



Day 2 Session 5

Prototype Learning Module

**The Importance of Value for Money and
Performance Based Service Delivery in the
Development of the MP3IC Procurement Module**

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Agenda

- Overview of Procurement Module Structure
- Resources and Materials to Build Practical Skills
- VFM and Performance Based Service Delivery In:
 - The Public Investment Decision
 - Tender and Selection
 - Contract Finalization and Implementation



Procurement Module Structure

■ Target Audience

- Senior Public Sector Officials
- Policymakers
- Practitioners

■ Aim to Deliver

- Learning tools that assist the development of PPP procurement skills
- A global synthesis of good practice to assist in addressing the issues faced in PPP procurement, rather than prescribing new procurement practices
- Principles and practices that are relevant to all PPP procurement methods and identify additional practices specific to more complex procurement methods

■ Purpose

- Enable target audience members to identify implementation requirements for own country context

Procurement Module Structure

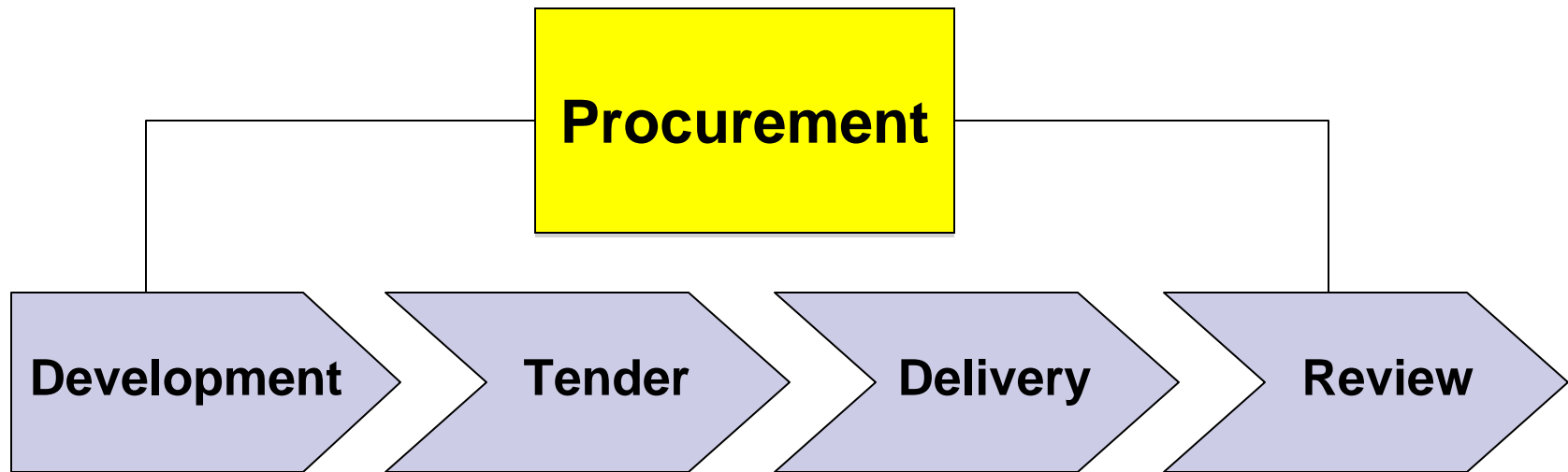
■ Skills are relevant and practical

- Skills developed are relevant to developing countries needs
- Pilot workshops designed to provide feedback on module content so that real issues in PPP procurement are being addressed
- Optional materials address the specific problems in developing countries via selected readings and case studies

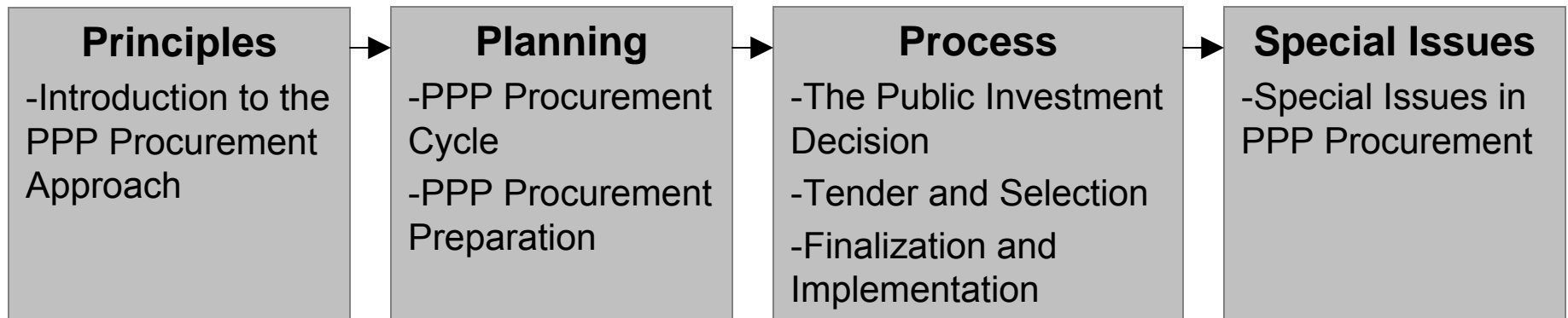
■ Preliminary issues to be addressed:

- Lack of information about the PPP project
- Lack of time to adequately complete the procurement process
- Potential collusion between bidders
- Several public institutions dealing with the PPP process
- Continuous changes of legal PPP documents
- High rotation of professionals responsible for PPP project
- Non mandatory prequalification process
- Potential corruption symptoms in the PPP process
- Implementation of suboptimum bidding mechanism

Procurement Module Structure



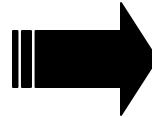
Core Learning Components (CLC)



Procurement CLC Structure

CORE MATERIAL

- Skills all audience members require
- Skills to address general procurement issues
- Delivers on learning objectives



OPTIONAL MATERIALS

- Skills for specific audience members
- Skills to address specific problems in PPP procurement
- Focus on kinds of problems for developing countries

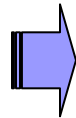
Where Does Good Practice Come From?

- Country / Regional Procurement Policies, Guidelines
- Multi-Lateral Agency Procurement Handbooks, Toolkits
- Global Comparative Analysis
 - How countries currently develop and implement PPP procurement
 - Real issues or problems faced in PPP procurement
 - Identifies effective and consistent approaches to problems where available as 'global good practice'
 - Exercises and additional materials discuss the reasons, principles and effectiveness of the approaches identified
 - Provides potential solutions to problems that audience members may experience
 - No single approach recommended as solutions is dependant on issues to be addressed
- MP3IC Pilot Workshops
- Research Literature

The Public Investment Decision

LITERATURE

- Guidelines
- Toolkits
- Handbooks
- Research
- Case Studies



LEARNING OBJECTIVES

Applying an understanding of:

- Project development cycle
- Project feasibility assessment
- Key financial and economic tools in the investment decision
- Delivery method assessment techniques

TO

- Articulate the principles underlying the investment decision
- Recognize and conceptually apply the tools
- Identify the project attributes and delivery options assessment techniques



GLOBAL COMPARISON

- Guidelines, legislation
- Key stages in process
- Key tools in assessment
- Issues for consideration



The Public Investment Decision

- Performance Based Contract

- Output Specification
- Performance Indicators
- Payment Structure

- Value for Money (VFM) Assessment

- VFM potential based on project objectives and scope
- Presence of drivers
- Comparison of PPP procurement to public procurement option (where relevant)
- Market sounding on procurement approach

The Public Investment Decision

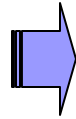
- Global Comparative Analysis - Value for Money Assessment

	Mexico	Spain	Australia	Korea
Tools in the Public Investment Decision	- PSC	- PSC not obligatory	- Cost Benefit - Affordability	- Cost Benefit
Approach to assessing potential value of PPP procurement	- Positive Value for Money Assessment	- Assessment not obligatory, only required for Special Collaborative PPP	- Qualitative Value for Money assessment to PSC benchmark	- Value for Money comparison to PSC benchmark

PPP Tender Evaluation and Selection

LITERATURE

- Guidelines
- Toolkits
- Handbooks
- Research
- Case Studies



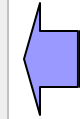
LEARNING OBJECTIVES

Applying an understanding of:

- The pre-qualification evaluation and selection methods
- The key tender evaluation approaches
- The tender selection process and how Value for Money is assessed

TO

- Identify the resources, capabilities and supporting processes required to successfully complete the evaluation and selection
- Recognize the approaches to pre-qualification and tender evaluation
- Articulate how the selection process results in the identification of the preferred tender



GLOBAL COMPARISON

- Criteria and Responses
- Evaluation Approach
- Issues in Evaluation
- Approvals Process
- Clarity in Processes / Governance



PPP Tender Evaluation and Selection

- Performance Based Contract

- Ability of market to deliver output specification
- Bidders agree to performance indicators
- Bidders indicate acceptable level of risk in payment structure

- Value for Money (VFM) Assessment

- Price of bids indicate VFM that market is able to deliver
- Indicates level of innovation in service delivery
- Comparison of bids to public procurement option (where relevant) to assess if potential VFM may be delivered by bids
- Market also indicates potential to deliver qualitative VFM e.g. to higher service standards, more efficient implementation

PPP Contract Finalization and Implementation

LITERATURE

- Guidelines
- Toolkits
- Handbooks
- Research
- Case Studies



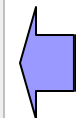
LEARNING OBJECTIVES

Applying an understanding of:

- The purpose and process of contractual close and financial close
- The purpose and process of contract monitoring and review
- The roles, responsibilities and risks borne by the public and private sectors during each stage

TO

- Articulate the key steps and the roles and responsibilities of the public and private sectors for each stage
- Identify the ongoing resources and supporting processes required to successfully complete the procurement cycle



GLOBAL COMPARISON

- Requirements for Contract Award and Financial Close
- Issues Managed by Government
- Approach to Contract Monitoring
- Skills, Tools and Resources During Contract
- Contract Governance Issues



PPP Contract Finalization and Implementation

■ Performance Based Contract

- Monitoring contractors performance against indicators
- Implementing payment structure and rewards / penalties based on performance against indicators
- Government implements the contract efficiently and effectively to assist in VFM being delivered
- Benchmark performance standards and consider revisions to match improving market standards

■ Value for Money (VFM) Assessment

- Performance indicates whether VFM is being delivered under the contract
- Consider improvements to the procurement process to improve delivery of VFM



Summary

- Value for Money and Performance Based Service Delivery are key topics addressed in a number of procurement CLCs
- Develops practical skills for each target audience
 - Senior Officials understand role and accountability in delivering VFM
 - Policy officers to consider how policy can support and promote VFM and Performance Based Service Delivery
 - Project Practitioners apply practices that are relevant to country context
- World wide practices are referenced to demonstrate options in implementation
- Able to apply appropriate approach to country context