

# Financing Developments through Collaboration in the Caribbean - Arguments for Improved Vigilance, Governance and Policy Regulation Framework: The Case of Guyana

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# THE CASE

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This Presentation looks at:  
The Berbice River Bridge Project



# THE BERBICE RIVER BRIDGE



# ARGUMENT OF THE STUDY

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This article argues for:

1. Improved vigilance of the “public” to prevent predatory behaviours of the “private” in the partnership.
2. Improved governance through policy frameworks
3. Sharing of information, experiences and knowledge between Caribbean countries

# FUNDING THE BRIDGE

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The Berbice River Bridge and the approach roads cost \$9.9B to construct

This amount was raised through loans (\$6.8B) and Investments (\$3.1B)

## Government:

- ❖ Made approximately 90% of the investment share (\$2.7B)
- ❖ Contributed the land
- ❖ Paid \$100 M compensation to residents displaced
- ❖ Built the access roads (\$1.7B)
- ❖ Invested \$1B

## Private Sector Contribution:

- ❖ Investment of \$320M

# THE ECONOMICS OF THE BRIDGE

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1. Prior to the construction and use of the bridge, commuters relied on the ferry service between Rosignol and New Amsterdam to get from the West Bank to the East Bank of the Berbice River (vehicular and pedestrian traffic)
2. The ferry had the advantage of being able to carry large numbers of vehicles and passengers, BUT the turnaround time...
3. Its operator, Transport and Harbours Department (Government Department) had monopoly power in a niche market
4. The ferry has been replaced by the bridge which now has the monopoly for enabling vehicles to cross the river (there is no pedestrian traffic)
5. The bridge is available 24 hours per day, it has the added advantage of providing users with convenience under monopoly conditions

# THE ECONOMICS OF THE BRIDGE

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6. Owners of vehicles using the bridge have no choice but to comply with the terms of the Berbice Bridge Company, unless the public in the public-private-partnership intervenes

7. Capacity was created for the bridge: the ferry ceased after the completion of the bridge, all vehicular and pedestrian traffic had to now use the bridge. The element of choice was take away.....

8. The tolls paid by the taxpayers was approximately 22 times that of crossing the other bridge operated by the government (Demerara Harbour Bridge). This is now subsidise by the new government

# ISSUES WITH THE BERBICE RIVER BRIDGE AGREEMENT

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The former government took a hands-off approach to the management of the Berbice River Bridge

**NEW GPC and Hand-In-Hand own [control] 50% of Berbice Bridge – Contractual agreements allow providers of 5% of capital to control the bridge and receive 23% annual return** By Kiana Wilburg Monday August 31, 2015

**Shareholders agreement for Berbice Bridge must be made public – Clive Thomas Contractual arrangements are outrageous, ruthless and unconscionable** By Kiana Wilburg Wednesday, September 02, 2015

**Private bridge owners want 55% toll hike Govt. will not consider increase– Jordan** Tuesday, September 01, 2015

**Stalemate continues over New GPC, Hand-in-Hand controlled Berbice Bridge...Give us 20 years extension or increase the tolls – private investors tell new Govt.** Sunday, August 30, 2015

# ISSUES WITH THE BERBICE RIVER BRIDGE AGREEMENT

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**Explosive Ombudsman report..... [former president] ordered dismissal of NBS boss**  
*...because he refused to lend US\$10M for Berbice Bridge November 13, 2014*

**Berbice Bridge sinking NIS** *By Christopher Ram March 29, 2015* “Recently the National Insurance Scheme made news on two scores: the first that it will not receive any dividends on its investment in preference shares in the Berbice Bridge Company Inc.....”

**Govt. and Berbice Bridge Co. conspire to conceal deep financial problems – Ram April 26, 2015**  
“ There seems to be mischief afoot and a conspiracy involving ....., Registrar of Companies; the Berbice Bridge Company Inc. (BBCI); ....., Minister of Finance to conceal information from the public about the company”

**Tolls increase stalemate... Govt. introducing passengers’ boats to break deadlock**

*—Berbice Bridge now claims imminent insolvency September 05, 2015*

# ARGUMENT FOR IMPROVED VIGILANCE OF THE PUBLIC.....

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Taxpayers having paid for the construction of the bridge who then found that the market was stage-managed by the government to their **exclusion** with the extremely high tolls.

What is worse, the equity investors do not want the new government to correct the market failure on behalf of those taxpayers bearing the burden of the tolls.

Even in situations where the private sector is given control over the project, the government (the public) must exercise oversight and supervision.

# FORMULATING AND ADOPTING PPP POLICY

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A typical policy development process includes the following sequential activities:

- ❖ Define objectives
- ❖ Engage consultants
- ❖ Review international experiences and practices (Sharing of information)
- ❖ Consult with stakeholders and research local environment
- ❖ Develop draft of the policy
- ❖ Consult widely on draft policy
- ❖ Submit policy to Cabinet for approval

# GOOD GOVERNANCE

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## PUBLIC ACCOUNTABILITY

The public sector must put greater emphasis on defining their expectations of private industry in great detail when drawing up Public-Private-Partnerships agreements

The public must know that its interests are protected in a number of areas:

- The public-private-partnership will deliver value for money
- The project has clearly defined goals which can be measured and met
- The procedure for awarding the contract will be fair and are laid down according to some specific criteria
- The required government contribution to the project will be known by all citizens

# GOOD GOVERNANCE

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## Public Accountability requires:

- Oversight of the project design and implementation
- Performance reviews
- Free flow of information to the general public especially on financial matters
- An independent audit office can ensure the delivery of value for money

# GOOD GOVERNANCE

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## TRANSPARANCY

- ❖ Procurement – ensure that suitable projects attracts bids from the most capable companies and that winning is open to all – true competition
- ❖ Stakeholders Involvement – taking account of all stakeholders in the project – through consultations
- ❖ Corruption – corruption in PPP is caused mainly where there is a lack of tendering process. There needs to be in place a number of procedures that can address such problems:
  - ❖ Requirement in advance for feasibility studies
  - ❖ Open and known criteria for contract award
  - ❖ Punishing offenders

# GOVERNANCE FRAMEWORK

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Establish a clear, foreseeable and genuine institutional framework supported by proficient and well-resourced authorities

- The administration ought to guarantee public awareness of the relative costs, benefits and risks of Public-Private Partnerships and conventional procurement
- Key institutional roles and responsibilities should be maintained
- Guarantee that all regulations influencing the operation of Public-Private Partnerships is clear, straightforward and implemented

# GOVERNANCE FRAMEWORK

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## **Value for Money should guide the selection of the Public-Private Partnerships**

- **All investment projects should be prioritised at senior political level. The government must define and pursue strategic goals.**
- **Securing value for money requires vigilance and effort of the same intensity as that necessary during the pre-operational phase.**
- **Carefully investigating which investment method is likely to yield most value for money.**
- **Risks transfer - risk should be identified, defined, and quantified; and carried by the party for whom it costs the least to prevent the risk from becoming a reality**
- **The value for money approach should be maintained when renegotiating.**
- **Government should ensure a competitive tender process**

# GOVERNANCE FRAMEWORK

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Use the budgetary process transparently to minimize fiscal risks and ensure the integrity of the procurement process

- In line with the government's fiscal policy, the Central Budget Authority should ensure that the project is affordable and sustainable.
- The project should be treated transparently in the budget process. The budget documentation should disclose all costs and contingent liabilities.
- Government should guard against waste and corruption by ensuring the integrity of the procurement process. The necessary procurement skills and powers should be made available to the relevant authorities.

# MOVING FORWARD

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## Information and knowledge sharing:

- Jamaica has almost a dozen PPP projects.
- Knowledge and experiences can be shared with other Caribbean countries
- CDB – is actively promoting PPP in the region and there are a number of documents, PPP Lab, PPP Toolkit

# In Guyana....

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Public/Private partnership policy framework drafted, up for review –  
Jordan Jul 04, 2017