


SAMOA WATER AUTHORITY


PUBLIC – PRIVATE
PARTNERSHIP (PPP) – A
SAMOAN PERSPECTIVE



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OUTLINES


- Understanding PPP – what they are?
- Private participation in Infrastructural Services
- Partnership Form: the PPP spectrum
- PPP examples



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PPPS: What are they?

- Medium to long term relationship between the public sector and the private partners
- Involves sharing and transferring of risks and rewards between public sector and the private partners
- Attempts to utilise multi-sectoral and multidisciplinary expertise to structure, finance and deliver desired policy outcomes that are in public interest



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Advantages


- Focus on Value for Money over the lifetime of the assets
- Very strong performance incentives
- Increase predictability in project cost and timeframe
- The overall cost of the projects will be spread over their lifetime



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Disadvantages

- Overall Public distrust of the Private Sector
- Timeline of Procurement
- Cost of the project?
- Financial equity companies are in short supply
- Lack of financial market data to base any investment, valuation and capital market decisions




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What do you need for a successful PPP Program in Samoa?

- Political Support from government
- Clear legal framework and guidance Enforcement of contracts and dispute resolution
- Property rights; secured transactions laws
- Sector regulatory frameworks – forming sector approach eg. Health Sector, Education Sector, Water Sector, Energy Sector, etc


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What do you need for a successful PPP Program in Samoa?

- Institutional co-ordination and planning
- Government is pro-active, linking projects to statutory policy objectives such as SDS 2008, CDC, etc
- Strong project development capabilities
- Projects with clear objectives and boundaries
 - Projects with effective risk allocation
 - Transparent tendering procedures – a must
- Effective public communication – SamoaTel, Digicel, CSL, Regulator Office, etc
- Explain to media, NGOs, consumer groups and other stakeholders such as IPES, Chambers of Commerce, Manufacturing industries, Societies of Lawyers & Accountants etc., the objectives and benefits of the PPP program and specific PPP projects



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Political Support

PPP Policy statement outlining Government commitment to:

- Public funding for PPPs, including Institutional Support – at the moment only SSDP Government v Overseas Firms
- Private service provision
- Competition – very limited in Samoa
- SOE Reform – Treasury SOE can answer this but they have the Public Bodies Act 2002
 - CSO reform
 - Foreign investment
 - A CDC initiative



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Clear Legal Framework

- PPP Law allowing private investment
- Competition Law protecting private competitors to public enterprises
- Law recognizing viability of contracts; including language prohibiting expropriation of assets
- Secured transactions law allowing cash-flow based lending
- Law supporting some form of independent regulations



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Institutional Coordination and Planning

- Clear and standard processes for project identification, assessment, development and Implementation
- Ensures consistency, coherence and quality of PPP project proposals
- Facilitates overall risk management



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Coordination (Institutional Coordination (2))

- Many countries using centralized bodies to coordinate PPP programs
 - Partnerships UK
 - Partnerships Victoria(Australia)
 - PPP Unit (Treasury – South Africa)
 - BOT Center (Philippines)
 - PPP Unit (Mauritius)
 - PPP Unit (Fiji Islands)
- BOT Waste Water TP (Samoa)



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Transparent Tendering Procedures


- Equal information access to all bidders
- Evaluation criteria remains consistent and neutral
- Enough time given for all bidders to participate
- Mechanisms to avoid bidder collusion

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	PPP Policy	PPP Legal Framework	Service Contract	BOT / Concessions
PNG				YES
Solomon Is				
Tonga				
Samoa			YES	YES
Cook Is				
Vanuatu				YES
East Timor				YES
Fiji	YES	YES	YES	YES




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Illustration: Samoa Water & Sewerage PPP

Project scope:

- US\$4.5 million wastewater treatment plant (WWTP)
- SAT\$4.0 million pressure sewerage system (PSS)
- Build-Operate-Transfer PPP structure selected for the WWTP
- Traditional procurement contract selected for PSS & WWTP
- Signed Contracts – PSS & WWTP



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Water Treatment Plant: PPP Structure

- Design, build, operate and transfer after 5 years
- 80% of cost paid upon commissioning of WWTP
- 20% of cost paid over 5 years for operation
- 5-yr management contract with fixed fee
- Performance incentives linked to compliance with environmental standards (contractor pays penalties for non-compliance)
- Construction risk borne by contractor who will build WTF on a turn-key basis
- Demand risk borne by SWA/GoS which remains responsible for collecting revenue from users and ensuring economic viability of project

Way Forward & what we have Learned

- Successful tenders require preparation and specificity, without which bids received may be non-compliant
- Both projects had unsuccessful initial tendering rounds
- Allowing international bidders increases the competitive tension and quality of bids received
- Inter-ministerial bid evaluation committee allowed rapid evaluation of the tender and government buy-in
- Cost estimates prepared during the design phase need to be rigorous (and conservative) to minimize the risk of cost over-runs.