

Public-Private Partnership (PPP) Policy for the Government of Belize

FINAL

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1 Introduction

The Government of Belize (GoB) is committed to improving the amount and quality of economic and social infrastructure across Belize. The Government recognizes the challenges of meeting these public service needs, while maintaining macro-economic stability and improving fiscal space and debt sustainability. In addition, the Government recognizes that public and private sectors both have important roles to play in delivering the high-quality, resilient and sustainable infrastructure services that Belizeans need.

The Government has been and will continue to take the steps necessary to move forward with opening up PPP potential within the procurement methodology of the country where deemed suitable. Much of the infrastructure works done to date have been through a conventional procurement method with the Government committing to covering costs and providing assets to the country. The Government is now looking at larger scale capital investment projects to bring about better service delivery where the private sector has proven both capable and efficient.

PPPs are long-term relationships between public and private sector entities, which will bring private sector resources, financing and expertise into infrastructure projects. GoB therefore intends to engage in “**Public-Private Partnerships**” (PPPs) aiming at promoting new infrastructure projects that help to deliver the prioritized actions in its GSDS objectives, national infrastructure plans, or any other relevant strategic plan for the Government, by achieving greater Value-for-Money (VfM) in assets and / or services of public interest. Such assets and or services include, but are not limited to:

- 1) Energy and power,
- 2) Solid Waste,
- 3) Transportation,
- 4) Water and Sanitation,
- 5) Telecommunications / Information & Communications Technology
- 6) Social infrastructure (i.e. education, health, Government buildings, parks)

The Government’s decision to implement a project as a PPP will be based on careful consideration of whether doing so will help to deliver the prioritized actions detailed above.

As part of its continuing drive to improve institutional performance and overall governance, including public service delivery and to implement growth-oriented policies to stimulate industry and jobs, the Government of Belize is seeking to:

- Transfer to the private sector temporary operation of those assets or services that could best be run by the private sector (for example, some commercial enterprises);
- Keep in the public sector those assets or services which must be done by Government (for example, front line security and emergency services); and

- Consider innovative mechanisms for the delivery of those services or activities in which the Government has a continuing interest (must ensure is done) but need not do itself.

It is in this last group of activities – where the Government has a continuing interest in the provision of a service, but where there is no compelling reason for such services to be provided by the Government itself – that the Government seeks to achieve greater value for money through the use of PPPs.

This policy is split into two parts: Part A covers PPPs that are initiated by the Government and Part B covers the handling of Unsolicited Proposals (USPs). A USP is a proposal for a project submitted by a Private Entity to the Government without a formal request or solicitation by the Government. Under no circumstances shall an Unsolicited Proposal involve a project that is under procurement or substantially developed for procurement. All USPs that are considered to fall within the definition of a PPP must follow this policy in their assessment and implementation.

This PPP Policy sets out the following:

- i. **PPP definition**, and the essential features of PPP contracts;
- ii. **Objectives and scope** of the PPP program, in the context of Belize’s growth and sustainable development objectives;
- iii. **Institutional responsibilities** for the PPP program, and for developing, implementing, and approving PPP projects;
- iv. **Processes** by which PPP projects will be identified, developed, procured, and managed – including how the Government will treat unsolicited proposals;
- v. **Key commercial principles** by which PPP contracts will be structured;
- vi. **Approach to managing the fiscal implications** of PPP projects; and
- vii. **Mechanisms for ensuring transparency and accountability** in the PPP program.

This PPP Policy provides a high-level framework. The Policy will be supported by detailed guidance material and tools intended to clarify and help Government officials meet the high-level requirements set out in this Policy.

The following terms are used in this section.

GSDS – Means Growth and Sustainable Development Strategy for Belize 2016-2019.

IDB – Means Inter-American Development Bank.

MDA – Means a Ministry, Department or Agency of the Government of Belize.

Belize PPP Policy

PDF - Means the project development fund to fund the development of potential projects.

PPP - Means Private Public Partnership.

GoB - Government of Belize

RfP - Means Request for Proposal

USP - Unsolicited Proposal

VfM - Means Value for Money.

VGF -Means Viability Gap Fund

2 PPP Definition

A **Public-Private Partnership (PPP)** is a long-term contract between a private party and a Ministry, Department or Agency of the Government of Belize (MDA), for providing a public asset and/or service, in which the private party bears significant risk and management responsibility and remuneration is linked to performance. In this context:

- i. The **private party** to a PPP contract may be any majority privately-owned company or consortium.
- ii. The **Government entity** may be a Ministry, a State Enterprise, a Statutory Body, or any other Government contracting authority. In a PPP, the MDA retains overall responsibility for ensuring the service is provided to the quality required, by carefully managing the PPP contract.
- iii. The **public asset or service** may be new infrastructure or other investment or may involve temporarily transfer of existing infrastructure or other public assets and services to the private partner. PPPs may be used in a wide range of sectors, and for a wide range of assets and services – provided that the public sector has an interest in maintaining or improving the service(s) provided.

This definition encompasses both PPPs in which the private party is paid entirely by service users, and PPPs in which an MDA makes some or all payments to the private party:

- **Revenue-Based Payment PPPs:** In a revenue-based payment mechanism, the demand risk is wholly or partially transferred to the private party. The private party expects to recuperate its development, financing, construction, operations, and maintenance costs from the fees that users pay for enjoying access to the asset. By collecting revenues directly from the users, the private party repays its lenders, operates and maintains the asset according to the quality and performance standards contractually defined, and delivers a profit to its investors. Examples are where owners of vehicles pay tolls for driving along PPP highways or over PPP bridges; and where airline companies pay landing fees at a PPP airport. It is expected that financial liability for these projects will be largely off the balance sheet of the Government.
- **Government-Pays PPPs:** In an availability payment mechanism, the MDA provides monthly or quarterly payments to a private party in exchange for the latter making the infrastructure asset available for use. To receive payment, the private party must ensure that the asset meets certain performance standards and is “available” for use by the users and is fit for purpose. With an availability payment mechanism, the MDA retains the demand risk for the project. Examples are where the Government contracts with the private party to improve roads but without charging users or to improve access to, and the quality of, education and health care at no or subsidised cost to the users. It is expected that both multi-year commitments (availability and/or usage payments) and contingent commitments will be on the

balance sheet of the Government. These projects will therefore be considered only if it is shown that services will be provided at a higher standard and maintained over the long term more successfully than through a conventional procurement method.

For the purposes of this PPP Policy, projects will only be considered as PPPs if they include the following contractual provisions:

- i. Involve an arrangement with a private party by delegating several project functions to them (that is, delegating to a private party the responsibility to design, build (or expand/develop), operate, maintain, rehabilitate and/or finance an asset or service). Simply financing a project does not constitute a PPP.
- ii. Require a private party to take significant risk in performance of the functions delegated – that is, the private party’s revenue is dependent on its performance (the availability of an asset, or the quantity and quality of outputs supplied). For example, if a PPP involves the private party building an asset, the private party would take all or a significant portion of construction risk. This means that the private party would not receive payment until construction was complete and the asset available for use. The private party would have to pay for any construction cost overruns or time delays.
- iii. 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 also be imposed such as deductions to ongoing payments by the MDA or by regulatory agencies, for failure to meet contractually specified standards.
- iv. Involve public infrastructure assets or services provided for public benefit, where the output includes facilities/services typically provided by the Government as a public service to the population. These two key concepts are elaborated below:
 - a) **‘Public Services’** are those services that the State is obliged to provide to its citizens (towards meeting the socio-economic objectives) or where the State has traditionally provided the services to its citizens.
 - b) **‘Public Asset’** is that asset which is inextricably linked to the delivery of a public service. For example, public road which is linked to public transportation. Or, those assets that utilize or integrate sovereign assets to deliver the public services.

Such public service and assets include, but are not limited to

- c) Energy and power,
- d) Solid Waste,

- e) Transportation,
 - f) Water and Sanitation,
 - g) Telecommunications / Information & Communications Technology
 - h) Social infrastructure (i.e. education, health, Government buildings)
- v. Transfer to the private party operations and management of the asset or service for a specified period. The agreement with the private party specifies the time period after which the arrangement comes to a closure and the asset is transferred back to the Government. In other words, the PPP arrangement does not continue in perpetuity.

PPPs can help achieve greater Value for Money (VfM) in infrastructure projects 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 and expensive to prepare, procure and manage than conventional procurement methods – and hence present new challenges and risks. This PPP Policy provides a framework for managing PPPs in Belize in a way that capitalizes on these value drivers and manages the associated risks.

The GoB will involve the private sector in PPPs infrastructure development needs that are part of the government planning process or in which the government responds to an identified infrastructure challenge – also known as publicly initiated PPPs – after which it develops the project in the business case phase of the project. Once the business case phase – see section 5.3 – is completed, the Government will launch a competitive tender to engage the bidder that submitted the best value proposal to implement the project. On the other hand, unsolicited proposals (USP), or privately initiated PPPs are an exception to the public initiation of infrastructure projects. In the case of a USP, a private entity reaches out to a public agency with a proposal for an infrastructure or service project, without having received an explicit request or invitation from the Government to do so. For the purpose of this Policy, both publicly initiated PPPs and USPs will follow similar procedures, requirements, and approvals, irrespective of the nature of the project conception route.

Box 1: PPP Value Drives

PPP value drivers are the mechanisms that can be used to improve value for money in infrastructure provision. They include the following:

1. **Whole-of-life costing**—full integration, under the responsibility of one single party, of up-front design and construction with ongoing service delivery, operation, maintenance and refurbishment, can reduce project costs. Full integration incentivizes the responsible party to complete each project phase (design, build, operate, maintain) in a way that minimizes total costs and maximizes efficiency.
2. **Risk transfer**—risk retained by the government in owning and operating infrastructure typically carries substantial and, often, unvalued and hidden cost. Allocating some of the risk to a private party which can better manage it, can reduce the project's overall cost to government and minimize risk to the taxpayer.
3. **Upfront commitment to maintenance, and predictability and transparency of whole-of-life costs**—a PPP requires an upfront commitment by the private party to the whole-of-life cost of providing adequate maintenance for the asset over its lifetime. This commitment strengthens budgetary predictability over the life of the asset and reduces the risks of funds not being available for maintenance after the project is constructed.
4. **Focus on service delivery**—allows a contracting agency to enter into a long-term contract for services to be delivered when and as required. The Private party can then focus on service delivery without having to consider other objectives or constraints typical in the public sector.
5. **Innovation**—specifying outputs in a contract, rather than prescribing inputs, provides wider opportunity for innovation by the private partner. Competitive procurement of these contracts incentivizes bidders to develop innovative solutions for meeting these specifications.
6. **Asset utilization**—optimizing the utilization of assets for delivery of additional services leading to multiple revenue streams for the project. For example, the utilization of space in bus terminals for private vendors or unused space for advertisements.
7. **Mobilization of additional funding**—charging users for services can bring in more funding and can sometimes be done better or more easily by private parties than the public sector. Additionally, PPPs can provide alternative sources of financing for infrastructure, where governments face financing constraints.
8. **Accountability**—government payments are conditional on the private party providing the specified outputs at the agreed quality, quantity, and timeframe. If performance requirements are not met, service payments to the private party may be abated.
9. **Reduction in public expenditure**—may result from PPPs that allow the rationalisation of government buildings or use new, more efficient technology, for example, the replacement of sodium lighting with LED lighting. The installation of photovoltaic cells will reduce electricity consumption significantly and will also contribute to climate change commitments.

Source: Public-Private Infrastructure Advisory Facility, PPP Reference Guide 3.0, 2017

Part A Publicly Initiated PPPs

3 Objectives and Scope

The Government will use PPPs as an instrument to implement priority infrastructure projects that are aligned with the Government's GSDS objective, national infrastructure plan, or any other relevant strategic plan for the Government, where doing so is expected to provide the best value for scarce resources. This Section sets out the objectives of the PPP program, in the context of Belize's GSDS objectives, and the specific objectives of this PPP Policy.

High-quality and efficient public infrastructure assets and associated services are a crucial building block for economic growth, resilience, and fiscal stability. The Government recognizes the need for strategic investment in infrastructure projects to enable sustainable economic development, employment generation, and private sector investment—and the need to make the best use of both public and private financial and technical resources to that end, including through PPPs.

PPPs will be used to support many of the Government's key economic policy objectives, including:

- i. **Meeting Belize's infrastructure needs**—increased and more efficient and resilient infrastructure is needed to support private sector growth and remove barriers to accessing external markets and in alignment with its GSDS, national infrastructure plan, or any other relevant strategic plan of the Government.
- ii. **Improving efficiency**—seeking private sector expertise to improve the operations and management of its infrastructure and other public assets and services.
- iii. **Balancing fiscal prudence with fiscal stimulus**—the Government faces the challenge of maintaining fiscal prudence to ensure debt sustainability, while expanding public investment to reduce poverty, enhance citizen security and relieve infrastructure bottlenecks.
- iv. **Building resilience to the impact of climate change**—reduce vulnerability to adverse weather shocks and build resilience by mainstreaming climate change and ecosystem management.

GoB is aware that achieving these objectives is beyond the capacity of the Government alone. It therefore intends to engage with the private sector in seeking to provide and manage public assets and services through PPPs.

3.1 Objectives of Belize's National PPP Policy

This National PPP Policy (Policy) sets out clearly how the Government will identify, develop, implement and manage PPPs. It aims to ensure that PPPs are developed

effectively and efficiently, and in a way that achieves VfM for the Government and infrastructure service users. It also aims to guide the private sector on what they can expect in their partnership with the public sector.

Specifically, the objectives of this Policy are to ensure that PPP projects are selected, developed, and implemented in accordance with the following guiding principles:

- i. **Economic and social benefits** – PPPs serve a well identified public need, provide a set of benefits to society that exceed the project cost and the costs (including externalities) to all other entities in the country, and are selected and structured to achieve the optimal combination of benefits (that is, quality, responsive, resilient and sustainable infrastructure and public services) and costs to Government and users, by capitalizing on the value drivers described above.
- ii. **Value for Money** – PPP projects should deliver better Value for Money than a conventional procurement method. Value for Money is the combination of the cost, price, quality, quantity, timeliness and risk of the PPP project as compared to a conventional procurement method. If a PPP project does not offer a better combination of these factors, then it should be delivered through a traditional approach via a conventional procurement method procurement.
- iii. **Fiscal responsibility** – the fiscal impact of PPP projects is well-understood, expected costs are affordable, and the level of fiscal risk is acceptable.
- iv. **Transparency and probity** in how PPPs are identified, developed, procured, and managed.
- v. **Environmental and social responsibility** – environmental and social impacts of PPP projects are carefully assessed and are managed appropriately.
- vi. **Sustainable infrastructure** – infrastructure that is planned, designed, constructed, operated, and decommissioned in a manner to ensure economic and financial, social, environmental (including climate resilience), and institutional sustainability over the entire life cycle of the project.
- vii. **Partnership and inclusiveness** – PPPs meet and balance the objectives of all interested parties – the MDA 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.
- viii. **Manageability and acceptability** – the Government has in place or has the commitment to established contract management and service delivery monitoring for the project life cycle.

This Policy is intended to provide a framework for MDA officials to identify, develop, and implement PPPs.

3.2 Scope of Belize's National PPP Policy

This Policy is intended to be applicable to all PPP transactions which meet the criteria for a PPP as outlined in this Policy and shall apply to all MDAs. The intended PPP transactions must be of sufficient value and scope to create a significant positive impact on the economy and society.

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

- i. **Assets with significant investment value.** Since the cost of preparing and managing a PPP contract can be significant for both public and private parties, PPP's will generally only be considered for projects with a minimum investment value of USD 10 million. However, smaller projects will be considered on a case by case basis or could be bundled to achieve this threshold.
- ii. **Assets with long-term economic lives.** Given the high capital costs involved in most PPP projects, private investors typically will need a long-term contract, in which to recoup their investments and make a reasonable rate of return. For this reason, PPPs should generally be for a contract term of no less than ten (10) years, from the date of contract finalization. Contract terms of less than this will be considered for PPPs that do not require significant private investment, for example management contracts.
- iii. **Output requirements that can be clearly specified and monitored.** Specifying outputs rather than inputs and linking payment to delivery of those outputs are defining features of PPP contracts. PPPs will therefore be used only for delivering assets and services whose outputs can be contractually quantified and monitored in practice.
- iv. **Outputs address stable needs over the contract lifetime.** The long-term nature of most PPP contracts reduces the flexibility of both parties 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.
- v. **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 Belize could benefit from the introduction of private sector and/or international experience and expertise. This will include sectors where there is a need for expansion, innovation and/or the adoption of new technology.
- vi. **Ability to generate revenues.** To maximize benefits in alleviating fiscal constraints, the use of PPPs will be focused either on projects that are expected to generate

revenues from users, whether from charging service users or ancillary sources, or on projects that reduce Government expenditure. These PPPs will generally have higher priority than other PPPs, unless the economic and social benefits significantly outweigh the cost to the taxpayer.

- vii. **Priority sectors.** PPPs will be used to deliver new assets and services to support the delivery of priority actions in GSDS, national infrastructure plan, or any other relevant strategic plan for the Government, as well as essential or emerging sectors to deliver new assets and services where priorities might arise.

4 Institutional Responsibilities for PPPs

Developing and implementing PPP projects requires close coordination between several MDAs. Without a central body with sufficient authority to provide overall guidance to the PPP program, there might be inconsistencies in the PPP process, which would confuse the market and increase the chances of inappropriate project selection, misallocation of risks, and poorly defined performance measurements. Establishing an institutional and regulatory framework is therefore a critical prerequisite to commencing a PPP program.

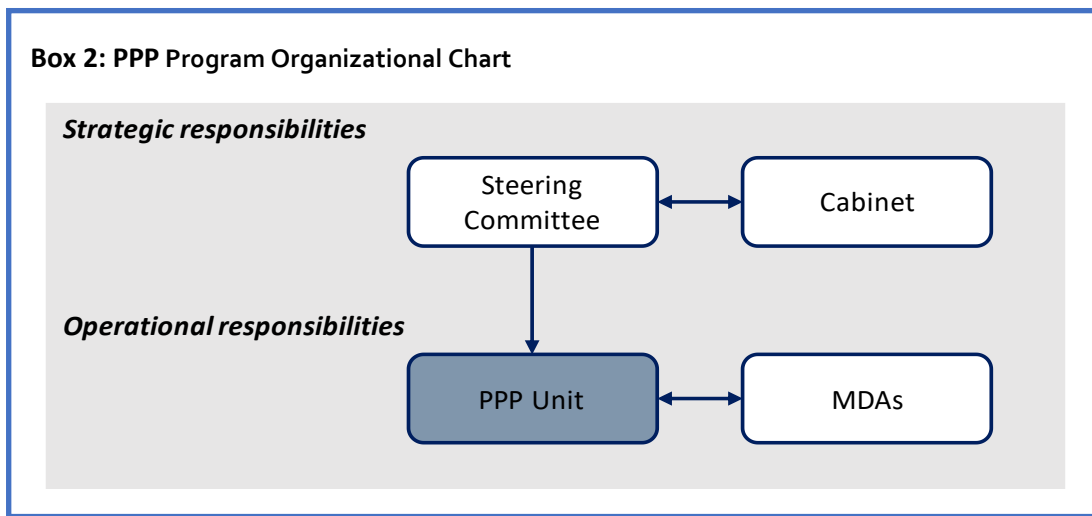
The guidance and administration of the Government of Belize's PPP program will be separated into:

- i. **Strategic responsibilities:** Including the approval of policies and strategies for the PPP program, taking into consideration alignment of the Policy with GSDS and/or other relevant strategic infrastructure plans. Responsibilities will include discussing and approving the PPP Policy and PPP pipeline.
- ii. **Operational responsibilities:** Day-to-day administration of the PPP program, including project assessment and preparation, management of transactions, and oversight of the projects.

The Government recognizes that the institutional structures underpinning a PPP Policy should be linked to the stage or maturity of Belize's PPP program. Belize does not currently have an extensive project pipeline. Therefore, there is less need to devote the same high level of administrative and financial resources to the governance of the PPP program as would apply in more mature PPP markets. This PPP Policy, as it currently stands, is meant to guide the design and implementation of the early phases of Belize's PPP program. It is therefore to be expected that the Policy will evolve and be modified over time in response to changing circumstances.

The strategic direction of the Government of Belize's PPP program will be the responsibility of a **PPP Steering Committee** (Steering Committee), as outlined in Section 4.1 below. The **PPP Unit**, within the **Office of the Prime Minister**, will work closely with the relevant MDAs to ensure private sector participation in the development and delivery of the PPP program. The PPP Unit will be the focal point for day-to-day management of the PPP program. Each PPP initiative will be the responsibility of the relevant MDA and will be implemented by a multi-agency **PPP Project Team** - with support from the PPP Unit. Proposed PPPs will be reviewed and approved by either the Steering Committee or the Cabinet at key stages in the development process.

The roles of the Steering Committee, the PPP Unit, and the PPP Project Teams, and the responsibilities for review and approval of PPP projects are described in turn below.



4.1 Cabinet

Cabinet has final decision-making power over all strategic matters involving the PPP Program. Cabinet approval will be required:

- ii. To add or remove projects from, or change their prioritization based on country's strategy;
- iii. For a potential PPP project to proceed from the Identification and Screening Phase to the Business Case Stage;
- iii. For a potential PPP project to proceed from the Business Case Stage to the Transaction Stage;
- iv. After bids are received and evaluated, to approve the contract with the preferred bidder;
- vi. For any other decisions with significant implications for any stakeholder, the fiscal situation, or the country's economic development, as deemed necessary by the Enterprise Team or the Privatisation Committee of Cabinet; and
- vii. For any changes to the PPP Policy.

4.2 Steering Committee

This Committee has been established to provide direction to the Government of Belize's PPP program, and to oversee the development and implementation of individual PPP projects. Members of the Committee shall be (or their nominees):

- i. Ministry of Finance / Financial Secretary (who will chair the Committee);
- ii. Investment Policy & Compliance Unit represented by CEO Office of The Prime Minister (who will co-chair the Committee);
- iii. PPP Unit Director – in the Office of the Prime Minister; (non-voting member, committee's secretary)
- iv. Prime Minister Appointee #1 (private sector representative)
- v. Prime Minister Appointee #2 (private sector representative)
- vi. Sponsoring Ministry (MDA)*

Other heads of Agencies may be invited to join the Steering Committee when projects under their portfolios are being considered or implemented as PPPs. The composition of the Steering Committee may change over time, based on the needs and experiences of the PPP program going forward. Because of the extensive Government commitment and long-term legal obligations associated with engaging in a PPP, full Cabinet approval will be necessary in critical stages of the process, including initial approval of Business case, opening of procurement, final contract approval.

At a minimum, the attendance of four members of the Steering Committee will be required as a quorum for Committee decisions; the Chairperson may nominate another Committee member to chair in his or her absence as necessary. Steering Committee members must recuse themselves from discussions and/or decisions on particular PPP projects in cases where there may be an actual or apparent conflict of interest, for example due to family business interests or other connections with one or more project stakeholders.

The Steering Committee will, inter alia:

- **Guide the development of Belize's PPP Policy**, including adopting more detailed process guidelines, regulations, and standard formats for key documents for mandatory use by all agencies that are implementing PPPs.
- **Select from among priority investment projects** to be developed as potential PPPs, based on an initial screening by the PPP Unit, and ensure Cabinet endorsement is obtained at each essential stage.

- **Hold PPP Project Teams accountable** for developing and implementing PPP projects, following agreed timelines.
- **Confirm the evaluation of bids and recommended preferred bidders** for PPP projects, based on evaluation reports prepared by PPP Project Teams and the PPP Unit against pre-established and pre-announced clear, objective, and quantifiable criteria.
- **Periodically commission independent evaluations** of PPP projects and/or the PPP program as a whole to assess whether PPPs have delivered the anticipated VfM.
- **Assess the economic feasibility of PPP projects.** This particular responsibility will fall on the Ministry of Economic Development.

As a form of public procurement, detailed regulations for preparing and implementing PPP transactions will be issued under appropriate public procurement legislation. As such, the Steering Committee will work closely with the institutions established under this legislation to ensure continuity.

4.3 PPP Unit

The Steering Committee will designate a PPP Unit to manage the PPP program. The responsibilities of the PPP Unit will be as follows:

- **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 program.
- **Regulate the PPP program:** Ensure that all PPP projects are developed in accordance with the PPP Policy, principles, and processes. 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 a well-informed decision; and that PPP projects are managed effectively.
- **Contribute to the development of PPP projects:** Staff members of the PPP Unit will contribute their technical expertise in PPPs by joining—and leading—PPP Project Teams, including the hiring and managing of external consultants assisting the Team, responsible for each PPP project being implemented. This is to ensure that the day-to-day work of the project will be managed in accordance with the principles and processes outlined in this Policy, and that the PPP Unit Leader passes on knowledge to PPP Project Team members.
- **Ensure adequate funding for project development, structuring, and procurement:** Assess the internal and external costs of developing, structuring, and providing transaction advisory services; ensuring that enough funds are available

from budgetary sources, project development funds, donors, or other sources for swift implementation of the transaction.

- **Be a repository of skills and knowledge:** Continually build knowledge of PPP management, drawing on domestic and international experience. This includes compiling information on PPP projects—in Belize and beyond—and systematically analyzing the success of those projects to inform the development and delivery of the Belize PPP Policy and program.
- **Conduct consultation programs with stakeholders:** The PPP Unit will be responsible for conducting sensitization sessions with relevant stakeholders in Belize, aimed at spreading awareness and understanding of PPPs.

4.4 PPP Project Teams

In order to take a PPP project through the Business Case and Transaction stages, the Government will need to devote considerable technical and financial resources. For each project that is taken forward, the PPP Unit will analyze the skills and time commitments required to develop, evaluate, and procure each project, and recommend the individuals who will comprise each PPP Project Team. Generally, the PPP Project Team will include officials from the Subject MDA, who will act as the sponsor, the Ministry of Finance, the PPP unit, who will provide technical advice, and suitably qualified advisers.

The PPP Project Team will collect and analyze information, write reports, plan and structure the PPP, perform the administrative and management functions involved in developing, evaluating, and procuring PPP projects, and make all recommendations to the Steering Committee.

Each PPP Project Team will be supported by technical, legal, and financial advisers, as appropriate for each project. In seeking approval to move individual projects forward to the Business Case and Transaction stages, each PPP Project Team, shall include a budget of the consultants and other costs involved in the subsequent project stages.

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

- i. Evaluating whether the project meets the PPP Criteria;
- ii. Supervising the consultants;
- iii. Drafting the Business Case documents and accompanying Steering Committee submission;
- iv. Structuring the PPP;
- v. Drafting project agreements (with assistance from legal counsel);

- vi. Drafting and issuing the RfP;
- vii. Prequalifying bidders; and
- viii. Conducting the tender, evaluating bids, and providing support to the contracting agency until contract award and financial close.

These functions are described in more detail in Section 5 of this Policy.

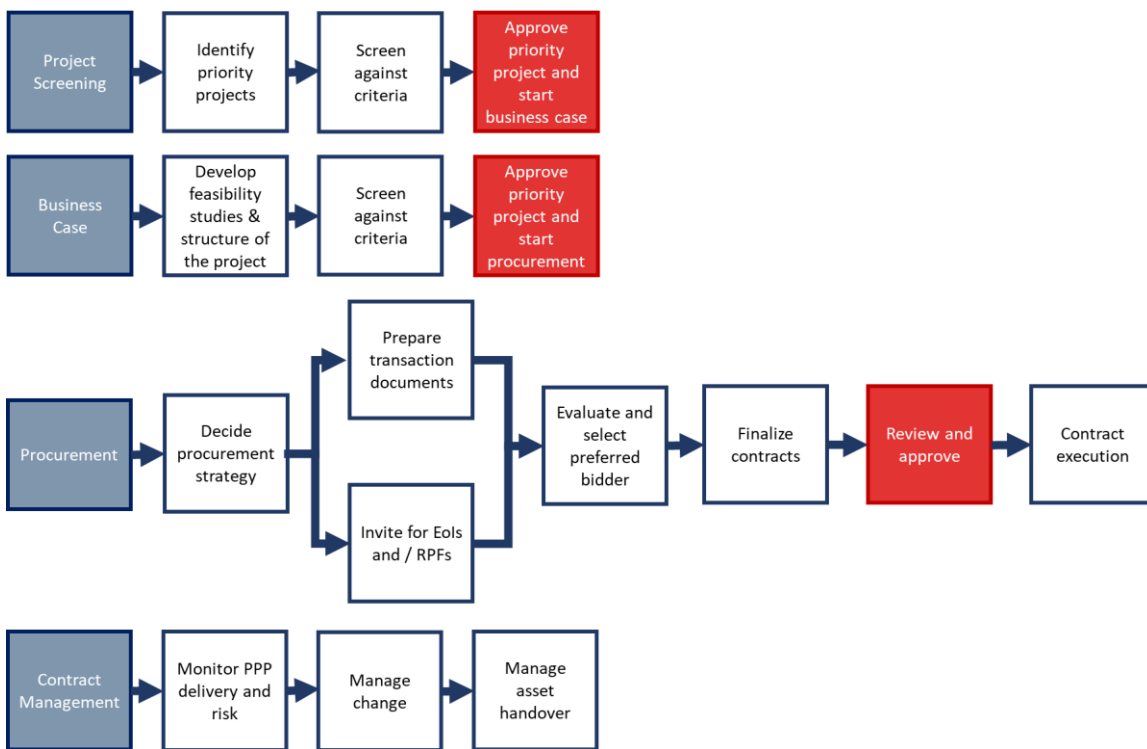
5 PPP Processes

To achieve the objectives stated above, all PPP projects in Belize will be developed and implemented following a consistent, competitive, and transparent process.

- i. Identifying and screening the initial PPP project concept;
- ii. Developing the Business Case and defining key commercial terms;
- iii. Preparing for and implementing a PPP transaction; and
- iv. Signing and managing PPP contracts.

These four stages of the PPP process are shown in Figure 1: The PPP Process Figure 1 below:

Figure 1: The PPP Process



The following Sections of this Policy provide an overview of each stage of the PPP process as shown in Figure 2. For clarity, this process covers both GoB sponsored projects and Unsolicited Proposals. In support of this PPP Policy, detailed guidance as well as international best practices prepared by multilateral institutions should be adopted to support the Government officials responsible at each stage of the process.

5.1 PPP Reviews and Approvals

All PPP projects will require review and approval at key stages in the development process. The objectives of these reviews and approvals are to ensure that PPP projects are aligned with Government priorities and are developed according to this Policy and its guiding principles. The operational leadership of the project will be discussed on a project-basis between the PPP Unit and the relevant MDA depending on the capacities of the sponsoring MDA.

Table 1 below sets out PPP activities, studies, and approvals. At each stage, approvals will be based on the relevant submission’s ability to demonstrate that the PPP is (or is expected to be) compliant in all respects with this PPP Policy, particularly the criteria shown in **Box 3** of this section. The PPP Unit will be responsible for coordinating this review and approval process.

Table 1: PPP Activities, Studies, Approvals

Stage	Responsible	Monitoring	Studies / activities	Deliverable	Approval	Approval time
Screening	Project Team	PPP Unit	Pre-feasibility studies	Concept Note	Steering Committee	[_Two weeks after phase completion_]
Business Case	Project Team	PPP Unit	Feasibility Studies & commercial structure	Summary report	Steering Committee & Cabinet	[_Four weeks after phase completion_]
Transaction	Project Team	PPP Unit	Procurement documents & Project agreement	Memorandum of preferred bidder	Steering Committee & Cabinet	[_Four weeks after phase completion_]
Contract Mgmt.	Relevant MDA	N/A	Contract monitoring and oversight	N/A	N/A	N/A

The projects identified by MDAs, the Steering Committee, and any designated USPs will be screened against the agreed criteria as shown in *Box 3* below during the Screening and Business Case stage:

Box 3: PPP Project Appraisal Criteria

To ensure the objectives of the PPP program and the potential benefits of using PPPs are achieved in practice, the Government will verify that all PPP projects meet the following criteria:

- **Feasibility and economic viability:** The underlying project must make sense, in that it is central to the Government’s policy priorities and sector plans; is technically, legally, and economically feasible to deliver benefits that are higher than the cost for society as a whole; and is the least-cost solution to the identified service need.
- **Value for Money (VfM):** The proposed PPP is expected to achieve VfM, compared to alternative implementation options; and compared to other PPP structures (that is, the PPP is structured well).
- **Fiscal responsibility:** The project’s cost to the Government is in line with fiscal priorities and is fiscally affordable, while risks retained by the Government would not be fiscally destabilizing.
- **Social and environmental sustainability:** The project meets the best practices and sustainable standards and safeguards to those stakeholders impacted by the project.
- **Commercial viability:** There are qualified private parties available to finance and implement the project, and the project is expected to provide a commercial rate of return sufficient to attract such parties and create competitive tension.
- **Climate resilience:** Due to its geographical features, Belize is particularly susceptible to severe climate events; infrastructure projects must therefore be designed and built to high standards of climate resilience.

5.2 PPP Project Identification and Screening

The purpose of the Identification and Screening stage is to assess at a high level:

- 1) whether it is expected that the project’s economic and social benefits to society outweigh its economic and social costs,
- 2) whether the project is independently financially feasible or what level of government contribution is required, and
- 3) whether PPP is expected to be a suitable delivery model

All MDAs will be asked on an annual basis to identify potential projects and submit them to the PPP Unit for screening. The Steering Committee will also proactively identify projects which, from a strategic perspective, may be desirable to structure as PPPs.

PPPs are first and foremost public investment projects. Hence, as shown in Figure 2 above, the process of developing and implementing a PPP begins with the Government identifying a priority public investment or service need. The aim of this stage is to select from among priority projects. In instances where a USP shows considerable value to the project list, it will be added once vetted through the PPP process as defined in this Policy.

Identified potential PPP projects will be screened by carrying out a quick and approximate check that a PPP structure for the project is likely to meet the criteria described in Box 3 above: whether the Project is likely to be economically and socially attractive, financially viable, fiscally responsible, and provide VfM as a PPP. Depending on the complexity of the project, this could require stakeholder consultations and pre-feasibility analysis to identify technical solutions and major risks and estimate project costs and revenues. A summary of the analysis, conclusions, and recommendations 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.

The Project Concept Note will be prepared by the MDA proposing the project, with support from the PPP Unit, and will be submitted to the Cabinet, through the Steering Committee, for review and approval to proceed to the Business Case stage.

The pre-feasibility analysis will consist of activities and studies necessary to test the project against the PPP Project Appraisal Criteria, including:

- i. Develop high-level cost benefit analysis: Assessing and Identifying the potential social and economic benefits of the project
- ii. Develop high level VfM assessment: Identifying whether the project could potentially provide Value-for-Money to the Government
- iii. Determine preliminary risk assessment and risk allocation: Assessing the main risks of the project, including climate risks

5.3 Business Case

The purpose of the Business Case Stage is to assess at a detailed level:

- 1) whether it is expected that the project's economic and social benefits to society outweigh its economic and social costs;
- 2) whether the project is financially, legally, technically feasible; and
- 3) whether the project results in higher Value for Money if structured as a PPP when compared against a conventional procurement method.

The necessary activities and studies include but are not limited to:

- i. Defining the geographical, temporal, and functional scope of the project.
- ii. Developing a technical feasibility assessment, developing a draft design and determining technical specifications.
- iii. Developing a social and environmental impact assessment, including intended and unintended social and environmental consequences of the project, both positive and negative.
- iv. Developing a cost-benefit analysis, including all the project's costs and benefits compared against the situation without the project.
- v. Confirming the most appropriate delivery model for the project and, if expected to be delivered as a PPP, undertaking a more detailed Value for Money (VfM) Assessment.
- vi. Developing a financial feasibility study, including refining the project's lifecycle cost estimates and revenue projections and considering the project's risks and uncertainties.
- vii. Preparing an implementation plan for the project.
- viii. Conducting stakeholder outreach to ensure support for the project.
- ix. Developing the legal and commercial structure of the project, including:
 - a. Developing a risk assessment, including climate, following the principles in section 6
 - b. Structuring the contract type and the payment mechanism - availability payment or user fees
- x. Structuring financing and preparing the financing documentation for the project.
- xi. Conducting market sounding to secure feedback and market appetite.
- xii. Undertaking other tasks that may be necessary to meet the needs of the project.
- xiii. Conducting fiscal analysis: identifying and assessing the level of fiscal support required and its impact for the project—both directly related to and conditional on the risks accepted by the Government—and the affordability of the support given fiscal priorities and constraints (with reference to the treatment of PPP liabilities described in Section 7 of this Policy).

The Business Case stage will conclude with a presentation and/or report of the project's proposed scope and structure, and a summary of the results of the various analyses undertaken, demonstrating compliance of the proposed project with the criteria described in .

The Business Case report will be carefully reviewed and scrutinized by all relevant agencies and institutions before being submitted to Cabinet, as described further in Section 4.4 on PPP Approvals.

5.4 Transaction Implementation

Once the Cabinet gives approval to proceed based on the results of the Business Case (including making budgetary provisions), the PPP Project Team will prepare and implement the PPP transaction. The objectives at the Transaction Implementation stage are twofold:

- i. To identify the most effective and efficient solutions to the proposed project's objectives – both from technical and VfM perspectives; and
- ii. To select a competent firm or consortium to act as the private developer/operator of the PPP project.

A PPP transaction is a form of public procurement. As such, PPP transaction processes will be consistent with Belize's relevant procurement law or regulations, where applicable.

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

Box 4: Transparent Transaction Processes

To ensure that the objectives of the PPP program are achieved in practice, the Government will ensure that all PPP projects meet the following standards of transparency:

1. Open market consultation in which project information is shared with the industry;
2. International publication of requests for proposals;
3. Selection of the winning bidder on the basis of:
 - Previously announced procedures and criteria
 - Proper justification and notification of decisions
4. Publication of the award of the contract and the justification;
5. Registration of the decisions during the selection procedure (so that they can be referred to in disputes); and
6. Review procedures (enabling treated bidders who feel that they have been treated unfairly to file a complaint).

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

- **Decide on procurement strategy.** In deciding upon a procurement strategy for the transaction, good dialogue with the market early in the process helps ensure project feasibility, bankability, and market interest. The proposed risk allocation should be thoroughly analyzed early in the process to achieve VfM, bankability, and affordability. The PPP Project Team, with support from the PPP Unit and technical consultants, will make recommendations on the procurement strategy for approval by the Steering Committee. The most common procurement strategies available include the following:
 - **Two-Stage procurement (RfQ/RfP):** Under the two-stage procurement strategy, the Government first issues a Request for Qualifications (RfQ). Interested parties submit their qualifications, allowing the Government to assess the capabilities and capacity of the prospective bidders so as to ensure that the selected company or consortium is competent enough to deliver the project and service from both a financial and technical perspective. The Government preselects potential bidders based on minimum qualification requirements and other potential shortlisting criteria. After the RfQ phase, the Government issues a Request for Proposals (RfP) only to the qualified, short listed bidders. The Government will select a preferred bidder based on the response to the RfP. This approach is generally seen as the standard for PPP procurements and is suitable for projects that are larger and more complex.
 - **One-stage procurement (RFP) process:** Under the one-stage procurement strategy, the Government directly issues the RfP that also includes the qualification requirements. This approach is mainly relevant for projects that are relatively small and not complex.
 - **Invite Expressions of Interest (EoIs) and prequalify bidders.** To ascertain the level of market interest and determine whether private parties have the financial and technical capabilities to deliver the project, the Government may invite expressions of interest and, on the basis of responses received, select a shortlist of potential bidders. The objective of prequalification is to bring only the best bidders to the table, which will improve the quality of bids and the likelihood of reaching financial close.
 - The EoI documentation will be issued once the detailed transaction documents have been fully or substantially developed. Items such as the RfP and project agreement should be ready prior to the EoI invitation; this allows the GoB to answer any questions that interested parties may have regarding the project and avoid potential delay during the procurement.

- Requests for EoIs will be published in national, regional, and global platforms relevant to the sector and will provide an overview of project scope as well as clear guidelines for submission requirements and criteria for assessing bidder qualifications. This stage will culminate with issuance of a list of prequalified bidders, approved by the Steering Committee as outlined in Section 4.4 of this Policy.
- In case the complexity or characteristics of the project imply a low number of potential bidders, the Prequalification phase may be omitted, in which case bidders will be required to demonstrate satisfaction of qualification criteria upon submission of proposals. Qualification will be assessed before the assessment of proposals and only proposals presented by qualified bidders will be considered.
- **Prepare transaction documents.** To attract high quality bidders and achieve competition in the bidding process, the PPP transaction documents must be comprehensive and well-prepared. PPP documents to be issued to qualified bidders will include, but will not be limited to:
 - i. Full draft PPP agreements, based on the key commercial terms defined in the Business Case and following the commercial principles set out in Section 6 of this Policy. The nature of contract documentation will vary with the nature of the PPP, particularly whether it involves existing or new assets.
 - ii. Request for Proposal (RFP) documents, which should include a detailed description of the bidding process, required bid contents, and bid evaluation criteria.
- **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 bidder feedback and finalization 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 should be communicated to all bidders, clearly and in writing;
 - ii. Bidders should submit requests within the approved dates;
 - iii. Responses to bidder requests should 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 should be sent to all bidders.
- Where bidders request clarification, the Project Team should seek guidance before responding. For example, if the request for clarification is about existing asset conditions, the MDA will be consulted on the response. Similarly, if a request is about a legal clause, the legal adviser should 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 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 adviser.

In order to encourage competing bidders to submit competing bids, the PPP Unit may choose to [fully or partially] compensate competing bidders for the costs incurred in developing the competing bids through a stipend. The PPP Unit shall indicate in the RFP of a specific project if a stipend will be paid and the amount of such stipend.

- **Evaluate and select preferred bidder.** Bidders will submit prescribed bidding packages, including their technical and financial proposals and their legal incorporation documents. The process typically would be a two-envelope bidding process: technical and financial bids. In case there was no Prequalification phase, there will be also a third envelope, containing proof that the bidder meets or surpasses 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 project team. 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:
 - a. Which bidders were dropped from consideration because they did not demonstrate qualifications or achieve the minimum technical score;
 - b. Which bidder is evaluated highest overall, including both technical and financial bids, and the ranking of the other bidders; and
 - c. 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.
- **Finalize contracts.** Once the preferred bidder has been selected, the Government will finalize the PPP agreements with that bidder. Some minor modifications may 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).
 - **Final approval.** The final contract will be re-submitted to Cabinet for final approval before signing. This submission must document any changes from the terms approved at the Business Case stage and provide a clear rationale for how those changes remain consistent with the PPP criteria set out in *Box 3* above.
 - **Contract execution and financial close.** Once the PPP contracts are signed, several more steps or conditions may be needed to achieve contract effectiveness and financial close. These may include legislative and/or regulatory changes and the securing of the required project financing. The Project Team MDA, led by the PPP Unit, will remain responsible for timely completion of these actions.

After completion of financial close, the Project Team, led by the PPP Unit, shall prepare a detailed briefing of the transaction process and summarize key aspects of the transaction. This briefing will add to the institutional knowledge of the PPP Unit and will be used as a guide by the incoming Contract Management Team.

5.5 Contract Management

The PPP contract will be monitored and managed over its lifetime, to ensure that all parties' obligations are met, and services are delivered as expected. The responsible / sponsoring MDA, in consultation with the PPP Unit, will designate a Contract Management Team and develop the processes and tools for managing the contract. The Contract Management Team will:

- **Monitor PPP delivery and risk:** Ensure that services are delivered continuously and to a high standard, in accordance with the contract; that risk allocations are maintained in accordance with the contracts, that risks are properly mitigated; and that payments or penalties are made in accordance with contract specifications. This may include use of independent consultants or engineers and mechanisms for consumer feedback. Performance of the private party will be measured against original projections, as amended.
- **Manage change:** Ensure that external risks and opportunities are spotted and that changing circumstances are acted upon effectively and in a way that achieves VfM; and putting into practice contractually defined mechanisms to deal with contract adjustments, dispute resolution, and contract termination.
- **Manage contract expiry and asset handover:** Manage 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 must be aligned as far as possible with broader public investment project monitoring and oversight regulations and legislation.

6 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 Belize. The Government may develop and adopt detailed guidance material and standard PPP contract clauses that encapsulate these principles.

6.1 Risk Allocation and Management

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

- i. Influence the risk, where possible;
- ii. Anticipate or respond to the risk factor if it cannot be influenced directly; and
- iii. Absorb the risk, where it cannot be influenced and its impact cannot be controlled.

Following this principle, 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, climate risks such as hurricanes and changes in climate conditions, 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 6.2, and where appropriate, provision of Government guarantees or indemnities as a mechanism for accepting or sharing certain project risks.

The Government recognises that, in cases where neither party can control a particular risk, it would not represent good value for money to force the private party to take on that risk. Subject to this proviso, the Government will accept or share only those risks it believes it is best positioned to manage and will not offer general guarantees on overall project returns.

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

6.2 Payment Mechanisms and Performance Specifications

The PPP contract will clearly set out the performance standards required and the mechanism(s) by which the private party will be paid. A key feature of PPP contracts is

that these are performance linked, such that remuneration depends on achieving contractually-defined 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. 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:

- i. For PPPs that involve charging users for services, the PPP contract will establish the right of the private party to collect these charges, will include collection verification mechanisms and will institute appropriate mechanisms and responsibilities for setting and/or adjusting the level of charges over time.
- ii. Government payments under PPP projects will be made only on delivery of the asset or service to the contractually specified standards over time. 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 where this is considered to result in the best VfM—any such payments will be linked with achievement of contractually-defined construction milestones. 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 party to post performance bond(s), to ensure compliance with contractual minimum standards.

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

6.3 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.

6.4 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, in accordance with the laws of Belize, to ensure disputes are resolved quickly and efficiently, without interruption of service.

6.5 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 and any financial consequences. While the latter may vary by project, the Government will generally not make termination payments that include st to equity holders due to private party default.

6.6 Renegotiation

PPP contracts will be carefully designed to minimize the need for renegotiation during the contractual term, by comprehensively allocating risks and building in appropriate mechanisms for dealing with change. 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 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, benchmarking or market testing will be employed where possible in lieu of a competitive process to help ensure VfM.

7 Fiscal Management and Accounting for PPPs

Under PPP projects, the private party is usually responsible for raising the financing needed for construction and commissioning. Nonetheless, PPPs typically create fiscal obligations for the Government, which can in some cases be similar to those arising from conventional procurement methods 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 some uncertain future event.

The Government of Belize 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 4 of this Policy.

It also includes recognizing and reporting fiscal commitments to PPPs in public financial plans, reports, and accounts.

Following international practice¹, 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 MDA – the Government will recognize and include in measures of public financial liabilities an amount equal to the value of the PPP asset.
2. ‘User-pays’ PPPs will not generally be considered as creating financial liabilities that should be recognized and factored. 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 financial liabilities in GoB key financial reports. 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.

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 Belize is committed to a fully transparent process that ensures that information about PPP projects and the performance of the PPP program is publicly available [in the PPP Unit and MDA Website, if applicable]. This will enable independent auditing entities and the public to hold the Government accountable for its management of the PPP program.

To that end, the Government will disclose PPP project and program 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—but, considering the output-based characteristics of such contracts, commercially sensitive information will not generally be included, creating an expectation of full contract disclosure;
3. Contract changes will also be published as soon as they become effective; and
4. Performance data of each active PPP will be publicly available.

PPP projects and the PPP program as a whole may be periodically audited, by the Auditor General or such other approved body, 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 advisers may be contracted to provide appropriate expertise in assessing PPP project quality.

Part B Unsolicited Proposals

9 Objective and Purpose

The purpose of this section of the PPP Policy regarding the Implementation of Unsolicited Proposals (“USP Policy”) is to provide guidance and procedures for the development and implementation of Public-Private Partnership (“PPP”) projects initiated as Unsolicited Proposals. The USP Policy seeks to ensure that projects initiated as Unsolicited Proposal Submissions follow the same or equivalent procedures as projects initiated by the Government of Belize (“Government”) during the Identification and Screening, Business case, Transaction Implementation and Contract Management phases.

The USP Policy aims to ensure that Unsolicited Proposals are used to harness private sector innovation and creativity in the delivery of infrastructure projects while protecting public policy objectives, encouraging competition, and ensuring transparency and accountability. The Government encourages Private Entities to present Unsolicited Proposal Submissions that either:

- identify infrastructure needs that the Government has not considered, or
- propose innovative solutions to an infrastructure or services need that is known to the Government.

The USP Policy aims to ensure that infrastructure projects initiated as Unsolicited Proposal Submissions are aligned with the Government’s GSDS objectives, national infrastructure plan, or any other relevant strategic plan serves a public need, provide a set of benefits to society that exceed the costs and that proposed PPPs for those projects deliver better Value for Money than a conventional procurement method. It aims to ensure that projects initiated as Unsolicited Proposal Submissions are developed and implemented efficiently and transparently, in accordance with the guiding principles set out in Part A of this PPP Policy.

10 USP Identification and Screening

10.1 USP Identification

Whereas the process of developing and implementing a PPP begins with the Government identifying a priority public investment or service need, the process of developing and implementing a USP starts with a USP submission. This section of the USP policy describes the submission process.

10.1.1 Location for USP Submission

The current platform for private entities within the Country to present any such development project is the PPP Unit in the Ministry of Investment. The PPP Unit vets unsolicited proposals for both foreign and local direct investment. With the introduction of PPP opportunities within the country and as per the definition of PPP's in accordance to the Policy, the PPP Unit may see such proposals presented as a USP Submission.

USPs may at times be submitted to MDAs or the Investment Policy and Compliance Unit (IPCU) in the Ministry of Investment. Under such circumstances, however, the MDAs or IPCU shall communicate with the PPP Unit requesting first phase screening by the Unit in accordance with the Policy. The PPP Unit will remain engaged in advising the MDA or IPCU as a member of the Project Team.

The PPP Unit will be the focal point for day-to-day management of USPs and will represent the Government in discussions with private entities. The PPP Unit will coordinate with the relevant MDA and will set up multi-agency Project Teams if and when the Government decides to move forward with a USP.

10.1.2 Submission Requirements

An Unsolicited Proposal Submission is required to include:

- a high-level technical description of the proposed project;
- an explanation of how the proposed project serves a public need or is aligned with the Government's infrastructure and/or development plan;
- a high-level description of the proposed delivery model and/or rationale for PPP delivery; and

- a description of the expected contribution from the Government for the development and implementation of the proposed project.

10.1.3 Additional Submission information

In presenting its Unsolicited Proposal Submission, if a Private Entity anticipates to have some participation in the project development, is required to submit additional information that enables the PPP Unit to evaluate the Unsolicited Proposal Submission as per the evaluation criteria. The additional information that the Private Entity is encouraged to submit includes:

- i. A high-level schematic design, sketch or alignment;
- ii. A high-level operating plan for the proposed project;
- iii. A preliminary and high-level assessment of the public need for the proposed project;
- iv. A preliminary and high-level Cost-Benefit Analysis of the proposed project;
- v. A preliminary and high-level Social and Environmental Impact Assessment;
- vi. A preliminary and high-level financial feasibility study of the proposed project including an assessment of potential costs and revenues and a potential funding and financing plan; and
- vii. A preliminary and high-level risk assessment, including the proposed project's main risks and uncertainties.

In addition to providing the above-mentioned information about the Project, the USP Proponent shall provide evidence of at least [__two__] projects of a similar size and nature as the proposed Project in which the USP Proponent was responsible for the studies and activities that the USP Proponent may undertake for the Project in the Business Case Phase.

10.1.4 Review Fee

Private Entities are required to pay a non-refundable, non-negotiable proposal review fee at the time of presenting the Unsolicited Proposal Submission to the Government. The proposal review fee shall be determined based on the thresholds hereunder.²

- [__BZD 2,500__] for proposals for which the estimated cost is less than or equal to [__BZD 1,000,000__];
- [__BZD 5,000__] for proposals for which the estimated cost is greater than [__BZD 1,000,001__]; and less than or equal to [__BZD 5,000,000__]; and

² The review fee should be adjusted periodically in line with inflation.

- [__BZD 10,000 __] for proposals for which the estimated cost is greater than [__BZD 5,000,001__]

For the avoidance of doubt, the submission and acceptance of Proposal Review Fee does not create any obligation on the part of the Government toward the USP Proponent to move the project to the Business Case stage.

10.1.5 Protection of Intellectual Property Rights and Proprietary Information

The Private Entity is required to clearly identify any proprietary or confidential information in its USP Submission.

The Private Entity may submit a written request to the PPP Unit identifying the data and proprietary information which it needs to be protected from disclosure in the public domain. The request shall also clearly mention the reasons for such protection. The request shall be accompanied by extracts clearly marking out the data and proprietary information in the USP Submission.

10.2 USP Screening

The PPP Unit shall evaluate the Unsolicited Proposal Submission presented by the USP Proponent according to a two-step evaluation process during the project screening phase. The PPP Unit shall coordinate with other MDAs as applicable during the evaluation process of the Unsolicited Proposal Submission. The PPP Unit endeavour to complete the steps of the evaluation process within the time indicated hereunder:

- The Government shall endeavour to complete the first step of the evaluation process in [__2 weeks__].
- The Government shall endeavour to complete the second step of the evaluation process in [__6 weeks__].

10.2.1 First Step Screening

In the first step of the evaluation process, the PPP Unit shall confirm compliance of the Unsolicited Proposal Submission. The Government shall deem an Unsolicited Proposal Submission compliant if the Unsolicited Proposal Submission:

- complies with the definition of Unsolicited Proposal as per Section 1 of this PPP Policy;
and

- meets the Submission Requirements and the appraisal criteria as per Section 10.1.2.

To the extent the Government anticipates asking the USP Proponent to undertake project development activities and studies during the Business Case phase, it will also evaluate the USP Proponent's technical capabilities and experience in carrying out the proposed activities and studies as described under Section 10.1.3 of this Policy.

The PPP Unit shall reject any Unsolicited Proposal Submission that does not comply with the Submission Requirements. If the PPP Unit rejects an Unsolicited Proposal Submission for non-compliance with Submission Requirements, it must notify the USP Proponent of its decision along with reasons.

An Unsolicited Proposal Submission that the PPP Unit has deemed compliant moves on to the second step of the evaluation process. If the Unsolicited Proposal Submission is deemed compliant, the PPP Unit shall notify the USP Proponent that the Unsolicited Proposal Submission is compliant. For the avoidance of doubt, approval of the Unsolicited Proposal Submission in the first step of the evaluation process does not create an obligation on the part of the PPP Unit toward the USP Proponent or to move the USP Proposal Submission to the second step of the screening phase.

10.2.2 Second Step Screening

In the second step of the evaluation process, the PPP Unit shall evaluate the information provided by the USP Proponent in the Unsolicited Proposal Submission. The PPP Unit may contact the USP Proponent with requests for clarification or additional information, when needed. Both the requests from the PPP Unit and the responses from the USP Proponent must take place in writing.

During the second step of the evaluation process, the PPP Unit shall reject the Unsolicited Proposal Submission if it does not meet the purposes specified under section 5.2: PPP Project Identification and Screening of this Policy and is expected to meet the criteria described in **Box 3**. If the Government rejects the Unsolicited Proposal, it must notify the USP Proponent about the rejection of the Unsolicited Proposal Submission with reasons.

If the PPP Unit proposes to accept the Unsolicited Proposal Submission, it shall inform Steering Committee within [__2__] weeks for approval. If the Steering Committee is satisfied with the appraisal of the USP based on the recommendation of the PPP Unit and the relevant MDAs, it shall inform Cabinet within [__2__] weeks for approval. Cabinet shall decide whether the proposed project will enter the Business Case phase. If Cabinet approves the Unsolicited

Proposal, the Government shall notify the USP Proponent that it has approved the Unsolicited Proposal.

11 USP Business Case

11.1 Allocation of Business Case Responsibility

In order to guarantee equal bidding conditions for competing bidders during the procurement, the PPP Unit, along with the relevant MDAs, shall be responsible for undertaking the business case and shall limit the role of the USP Proponent during the Business Case phase. The Government may seek assistance from experienced external advisors during this phase.

The PPP Unit may ask the USP Proponent to undertake project development activities as specified in Section 5.3 of this Policy. In such event, the PPP Unit shall enter into a project development agreement with the USP Proponent that authorizes the USP Proponent to undertake certain defined project development activities. The Government will compensate the USP bidder for such activities. The project development agreement shall address, among other things:

- i. Scope and objectives of the Project and of the project development agreement;
- ii. Responsibilities of the Government and the USP Proponent;
- iii. Allocation of costs for performing project development activities;
- iv. Procedures for coordination between the Government and the USP Proponent, and decision-making, approvals, and dispute resolution mechanisms; and
- v. Timelines and milestones for project development.

The PPP Unit, along with the relevant MDAs, shall independently and thoroughly evaluate the documentation prepared by the USP Proponent. The PPP Unit may contact the USP Proponent with requests for clarification or additional information. Both the requests from the PPP Unit and the responses from the USP Proponent must take place in writing.

The PPP Unit shall conduct an independent assessment of the following aspects of the Project:

- i. Value for Money Assessment or rationale for PPP delivery;
- ii. Fiscal Impact of the Project for the Government including direct, indirect, and contingent liabilities; and social and environmental impact analysis

11.2 Business Case Evaluation

Towards the end of the Business Case phase, the PPP Unit, along with the relevant MDAs shall confirm whether the project still meets the PPP Project Appraisal Criteria as described in **Box 3** of this PPP Policy. The PPP Unit shall endeavour to complete evaluation and approval of project development against the PPP Project Appraisal Criteria according to the procedures and timelines specified in Table 1 of this Policy.

The PPP Unit shall not move the project forward to procurement if it does not meet the PPP Project Appraisal Criteria. If the Government rejects the USP, it must notify the USP Proponent about the rejection of the Unsolicited Proposal Submission with reasons.

12 USP Transaction Implementation

The PPP Unit shall follow the same procedures for organizing a procurement as for projects initiated by the Government, as specified in the PPP Policy under Section 5.4: Transaction Implementation.

In order to maximize Value for Money, the PPP Unit shall organize a competitive procurement process to procure the project. The PPP Unit – and explicitly not the USP Proponent – will prepare the all the procurement documentations and draft PPP contract.

The PPP Unit shall strive to maximize competition in the procurement. If the USP Proponent has the required experience in project implementation, it may be automatically shortlisted in the procurement. The PPP Unit may also provide a limited bonus to the USP Proponent in the Bid-Evaluation Criteria.

The PPP Unit shall strive to maximize the number of competing bidders that participate in the procurement; however, there is no minimum number of bidders required to move forward with the procurement process.

The PPP Unit shall provide all bidders a reasonable amount of time – typically no less than 90 days – for preparation and submission of bids in response to the procurement. In order to determine a reasonable amount of time for preparation of bids, the PPP Unit, along with the relevant MDAs, may hold open discussions with private entities that may be interested in submitting bids in response to a procurement.

The time provided for bidders to prepare and submit bids in response to the procurement may be extended where the PPP Unit considers that the complexity of the project justifies a longer time.

The PPP Unit shall ensure that competing bidders have access to the same information about the project as the USP Proponent. Relevant documentation about the project will be published in the [Official Gazette/ MDA Website] and on the PPP Unit's website and should include all relevant project feasibility assessments, supporting documents, and draft procurement documentation including the draft contract and proposed risk allocation.

In order to encourage competing bidders to submit competing bids, the PPP Unit may choose to [fully or partially] compensate competing bidders for the costs incurred in developing the

competing bids through a stipend. The PPP Unit shall indicate in the RFP of a specific project if a stipend will be paid and the amount of such stipend.

Decision-making on contract award and contract close will follow the same procedures as for projects initiated by the Government, as specified in the PPP Policy in Table 1: PPP Activities, Studies, Approvals.

13 USP Contract Management

Contract management of a PPP that started as a USP will follow the same processes and procedures as those for projects initiated by the Government, as specified in Part A of this PPP Policy.

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