

International Seminar on
Strengthening Public Investment and Managing
Fiscal Risks from Public-Private Partnerships

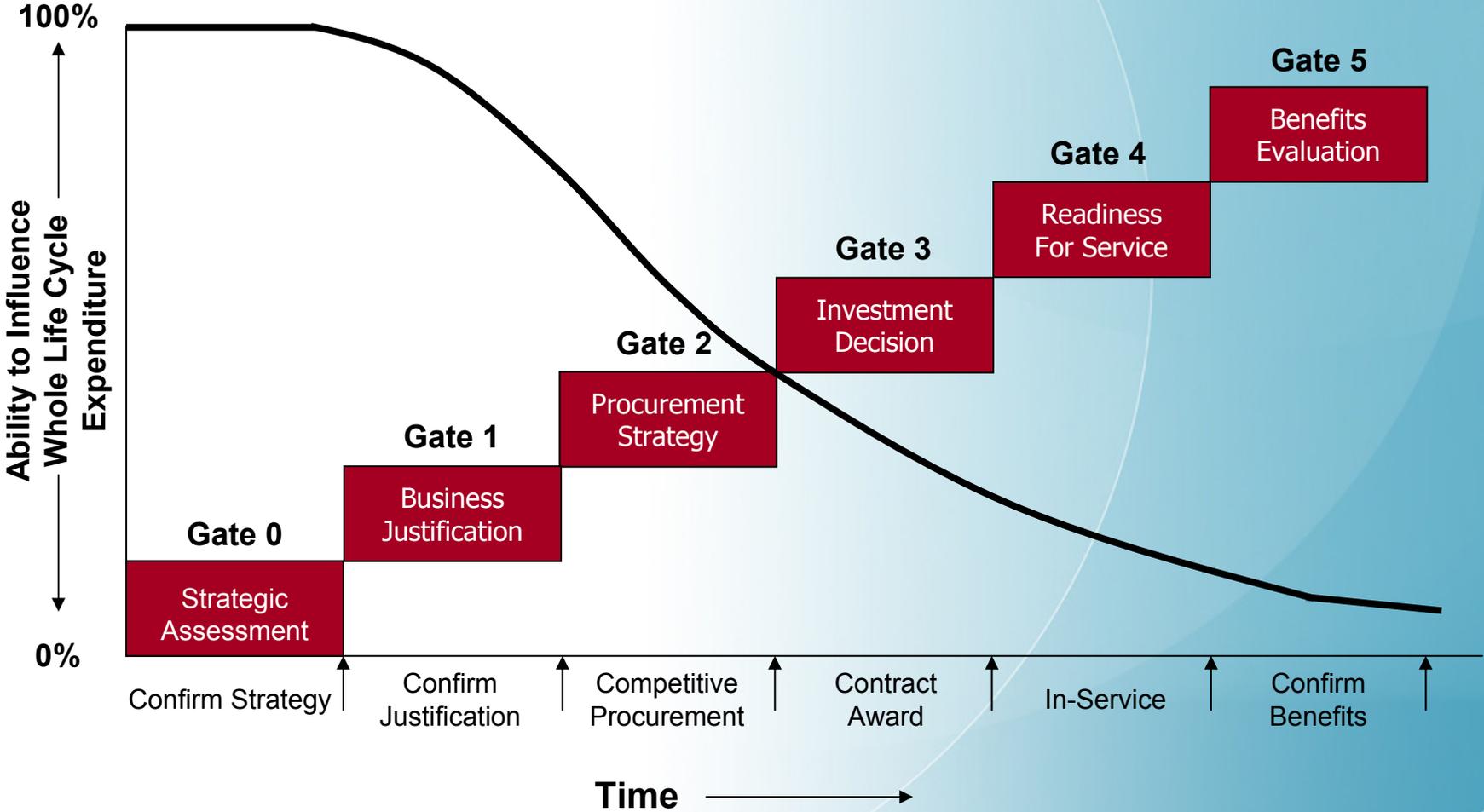
Budapest, Hungary
March 7–8, 2007

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Quality Control in Preparing and Managing PPP Projects

Edward Farquharson
8 March 2007

Impact



Key Lessons From OGC Gateway™ reviews/ Essentials for Project Success include:

- Effective stakeholder communication
- Sound financial controls
- Market knowledge and procurement advice
- Contract Management and delivery skills
- Benefits realisation process
- Robust business case
- Adequate skills and resources
- Ongoing risk management process
- Clearly defined roles and responsibilities
- Pre-agreed Critical Success Factors
- Project Governance

Tools

- Processes
- Incentives
- Institutions



Queen Elizabeth Bridge, Second
Dartford Crossing

Project process

Project identification

Project preparation

- Affordability
- Output specs
- VFM
- Risk allocation
- Managing advisors
- Timing and management

Project procurement

- Project Boards
- Contract Standardization

Project operation

- Contract Management
- Feedback mechanisms

Gate 2 check-list

1. Programme, project, procurement level review (scope, term)
2. Risk Allocation
3. Key Terms and Conditions
4. Indication of commercial interest
5. Affordability
6. Suitability of Proposed Advisers
7. Indicative Timetable
8. Project Team
9. Commitment of Sponsors/Users
10. Statutory Processes

**Value for Money
Assessment**

**Commercial
Interest
Assessment**

**Project
Management
Assessment**

Incentives

- Peer review – PRG
- Guidance
- Central funding conditionality
- Governance – Project Boards
- Central support – e.g. PUK's role on Project Boards



Wolds Remand Prison

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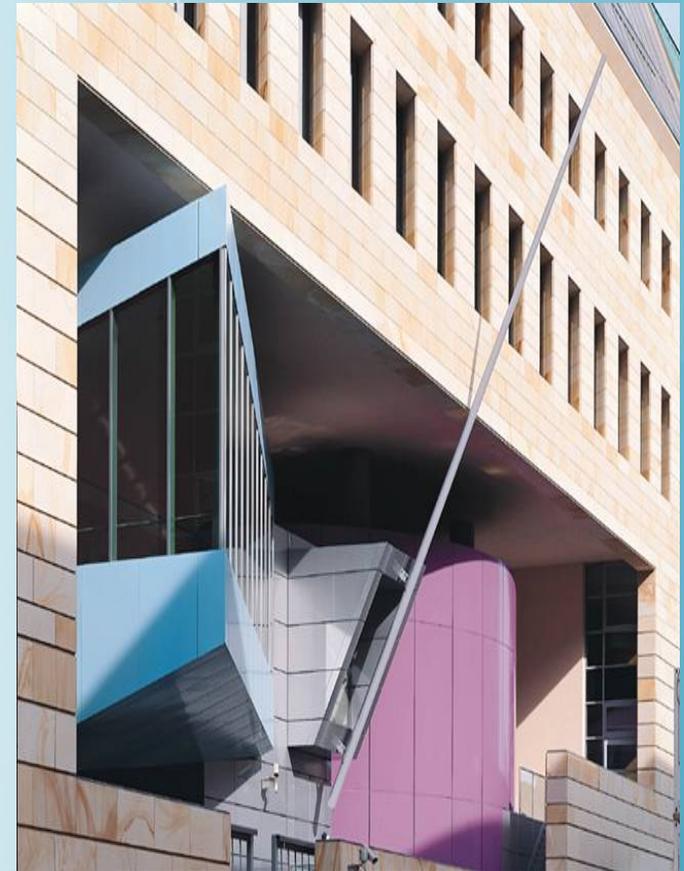
- Project Boards
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Procurement

- ‘2 stages ahead’ approach
- Bid evaluation methodology and teams
- Single parameter bidding vav quality/price evaluation
- Governance
- Standard contracts and enforcement



British Embassy, Berlin

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Background

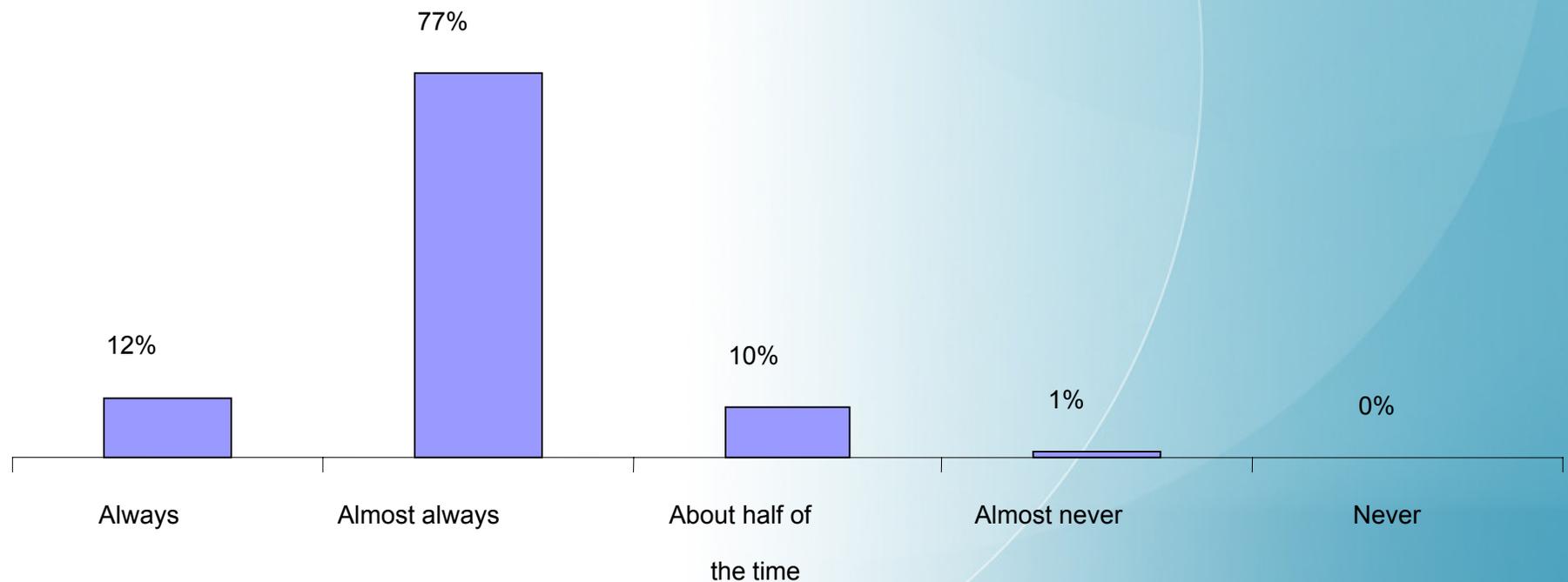
- Over 750 signed projects
- Over 500 operational projects
- “Central” focus hitherto predominantly on procurement
 - Project management support
 - Contract terms
 - Bid times and costs
- High profile “issues”:
 - Contractor distress
 - Benchmarking
 - Major changes
- Proposition that focus needs to change!
- PUK Review of operational performance for HMT



West Middlesex Hospital

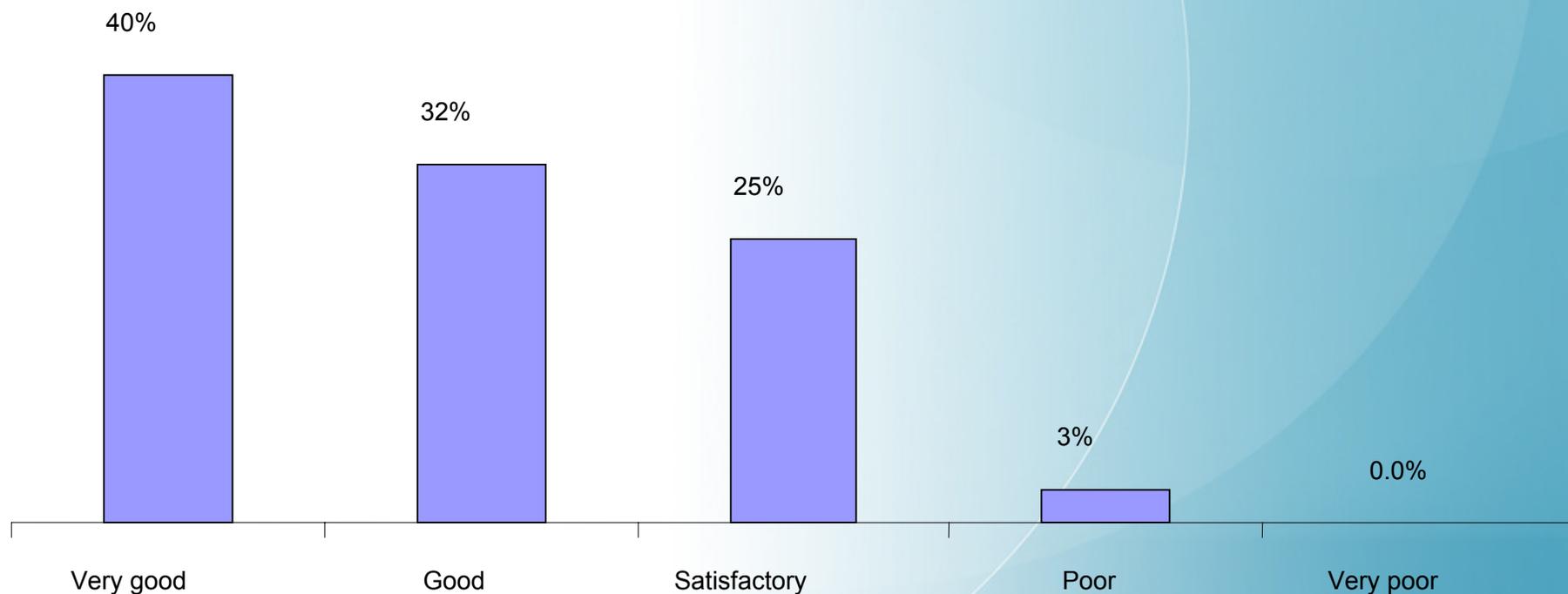
Service Provider Performance

Performance measurement shows that the contract service levels are being achieved...



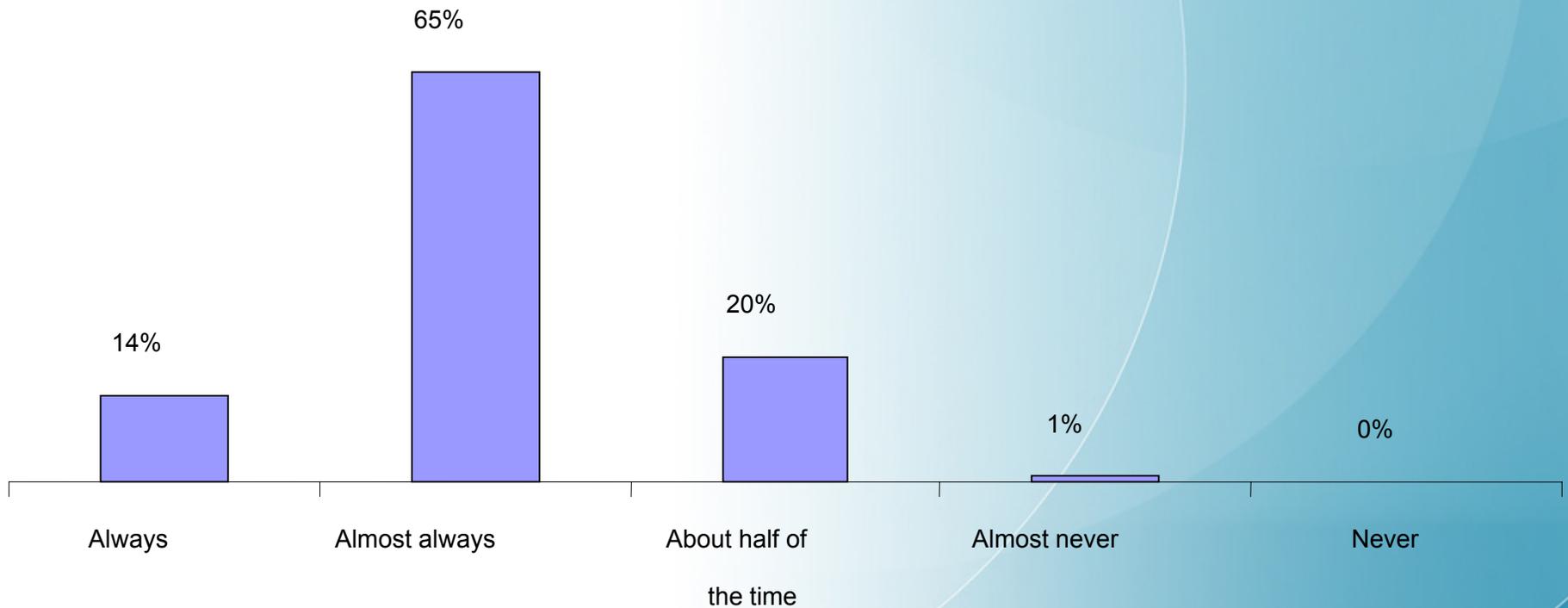
Relationships

Please rate the day-to-day operational relationship between the public and private sector contract management teams

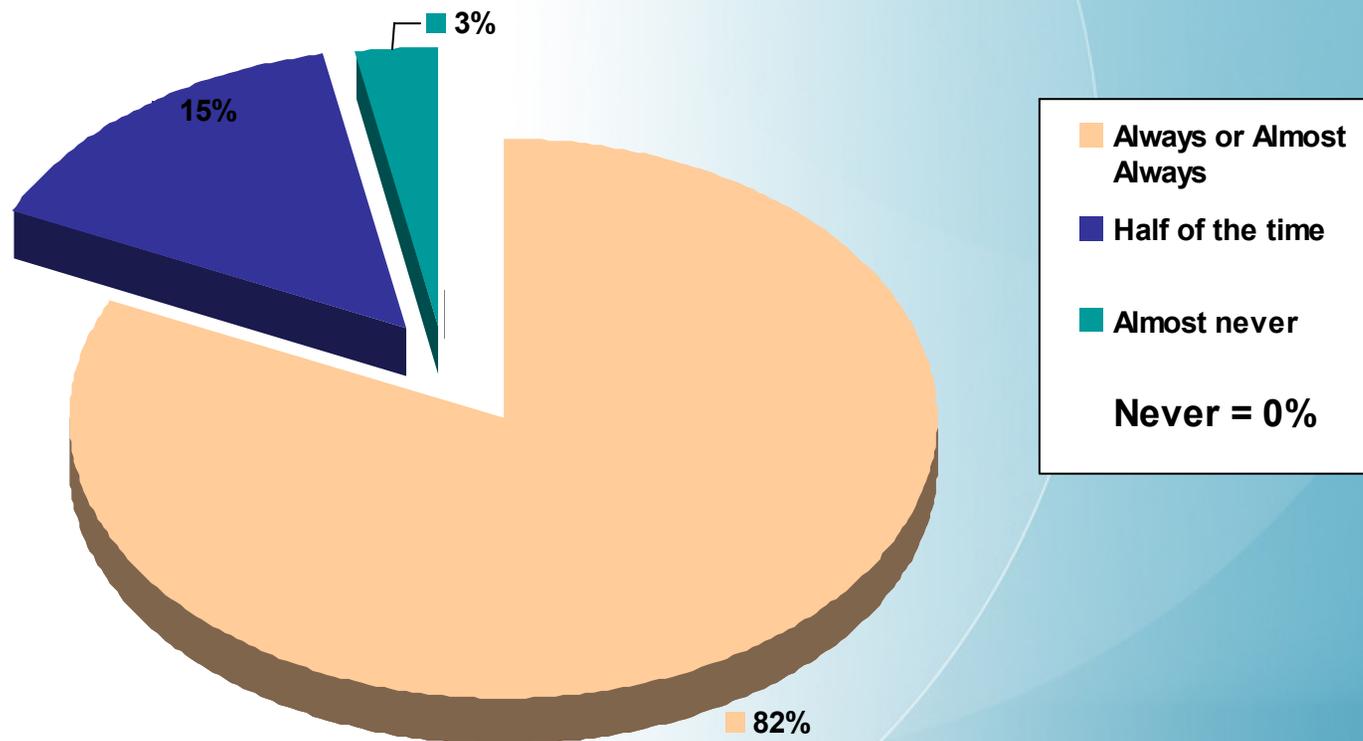


User Satisfaction

Did the last user satisfaction assessment find that services were being delivered to an acceptable standard?



Were operational problems resolved in the time allowed?



Main Findings

- High standards of Performance
- High Levels of Contract Manager Satisfaction
- Good Relationships
- High Levels of User Satisfaction
- Problems Resolved in Time
- Payment Deductions Generally Effective
- Dispute Resolution Rarely Used



Forest Enterprise – Ardgartan Site

Operational Taskforce

- To assist the public sector in improving the operational performance of PFI contracts
- To support individual projects in dealing with operational issues
- Run by PUK



Nottingham Trams

Helpdesk and Project Support Services

- Contract Management Strategy and Best Practice
- Benchmarking and Market Testing
- Contract variations
- Contractor difficulties
- Change in ownership
- Mediation
- Insurance costs for insurance reviews
- Refinancing
- Payment mechanisms



GCHQ

Programme Delivery Units

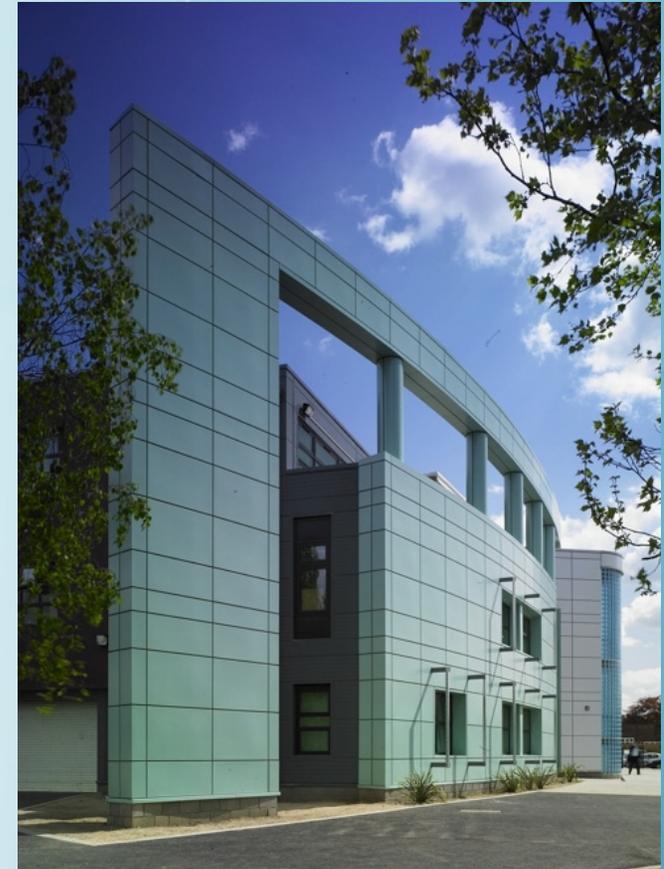
- Opportunity created by long term national programmes
- Achieve optimum value and impact from strategic programmes
- Balance needs based prioritisation with deliverability and capacity
- Procurement and contract standardisation
- Removal of repeated bidding (for public and private)
- Strategic partnering drive economies of scale from long term volume



Centre Manor Park – Primary Care Centre

Example: Partnerships for Schools

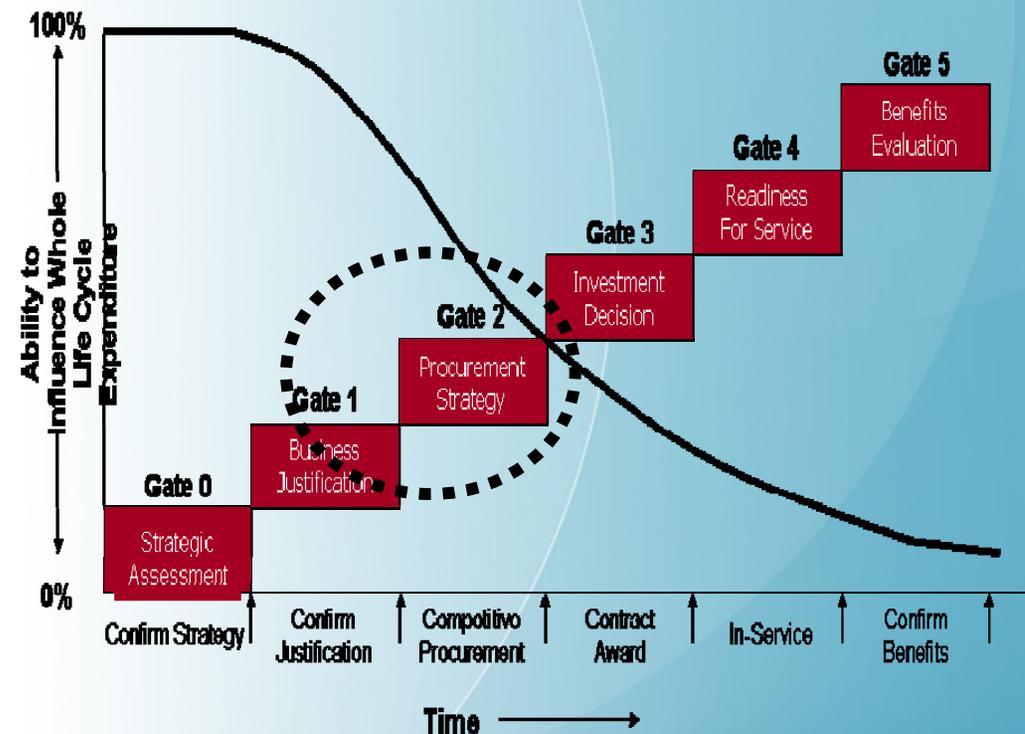
- National delivery vehicle (DfES/PUK)
- Roll out of national programme across c3500 schools ('Building Schools for the Future')
- Delivery model with standard procurement and contractual documentation
- Team to provide local transaction support
- Manage allocations of funding
- Plan timetable of prioritisation, procurement, construction and delivery
- Good practice examples and innovation opportunities/ideas
- Benchmark costs to facilitate long term local partnering



Brentside School

Recap

- Procurements have programme issues
- Quality control is a continuous process
- Critical importance of Gate prior to release to competition



Conclusions

- Gateways
- Governance
- Standardisation
- Incentives
- Importance of operational phase
- Feedback mechanisms



HM Treasury