



Day 1 Session 3

Prototype Learning Module

Leadership for Service Delivery:
Introduction to Performance Based
Approaches

Kyle Anastasi

Associate Director, Project Finance Advisory

Ernst & Young Australia

The views expressed in this presentation are the views of the author and do not necessarily reflect the views or policies of the Asian Development Bank Institute (ADBI), the Asian Development Bank (ADB), its Board of Directors, or the governments they represent. ADBI does not guarantee the accuracy of the data included in this paper and accepts no responsibility for any consequences of their use. Terminology used may not necessarily be consistent with ADB official terms.



Module Overview

- Learning Objectives
- Key Outcomes / Applied Use of Learnings
- Target Audience
- Case Studies and Exercises
- Additional Readings and Materials for Target Audiences

Learning Objectives

To Apply An Understanding Of:

- Why performance based contracting approaches are adopted to improve service delivery
- The role of leadership in performance based approaches



- Articulate why a performance based approach can improve service delivery outcomes
- Define the role of leadership in developing and delivering performance based contracting approaches

What is Performance Based Contracting?

- Contracting is a mechanism to procure a defined set of services
- Performance Based Contracting is a type of contracting that involves:
 1. A clear set of objectives and indicators
 2. Systematic efforts to collect data on the progress of the selected indicators
 3. Consequences for the contractor that are based on performance



What is Performance Based Contracting?

- PPP is procurement method that adopts a performance based contracting approach
- Payment is linked to output delivery
- Set quality level drives innovation and efficiency in meeting the quality standards
- Delivery is monitored to ensure quality levels are achieved

What is Performance Based Contracting?

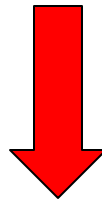
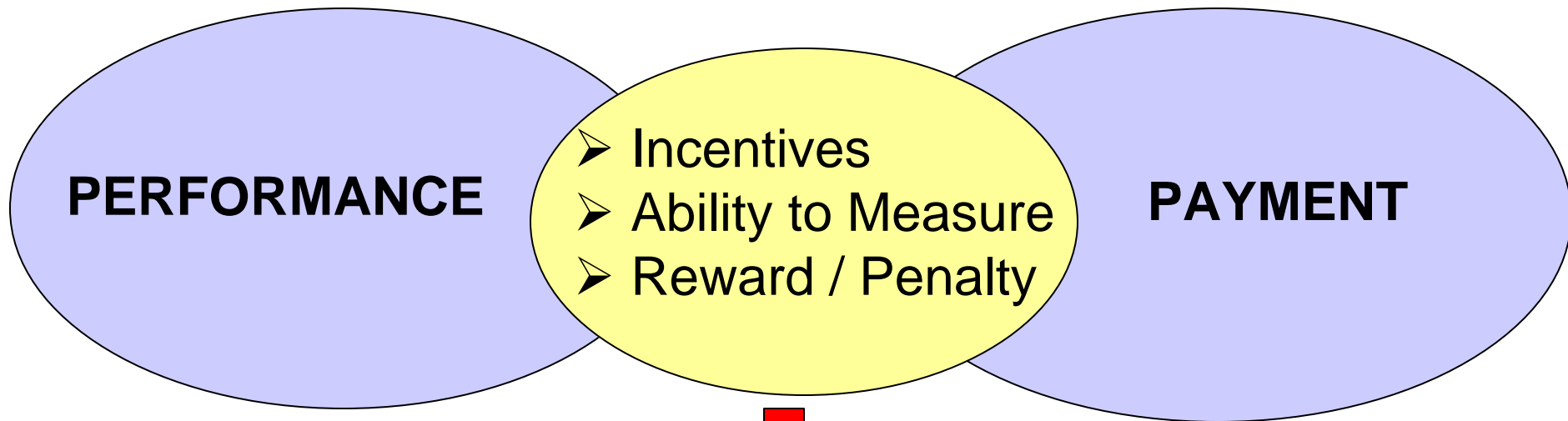
- Application can be varied
 - Governments role in service delivery and performance monitoring
 - Private sector involvement and responsibilities
 - Performance that is measured
 - Performance rewards or penalties
 - Length of contract
 - Change process for performance measurements during the contract

What is Performance Based Contracting?

Tools and Techniques

- Performance Indicators
- Output Specification
- Rewards and Penalties
- Benchmarking and Market Testing
- Measuring and Monitoring
- Service Improvements

Why is Performance Based Contracting Adopted?



More Efficient, Effective Service Delivery

- Service Expansion
- Cost Reduction
- Transparency, accountability
- Continuous Improvement



Why is Performance Based Contracting Adopted?

- Increases accountability of the contractor as payment is linked to output
- Enables government funding to target specific public services required
- Independent verification of service quality improves transparency of outcomes
- Focus on sustainable service delivery that continuously improves over time

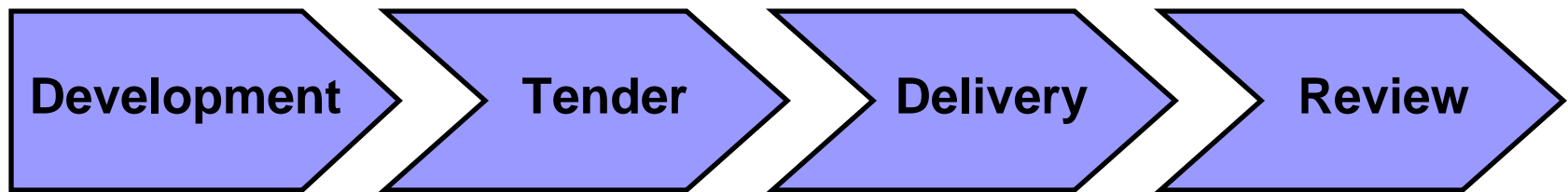


Case Study

- PPP Transport / Water Sector
- Health Case Studies (WB Toolkit)

The Role of Leadership In Performance Based Contracting

■ Changing role during contract




- Adopt performance based approach
- Develop output specification
- Secure approval

- Market Interaction
- Credibility of process
- Team Ability and Delivery

- Monitoring
- Contract Agreements
- Obligations
- Improvements


- Unbiased assessment
- Lessons Learned
- Process improvement



The Role of Leadership In Performance Based Contracting

■ Leadership Strategies

- Senior Official
- Project Team
- Policy Development



The Role of Leadership In Performance Based Contracting

- Strengths Accountability and
Transparency In the Contract Process
- Crucial in Building:
 - Public acceptance of private sector
involvement in public service delivery
 - Private sector interest and competition in
delivering public services



Summary

- Performance Based Contracting is an approach where the performance of the contractor is linked to the contract payment
- This link provides an incentive for the contractor to deliver the required services in order to meet performance requirements for payment
- Leaders adapt their skills and undertake new roles at every stage of the project cycle to assist the delivery of improved services



Exercise 1

■ Scenario Exercise

- Is this a performance based approach?
- Why / Why not?
- Is it possible to determine if the performance indicators were met in this scenario?
- How did the leaders in this scenario contribute or inhibit the successful delivery of public services?
- What strategies or tools could have been employed by the Minister / Project Leader to improve the service delivered?



Exercise 2

- Based on existing program / project:
 - Consider how the process may change if a performance based approach was to be adopted?
 - What are some performance indicators that could be developed for this service delivery?
 - How might these be measured?
 - How might the role of the program / project leaders change under a performance based approach?