



Strengthening Private Sector Participation for Infrastructure in the Pacific Region

Performance Monitoring and Evaluation
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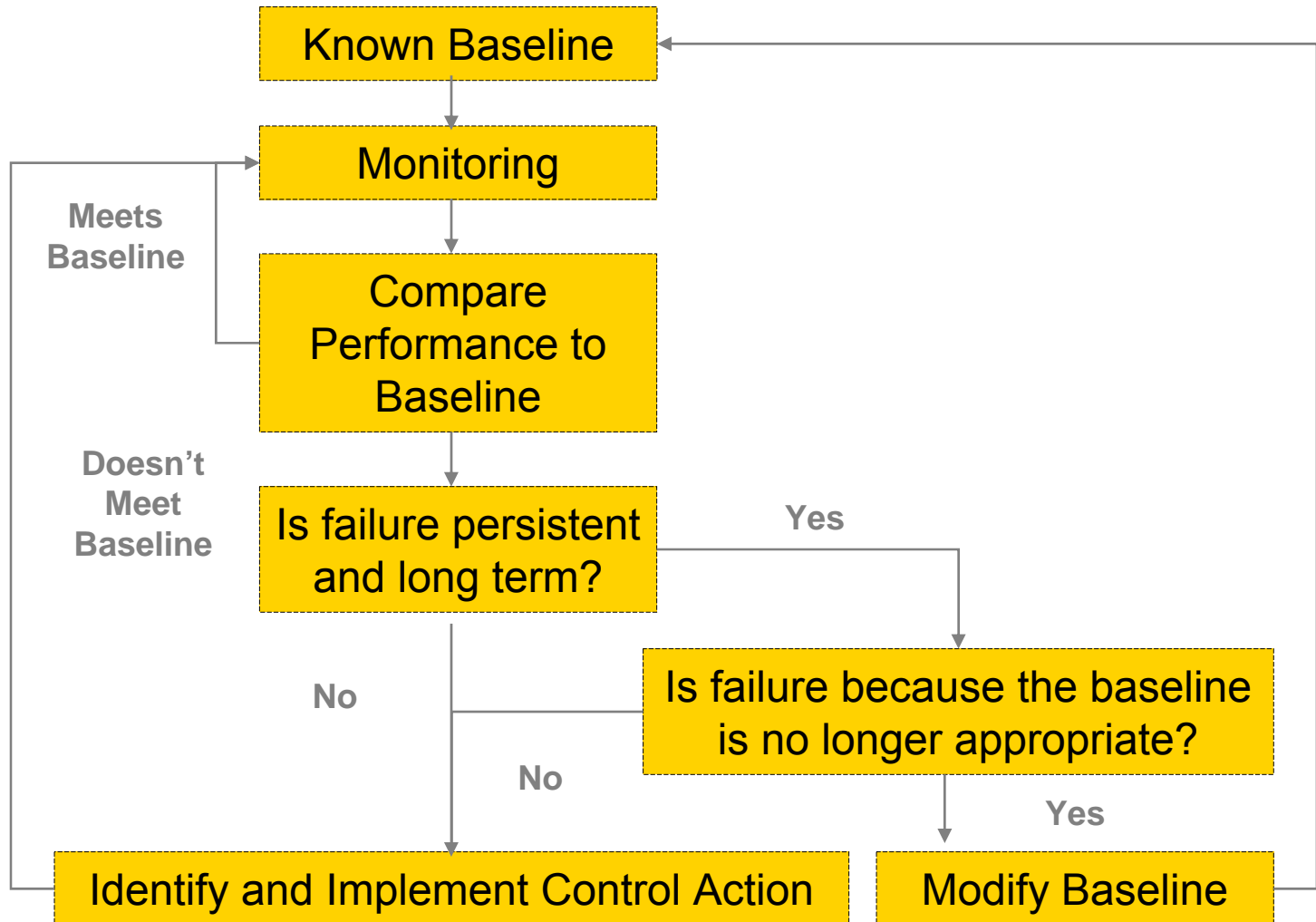
Agenda

- ▶ Performance Monitoring Process and Framework
- ▶ Key Tasks for Government Agencies
- ▶ The Project Contract
- ▶ The Importance of the Payment Regime
- ▶ The Need for Ongoing Review

Performance Monitoring Process

- ▶ Ability to monitor the performance largely depends on the private party being required to report appropriately under the Project Contract.
- ▶ Need to consider early in the procurement stage
- ▶ The role of performance monitoring is to:
 - ▶ Confirm that the private party is performing according to the output specifications in the Contract
 - ▶ Give the government party an understanding of the sustainability of the contract
- ▶ Performance monitoring and reporting provide the government party with information on which to base 'control' actions
- ▶ Important to collect adequate information to confirm that the private party is performing according to the output specifications in the contract, and to provide an understanding of the sustainability of the contract
- ▶ Also need to look outside the contract for information relevant to performance monitoring

Performance Monitoring Process



Framework for Performance Monitoring

Step 1

- ▶ Understand the private party's business (that is, understand the factors that will influence the private party's strategic and project level performance).

Step 2

- ▶ Analyse the underlying quality of the project measured in terms of:
 - ▶ financial health of the project 'business'
 - ▶ management quality
 - ▶ service performance
 - ▶ government's relationship with the private party

Step 3

- ▶ Determine the reporting requirements for the project, including both hard data and soft data. The sources of this data should be identified

Key Tasks for Government Agencies

- ▶ Project Management Team monitors delivery under the Project Contract
- ▶ Undertake regular reviews and performance measurement to ensure that no aspect of the Project Contract has been compromised
- ▶ Aim to ensure that the services being delivered meet the agreed time, cost, quantity and quality standards
- ▶ A detailed understanding of all expected contractual obligations at contract inception is an important foundation of an effective partnership
- ▶ Clear identification of the key stakeholders to the Project Contract, their respective roles and the relationship between them

Key Tasks for Government Agencies

- ▶ Important to gain an understanding of the project's financial structure, and the control and contract mechanisms that are available to monitor ongoing financial viability
- ▶ Clear understanding of when early termination or exercise of step-in rights, and the rights and obligations in these situations
- ▶ Consistency of its current operational arrangements with those required under the Project Contract

The Project Contract

- ▶ Mechanisms to accommodate change
- ▶ Risk management process is critical
- ▶ The payment mechanism enforces the project's risk allocation model and ensures that transferred risks remain the responsibility of the contractor

The Project Contract

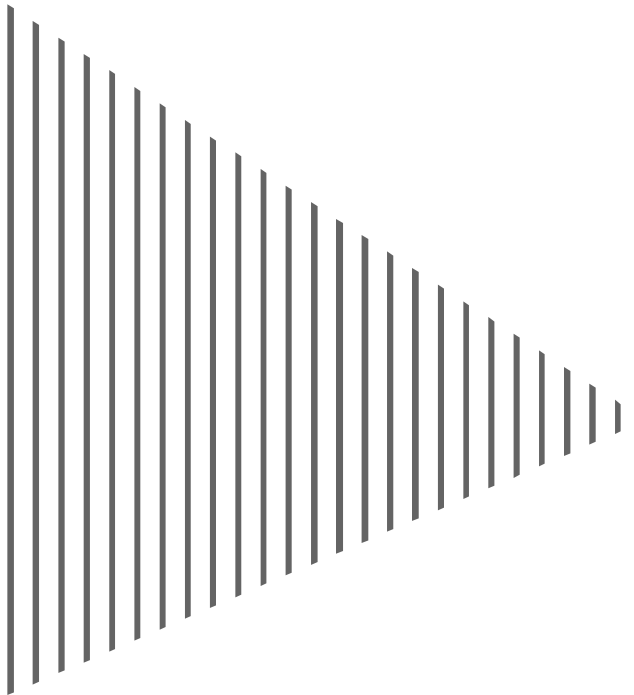
- ▶ Detailed KPIs set the standard of performance required
- ▶ What performance information will be required, how it is to be collected and by whom
- ▶ The government's rights to carry out audits or spot checks, where the contractor will self-monitor performance against contracted requirements
- ▶ When performance measurement will commence
- ▶ How the results of the performance measurement will be reported and acted upon
- ▶ The consequences of poor performance and repeated poor performance

The Importance of the Payment Regime

- ▶ Payment regime is dependent upon the standard of performance and availability of the assets and equipment
- ▶ Abatements may be enforced for poor performance or a lack of availability
- ▶ This regime forces the contractor to focus on the outputs required and ensures that payment is only for services delivered
- ▶ The payment regime is dependent upon the nature of the PPP project, and may be based on any or all of
 - ▶ Services delivered
 - ▶ Functional availability of facilities
 - ▶ Usage

The Need for Ongoing Review

- ▶ Contract management processes need to be kept under constant review to make sure that they remain effective in achieving their objectives
- ▶ Project circumstances will inevitably change over time, given the long-term nature of PPP contracts
- ▶ It is therefore important that contract management tools and processes are updated at regular intervals



Thank you

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