation and relevant weighting for assessing results against specifications
- j. Rewards and sanctions – impacts
- k. Dispute resolution
- l. Legal jurisdiction

**5. Negotiating the contract**

- a. Should focus upon:
- b. Specification of services to be provided
- c. Financial arrangements; contract price, provision for variations
- d. Roles and responsibilities; contract period, timing of deliverables, contract milestones
- e. Arrangements for performance monitoring; measures of efficiency (output/income) and effectiveness (outcomes)
- f. Accounting reporting and communication arrangements
- g. Competitive tension (even when no competition)
- h. Contract structure can effect negotiation style; tender, bi-lateral
- i. A good contract should provide benefit to all parties

**6. Monitoring the contract**

- a. Most importantly measures must be SMART – specific, meaningful, achievable, relevant and time-bound.
- b. Measure the output (good or service delivered), not a process or inputs
- c. Lack of resources / expertise? Contactor self-monitoring with heavy penalties for non-performance and upside for outperformance
- d. With each contract you will build expertise
- e. Central or shared monitoring resource
- f. Relationship management

**Attachments:**

Technical Assistance Consultant's Report ADB TA – 9292 - Draft Cook Islands PPP Policy August 2018  
Case studies in private sector participation, water supply services