



Global
Platform for
Sustainable
Cities



THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP



PROCUREMENT

Municipal Public-Private Partnership Framework

07

TABLE OF CONTENTS

1.0	Purpose of this Module	02	2.0	Preparing for Procurement	03
-----	------------------------	-----------	-----	---------------------------	-----------

3.0	Evaluation Methods and Procurement Modes	05	4.0	Marketing and Promotion	08
	3.1 PPP Procurement Evaluation Methods	05			
	3.2 PPP Procurement Modes	06			

5.0	Preparing the PPP Tender Documents	09	6.0	Implementing the PPP Procurement Process	13
	5.1 Invitation for Expressions of Interest (Eoi)	09		6.1 Qualifications Assessment	13
	5.2 Request for Qualifications	09		6.2 Maintaining the PPP Project 'Data Room' and Conducting Bidder Site Inspections	14
	5.3 Request for Proposals	11		6.3 Technical Proposal Assessment	13
	5.4 Draft PPP Agreements	12		6.4 Financial Proposal Assessment	15
				6.5 Award and Contract Signing	16

7.0	Managing Transaction Advisers During Procurement	17	8.0	List of References	18
	7.1 Don't Rush	17			
	7.2 Provide Clear Instructions to the Tender Evaluation Committee	17			
	7.3 Contract Management Plan	17			

1.0

Purpose of this Module

This module provides more detailed, practical guidance on how municipalities, their PPP project managers, and their transaction advisers should oversee, review, and manage the tendering and procurement phase of municipal PPPs, including recommendations for addressing the more common real-world challenges and issues when implementing PPP procurement.

2.0

Preparing for Procurement

PPP procurement will commence once the feasibility study has been approved by the municipality, and possibly by a national government authority, such as a PPP unit. The procurement process should integrate any recommendations and instructions from this reviewing and approval process.

The feasibility study will identify a PPP procurement plan, including the different steps to be implemented and the specific financial and human resources that the municipality will need to complete the PPP procurement, especially from outside PPP advisers.

The plan for PPP procurement should feature realistic deadlines, provide the PPP transaction support skills required, and support clear and timely PPP decision making by the municipality. Without sufficient time and resources, PPP tenders are more likely to have flaws, to take longer to implement, and to fail.

The feasibility study may identify recommended activities that need to be completed before tendering, such as the following:

- Retail tariffs or user fees for services may need to be raised to a new baseline level that would allow the PPP to be commercially viable and financially sustainable.
- Land, buildings, office space, or other existing assets needed for the project may need to be officially acquired before the PPP tender.
- Resolution of the legal ownership of assets and equipment related to the PPP project. In some cases, the existing assets, equipment, and public facilities that are expected to be

transferred to private operation under the PPP contract might be co-owned by different public authorities or other bodies.

- In some cases where PPPs involve multiple client public authorities (such as neighboring municipalities, regional/provincial governments and authorities, and national public contracting bodies or ministries), a single new joint public contracting body may need to be officially established and incorporated or some other joint venture vehicle may need to be created to act on behalf of the different authorities.
- Debts owed by a municipal public corporation may need to be fully paid or restructured, such as long-standing accounts receivable owed to it by other public authorities who have received services but not yet paid.
- Consultation with the public sector's current workforce including confirmation of any severance packages, quantification of pension liabilities, and the completion of any changes in staffing levels or reassignments of personnel, and so on.
- Changes in local ordinances, decrees, regulations, or directives may be needed to allow the structure of the PPP.
- Any other project-specific changes required for the tendering, award, and signing of the PPP agreement to proceed.

The amount of time required to complete these steps will depend on the issues identified in the feasibility study and on the given sector, size, complexity, and the perceived level of risk for the specific municipal PPP project.

Lessons Learned and Good Practices

In practice, municipalities are often in a hurry to award PPP projects, reasoning that the sooner the PPP tender documents are released the sooner the contract can be awarded, and the private partner can start delivering the needed services. As a result, municipalities often issue PPP tender documents that are unclear or incomplete (especially about how risks will be allocated, what the output performance standards are, or how bids will be evaluated). Often municipal decision makers expect that these detailed issues can be resolved later, such as during or after the tendering process. However, such practices regularly create more delays and problems during PPP procurement. Private bidders will review PPP tender documents and draft contracts in detail. Any uncertainty or lack of clarity will increase perceptions of risk and reduce appetite to bid. Potential bidders will raise questions and seek clarifications, which requires time and effort. It is always more efficient to make the effort to achieve clarity before issuing the PPP tender documents, and this will attract more and better bids.

The municipality should consider the long-term context of the project when establishing bid criteria. For example, the project may need to access financing, or refinancing, from bilateral or multi-lateral financiers (for example the International Finance Corporation (IFC) or the Asian Development Bank). The requirements of these entities should be built into the feasibility study and the bid criteria, in particular the environmental and social standards of such entities. The IFC's environmental and social performance standards is an industry standard.

3.0 Evaluation Methods and Procurement Modes

The municipality must select the appropriate procurement method from the various options, in terms of (1) evaluation method and (2) procurement modes. Each has its own advantages and disadvantages, as discussed later.

Because PPPs are long-term contracts for the delivery of services (that is, outputs), and not

one-time delivery of commodities or materials (that is, inputs), the procurement of PPPs is fundamentally different from the traditional public sector procurement practices. This is why many countries that have developed new PPP programs and strategies have included new PPP procurement guidelines as a key part of their PPP framework.

3.1 PPP Procurement Evaluation Methods

In evaluating proposals, the municipality may choose to adopt either a pass-fail method or a weighted composite score method.

Under a pass-fail method, the municipality adopts a set of minimum technical requirements that each bidder will have to satisfy in their respective technical proposals. Only bidders who are able to satisfy the minimum technical requirements (that is, 'pass') will advance and have their financial proposals considered. The municipality then selects the winning bid based on the best financial proposal submitted

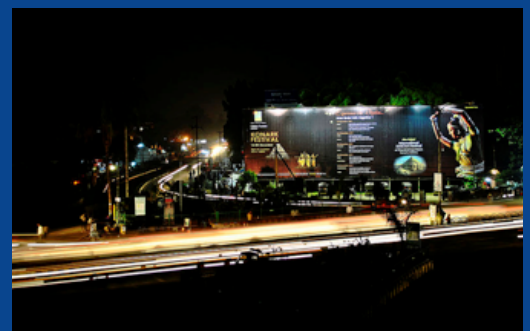
in accordance with the financial bid parameter (that is, highest concession fee paid to the municipality, lowest subsidy required, or lowest tariff). A pass-fail method provides for a more straightforward and transparent evaluation of bids and is recommended for projects whose required minimum output performance standards are clearly understood, defined, and accepted by all private bidders. This would mean limited variation in the technical proposals of bidders, and therefore no incentive to exceed the minimum output performance standards.



Case Example

Bhubaneswar Street Lighting (Odisha, India)

Bhubaneswar's street lighting fell far below national standards, leading to constant complaints from the public. Also, owing to poor quality equipment, energy consumption for street lighting was extremely high, straining the city's finances. The ESCO Shared Savings model recommended by IFC provided efficient street lighting upgrades, paid for and maintained by an ESCO, which in turn would receive payment through energy savings realized by the municipality.



The bid variable for the project was the energy savings achieved by ESCO, subject to a 30 percent minimum. The winning ESCO would undertake a joint survey to establish the baseline energy consumption. A total of 16 companies expressed interest in the project, of which 4 submitted bids. The ESCO contract was signed on October 5, 2013.

Source: International Finance Corporation. 2013. Public-Private Partnership Stories India: Bhubaneswar Street Lighting. https://www.ifc.org/wpswcm/connect/c97d4db6-4fd5-4483-9617-4793bd9e4ad7/PPPStories_India_BhubaneswarStreetLighting.pdf?MOD=AJPERES&CVID=IKbKhV3

Photo Credit: Sabyasachi Baldev (<https://commons.wikimedia.org/wiki/File:Bhubaneswar.jpg>), "Bhubaneswar", <https://creativecommons.org/licenses/by-sa/2.0/legalcode>

See Project Summary No. 68

By contrast, under a weighted composite score method the municipality calculates a composite score using the weighted average of the technical proposal score and the financial proposal score. The technical proposal score is computed against a set of technical criteria adopted by the municipality. The financial proposal score is based on the most advantageous bid.

This analysis can be more or less complex, depending on the characteristics of 'advantageous'. A simple assessment benchmarks all financial proposals against the best submitted financial proposal in accordance with the bid parameter.

Remark

Examples of Scoring of Financial Proposals

Where the bid parameter is the amount of the grant required by the bidders:

Financial score of Bidder X = (lowest grant requested among all the bidders / grant requested by Bidder X) × 100

Where the bid parameter is the amount of the concession fee paid to the municipality:

Financial score of Bidder X = (concession fee offered by Bidder X / highest concession fee offered among all the bidders) × 100

Where the bid parameter is the level of the user fee required by the bidders:

Financial score of Bidder X = (lowest user fee quoted among all the bidders / user fee quoted by Bidder X) × 100

The weights to be used for calculating the composite score depend on the nature of the project. The more the project is technology-intensive and has substantial scope for innovation, the higher

the weight assigned to the technical proposal score. PPP procurement should prioritize the best bid that responds to municipal needs and should not prioritize the 'cheapest' bid.

3.2 PPP Procurement Modes

The municipality may choose between different PPP procurement modes, including either a single-stage, three-envelope bidding process or a two-stage bidding process.

3.2.1 Single-Stage Three-Envelope Mode

Under a three-envelope, single-stage process, bidders will be required to submit three envelopes—which together, comprise their bid—containing the following:

- Envelope 1: Qualification Documents
- Envelope 2: Technical Proposal
- Envelope 3: Financial Proposal

The municipality will open and evaluate the qualification documents (that is, first envelope), and determine which among the bidders fulfill the minimum qualification requirements. Those who satisfy the requirements will advance to the opening and evaluation of technical proposals (that is, second envelope).

In evaluating the technical proposals, depending on the evaluation method, the municipality may either score the technical proposals based on a set of technical criteria (weighted composite score method) or subject the technical proposals to a set of minimum technical requirements (pass-fail method), in which case only those who pass will proceed to the opening and evaluation of the financial proposal (that is, third envelope). In evaluating the financial proposals, depending on the evaluation method, the municipality may either score the financial proposals and determine the winning bid by obtaining the weighted average of the technical proposal score and the financial proposal score of submitted bids or determine the winning bid by identifying the best offer among the submitted financial proposals.

3.2.2 Two-Stage Procurement Mode

Under a two-envelope, two-stage process, the first stage—that is, the qualification stage—involves the qualification/shortlisting of interested parties/consortia through their submission of an application in response to the municipality's issuance of an RFQ. Evaluation of applications will then proceed in

a way similar to the evaluation of qualification documents under a single-stage bid process. The second stage of the process is the bid and can proceed in a way similar to the opening and evaluation of technical proposals and financial proposals under a single-stage process, whichever is the selected evaluation method.



Remark

Which Procurement Mode to Adopt?

The decision on which procurement mode to follow largely depends on the nature of the project.

Single-stage bidding would be more appropriate for projects that are less complex and have easily definable qualification requirements (that is, does not require niche or highly technical qualifications). Pursuing a single-stage procurement method in this case would facilitate the review process and allow the municipality to complete the tender process more swiftly.

Two-stage bidding on the other hand may be advisable for complex projects (that is, multiple and changing risk profile that could pose challenges in determining, quantifying, mitigating, and sharing project risks between the municipality and the PSP, and hence may require a more in-depth investigation and analysis from bidders before bid submission) or would require the qualification of highly technical experts.

Single-stage bidding is also more appropriate where few bids are expected. Two-stage bidding thins out the field of bidders, asking only the most qualified bidders to submit technical and financial proposals. This is attractive for the most qualified bidders as their likelihood of success increases. These same qualified bidders may not be willing to spend significant money developing bids for processes where a number of other less qualified bidders will compete, reducing the likelihood of success. Bidding is expensive, and bidders will need to work out the likelihood of success.

4.0

Marketing and Promotion

The information memorandum (or 'info memo') is a useful way to inform potential private investors about a municipal PPP bidding opportunity. The info memo provides a summary of the overall purpose, objectives, key components, and major financial requirements and return opportunities of the project. Unlike feasibility studies, which can go into detail describing and analyzing a PPP project, an info memo provides a summarized version (usually 30–70 pages) to allow investors and financiers to decide whether and how to invest in the project.

Investor conferences are meetings conducted by municipalities to promote private investor interest in PPP investment projects opportunities.

Based on all the available sources of information, the info memo usually includes the following:

- Introduction - Brief description of the PPP project.
- Economy - Background information on the national and local economy, the investment environment, foreign exchange issues, commercial lending markets, and other key economic issues important to the PPP project.
- PPP program - Descriptions of the key elements of the PPP program including objectives, accomplishments, key elements, legal and regulatory framework, and so on.
- The structure and description of the relevant infrastructure sector - Information on Sector

size, scope, and performance; sector policies; sector investment plans and forecast demand levels; and institutional roles in the sector.

- The specific PPP project - Description of scope, size/capacity, output standards, risk allocation, available public sector contributions, and procurement timetable.
- Annexes - Further information on service delivery standards, other project requirements, and so on.

The investor conference must be designed to reach the target audience for PPP promotion. National investment promotion agencies and boards can be an important source of assistance in preparing and implementing local and regional investors' conferences and promotional activities.

For municipal PPP projects that seek foreign investment, in addition to locally held investor conferences, they may wish to consider investor conferences held in locations closer to potential investors, sometimes called 'road shows'.

A formal record should be kept of matters discussed and information provided during the road shows to ensure open and transparent promotion.

5.0

Preparing the PPP Tender Documents

The following sections describe the documents that need to be prepared by the PPP advisers before tender.

5.1 Invitation for Expressions of Interest (Eoi)

The municipality may wish to issue an invitation for Eoi to potential investors, to assess market appetite for the project and potentially obtain early feedback on market concerns about the project. This is often not a mandatory step in the process but may be useful strategically to engage with the market of potential investors and spread awareness of the upcoming PPP tender among private investors.

Communications must be clear about the nature and purpose of the invitation for Eoi, which should generally contain the following information:

- Name and brief description of the municipal authority's functions;
- Background with respect to the present state of the relevant service;
- Objectives and overview of the project;

- Nature of the PPP being considered;
- Services that the private sector is expected to deliver;
- Proposed risk allocation;
- Expertise being sought from the private sector, including level of experience in the sector and region;
- Required information about the private entity including the name, address, nature of the organization, relevant experience, and comments on the project;
- Any local participation requirements;
- Outline of bid process, including expected timetable with milestones;
- Any disclaimer of liability and reservation of rights.

5.2 Request for Qualifications

Pre-qualification ensures that bidders are clearly qualified to do the work, including technical experience, designing facilities, managing building projects, raising long-term financing, and delivering public services over the long term. Often these are capabilities, skills, and experience that relatively few firms in the private sector have. Therefore, the pre-qualification evaluation criteria must differentiate between general experience and proven long-term PPP delivery.

The request for qualification (Module 8), issued in the case of a two-stage bidding process, contains instructions to interested bidders to submit qualification documents showcasing their technical and financial capacity to undertake the PPP project.

While an RFQ does not contain all the detailed specifications for the final PPP, it should contain enough information about the project to allow potential bidders to make a judgement about the fit between their experience and qualifications and the project's required output standards and risks. Generally, the preparation of RFQ responses should not require significant expense but should be enough to allow an informed evaluation by the municipality.

Illustration: Contents of a PPP RFQ

1. Letter of invitation to submit qualifications.
2. Description of the purpose and requirements of the PPP project.
 - a. Background, objectives, and overview of the project.
 - b. Name and brief description of the municipal authority's functions and the sources of any statutory powers.
 - c. The specific services that the PSP is expected to deliver expressed as outputs and key performance indicators.
 - d. Proposed risk allocation (summary matrix) and description of PPP modality.
 - e. Description of payment mechanisms, including amount and nature of any public support available.
3. Description of the PPP procurement technique and process.
 - a. Description of the procurement technique (that is, short-listing, competitive negotiations, and best and final offers).
 - b. Description of the legal requirements of existing procurement laws and implementing regulations.
 - c. Proposed timetable and key milestones for the tendering process.
 - d. Other procurement process requirements: language and translation requirements, if any; any disclaimer of liability, including the cost of preparing the response, and reservation of rights, such as the right to not proceed with the project; period of validity of the responders' offer; grounds for disqualification, and so on.
 - e. Invitation to interested firms to submit comments, questions, and recommendations on the proposed output standards and PPP risk allocation structure.
4. Instructions to interested applicants in submitting qualifications.
 - a. Format, time, date, place, and addressee name for submitting the response.
 - b. Selection criteria/minimum conditions to be met by the bidder and instructions for completing qualification forms.
 - i. Technical experience and capacity: Minimum technical capacity required and instructions for how to present technical experience using standard templates in forms (attached in annex).
 - ii. PPP-related experience: Minimum PPP risk management experience and capacity required, and instructions for how to present PPP management experience using standard templates in forms (attached in annex).
 - iii. Financial capacity: Minimum financial capacity/size of the firm/consortia, including experience with limited recourse project finance (if necessary) for funding large PPP projects. Instructions for how to present PPP financial capacity and project-backed financing experience using standard templates in forms (attached in annex). Bid bond requirements, including terms of the bond and any requirements on the bank issuing the bond.
 - iv. Legal structure: Legal requirements of consortium (such as incorporated locally), legal description of bidder (as a consortium or joint venture), ownership structure, proof of power of attorney for lead firm, statement of no existing conflict of interest, and statement of litigation history.
 - v. Personnel: Minimum technical, management, and other requirements for key personnel to work on the project.
5. Annexes.
 - a. Standard forms and templates for interested firms to use in submitting qualifications.
 - b. Relevant specifications for the PPP project: Technical, economic, financial, commercial, legal, and institutional.

Some criteria to use when evaluating qualification submissions from interested applicants include the following:

1. The general experience

- a. General business experience
 - i. Require minimum of three to five years in the relevant sector.
 - ii. Specify, in the case of joint ventures, whether the experience of each member firm is counted equally.
 - iii. Require that the firm/consortium has experience in a similar environment.
- b. General financial performance
 - i. Require annual revenues of at least twice the projected revenues of the new PPP project. This will help ensure that the financial demands of the new PPP project do not overwhelm a smaller size company.

2. Sector specific/project relevant experience

- a. Require firms to demonstrate the number, size, and age of similar relevant PPP contracts they have implemented or are implementing.
- b. Be clear on how to treat the project experiences of different partners, for example is experience of sub-contractors sufficient.
- c. For specific sectors, ask for relevant technical information on the size of previous projects, such as number of transactions, key performance indicators, size and nature of new investments required, and so on.

3. Ability to meet the financial requirements of the specific project

- a. Minimum required cash flow to meet the project's predicted working capital needs and collection periods.
- b. Audited financial statements for last five years, or three years for smaller projects.
- c. If the project is foreseen to require long-term project-backed financing, require firms to show the size, term, and structure of financings as well as lenders.

4. Personnel capabilities

- a. Require full CVs of key personnel with references.
- b. Clearly define what constitutes 'relevant experience'.
- c. Generally, require a minimum of five years of relevant sector experience.

5. Joint ventures

- a. Ask consortia to clearly define the management structure of any joint venture to clarify roles and responsibilities.
- b. While consortia with a large number of firms (more than five) can appear impressive due to the different technical specializations they provide, the risk of default of the overall consortium (if one member withdraws) tends to be greater.
- c. Request for information on other projects in which the consortia have successfully worked together.

Tool

Module 8: Sample Request for Qualifications (RFQ) provides a generic template for qualifying bidders in case of a two-stage bidding process and may need to be adjusted to conform to a municipality's applicable procurement regulations.

5.3 Request for Proposals

The preparation of the RFP documents represents the culmination of the feasibility study and the competitive process by which the municipality seeks to procure the PSP. The bid documents need to be clear about the minimum performance requirements, the allocation of key risks, the rules by which bidders must present and submit their

bids, and the evaluation criteria against which those bids will be reviewed. Any lack of quality in PPP bid documents generally results in numerous requests for clarification or protests from bidders, and possibly vastly different PPP bids each based upon differing assumptions, all of which will delay the bid process significantly and may result in its failure.

In the case of a single-stage bidding process, the RFP will also include instructions for the submission of qualification documents of prospective bidders

showcasing their technical and financial capacity to undertake the PPP project.

Tool

Module 9: Sample Request for Proposal Single-Stage Bid Process and Module 10: Sample Request for Proposal Two-Stage Bid Process provide RFP templates for both procurement modes.

5.4 Draft PPP Agreements

The draft PPP agreement—the document to be executed between the municipality and the PSP—specifies the roles, responsibilities, and liabilities of both parties in the implementation of the PPP

project, as well as the time lines, deliverables, output/performance-based specifications (including key performance indicators), and payment mechanism for the project, among others.

Tool

Module 11 (Sample Municipal PPP Agreement) provides guidance on key provisions that need to be present in a PPP agreement. The draft document will have to be adjusted to consider applicable legal and regulatory provisions in the country and the municipality.

The municipality should constantly coordinate and monitor the progress of the consultant's preparation of the above-mentioned documents, as well as review and provide comments on the documents in preparation for approval.

6.0

Implementing the PPP Procurement Process

This section describes the core elements of the PPP procurement process: (1) qualifications assessment, (2) data room and site visits, (3) technical proposal assessment, (4) financial proposal assessment, and (5) award and contract signing.

6.1 Qualifications Assessment

Interested bidders must furnish information that demonstrates their technical and financial capacity to undertake the PPP project. A bidder is allowed to submit only one application/qualification envelope either individually or as a member of a consortium.

A clarificatory conference may be held to allow bidders to seek clarifications and provide suggestions for consideration by the municipality. The municipality will provide clarifications and such further information as it may, in its discretion, consider appropriate for facilitating a fair, transparent, and competitive qualification process.

The municipality will determine whether the application/qualification envelope is responsive to the requirements stipulated in the RFQ/RFP, that is, if it (1) contains all the documents required to be submitted; (2) is received on or before the submission due date and time; (3) is signed, sealed, and marked; and (4) does not contain any condition or qualification. If necessary, the municipality can request the applicant for clarification. If the bidder fails to respond to the request within a time period or does not provide the information or documentation requested, the municipality may consider the application non-responsive and reject it.

To determine technical capacity, the applicant is required to submit information on relevant projects to showcase its experience (for example, design, engineering, construction, operation, and maintenance), supported by certificates from clients specifying the completion of the contracts and the quality of the work undertaken. For determination of financial capacity, the applicant will be required to specify its net worth, and other financial parameters, supported by audited financial statements that reflect the financial capacity of the applicant.

The evaluation will identify the short list of permitted bidders. The municipality may wish to establish a maximum number of applicants that may be shortlisted, to keep the number of bids manageable for the evaluation team and for bidders.

After evaluation, the municipality will announce the qualified bidders and notify other applicants that they have not been shortlisted.

6.2 Maintaining the PPP Project 'Data Room' and Conducting Bidder Site Inspections

Bidders for PPP projects generally need access to background information about the PPP project. Data rooms are typically libraries of detailed records, reports, and plans relevant to a specific infrastructure project that bidders may access while they are preparing their bids. The nature of the data provided will depend on the project.

The data rooms may include the following:

- Site maps and geological data.
- Existing project designs, construction engineering reports, and as-built drawings.
- Updated infrastructure/utility network maps and expansion plans.
- Asset and equipment registries.
- Inventory records, including spares.
- Equipment maintenance and other maintenance records.
- Customer databases and cadastral studies.
- Existing service contracts and so on.
- Demand, billing, collection, and revenue records.
- Operating and maintenance data, including major maintenance plans.
- Audited financial statements of any existing company.
- Company registry, articles or association, shareholder agreements, and other corporate documents.

- Data on current staff, including salary, costs, contract terms, and so on subject to confidentiality obligations.
- Audited financial statements of the municipal authority, if available.
- Information on other liabilities, such as debts, held by the municipality.
- Other detailed technical, financial, and legal reports and records relevant to the specific PPP project.

'Virtual' data rooms are web based to make information available electronically and simplify bidder due diligence. Virtual data rooms are also easier for municipalities to manage.

Bidders may also need 'site inspections' and 'walk-throughs' to physically inspect the proposed right of way and key project facilities first hand (wearing appropriate safety equipment). The purpose is to allow them to see the proposed project site first hand and to prepare any new questions related to design and construction issues. Any questions that emerge from these visits should be submitted to the municipality in writing, and both the full text of the question (though not attributed to the relevant bidder) as well as the full text of the answer or response should be distributed to all shortlisted bidders to ensure a fair access to information for all bidders.

6.3 Technical Proposal Assessment

Under a two-stage process, the municipality will issue an RFP for bidders to submit their bids, including technical proposals and financial proposals in two separate envelopes (two-stage process). The RFP will include a draft PPP agreement and other key documents.

A bidder conference is usually held to provide information and allow bidders to seek clarifications and provide suggestions to the municipality before the tender documents are finalized.

After the bid date, the municipality will assess whether bids received are responsive. A submission will be considered responsive if it (1) contains all the

documents required to be submitted as specified by the RFP; (2) is received on or before the bid date; (3) is signed, sealed, and marked; and (4) does not contain any condition or qualification. Only responsive bids will be evaluated. If necessary, the municipality can seek further clarification from any bidder.

Technical proposals will be evaluated against the criteria indicated in the RFP. A simplified set of criteria is provided in Table 1, as an example.

Table 1. Sample Criteria

Technical Parameter	Evaluation Criteria
<p>Conceptual Engineering Design</p> <ul style="list-style-type: none"> • Architectural layout and how it conforms to the specifications and the local area • Details of the design of the facility and technology selected that satisfy the specifications • Conceptual layout of the facility illustrating technical specifications of essential components of the facility 	<ul style="list-style-type: none"> • The conceptual engineering design must conform to the output specifications prescribed in the bidding documents • The architectural solution must conform to the specifications and fit with the local context • Technology chosen must be proven and consistent with local requirements
<p>Technical Plan for Construction/Rehabilitation</p> <ul style="list-style-type: none"> • Construction methodology fitting with chosen technology, context of the site, and access to materials • Implementation plan: Present a detailed activity schedule along with milestones in line with the requirements set out in the PPP agreement. This should also outline the time line envisaged for obtaining various permits and approvals 	<ul style="list-style-type: none"> • Construction methodology and planning are well defined and feasible, and are likely to succeed in timely delivery and fit with local context/constraints • In line with output specifications
<p>Operation and Maintenance Plan</p> <ul style="list-style-type: none"> • Process flow chart setting out the activities and the outputs at each stage of operation • Methodology for operations • Time lines and frequency of operations, maintenance activities, equipment replacement, major maintenance and other key activities • Resource utilization statement indicating the proposed organizational structure, employee deployment, equipment procurement and utilization, contracting activities, and utilization of office and other facilities. • Maintenance (regular and emergency) schedules, including major maintenance, and how operations will adjust to the constraints of the maintenance regime 	<ul style="list-style-type: none"> • System/methodology for operation and maintenance are well defined, shown to be feasible, and practicable in context • Key performance indicators are achievable by the proposed operation and maintenance plan
<p>Organization and Staffing</p> <p>Staffing requirements for the project, proposed organization structure, and composition of project and operational team, including staff deployment plan, number of shifts per day of operations, and roles and responsibilities. Bidders should indicate the number of staff to be sourced locally</p>	<ul style="list-style-type: none"> • Adequacy of proposed organizational arrangements • Well-defined roles and responsibilities of the proposed technical, operation, and maintenance plans • Local staffing in line with performance requirements

Under a pass-fail evaluation method, the technical evaluation criteria are minimum requirements. The technical proposal must 'pass' every parameter to qualify for the opening of the financial proposal.

After the evaluation of technical proposals, the municipality will announce the bidders whose financial proposals will be opened, as well as notify the bidders who failed to meet the minimum technical criteria.

Under a scored evaluation method, the municipality will assign a weight to each technical parameter and score technical proposals accordingly. The municipality should achieve a minimum score before the financial proposal can be opened.

6.4 Financial Proposal Assessment

The opening of financial proposals should be scheduled as soon as possible from the announcement of qualified technical proposals. To be considered, the submitted financial proposal must:

1. Contain the following documents as attachments:
 - a. Supporting cost estimates for the design, construction, operation and maintenance components.
 - b. A financial model consistent with the

above cost estimates and the technical proposal, and which includes a short explanatory memorandum.

- c. A project financing plan compliant with the bid requirements, setting out, for example, timing and terms of equity to be infused, sources and terms of debt, and the security package to be developed.
- d. An indication of the extent to which lenders have reviewed and approved the project on the terms indicated in the financial proposal and the draft PPP agreement.

2. Agree to the draft PPP agreement provided in the bid documents;
3. Be signed, sealed, and marked; and
4. Not contain any condition or qualification.

If necessary, the municipality may seek clarification from any of the bidders.

The tender evaluation committee will assess whether each financial proposal satisfies the basic documentary and formal requirements set out in the bid documents. Of those compliant financial

proposals, the best financial proposal will need to be selected.

In some cases, the best financial proposal is a comparison of the figure set out in the financial proposal, for example, the lowest government support requirements, the highest percentage of project revenue to be shared with the municipality, the most low cost housing units to be delivered.

In other cases, the financial proposal requires a more nuanced assessment, for example, where multiple financial criteria are applied, where some modifications to the risk allocation are allowed, where the extent to which lenders have completed their due diligence is to be assessed, where government guarantees may be requested, where services can be delivered in different amounts and timing. In this scenario, the bid evaluation criteria will need to apply a scoring regime, weighted to indicate the municipality's preferences and priorities.

6.5 Award and Contract Signing

Based on the evaluation of the technical and financial proposals, the best bid will be awarded the project. The successful bidder will be issued a letter of award and will have to satisfy post-award requirements before signing the PPP agreement, which may include:

- a. Incorporating a special purpose company to undertake the project; and
- b. Payment of a bid development fee (to reimburse project development and tender expenses incurred by the municipality).

The municipality will enter into final negotiations with the successful bidder only for finalizing the PPP agreement in accordance with the latter's bid. Once finalized, the PSP will execute the PPP agreement with the municipality. On signing of the PPP agreement, the PSP may be required to furnish the municipality with a performance security (or convert the bid security into a performance security).

In general, the finalization of the PPP agreement should be a relatively simple and quick process. As noted previously, PPP bidding documents should include a draft PPP agreement to be signed without significant modification. The municipality will give the bidders the opportunity to comment on the draft

PPP agreement during the consultation process.

The municipality must be careful to listen to bidders if they raise concerns about the PPP agreement to avoid bidders proposing amendments in their bids (which would need to be rejected as noncompliant) and the failure of the bid process.

When planning the process for finalizing the PPP agreement, the municipality should provide a specific deadline. Generally, such negotiations should begin within two weeks of the announcement of the preferred bidder and should be completed within two to six weeks. The municipality should both be able to call the bid bond of the selected bidder if negotiations are not completed within that time frame and commence discussions with the second best bidder, or it may evaluate whether there are fundamental problems with the structure of the project and therefore the project needs to be restructured and re-tendered.

7.0

Managing Transaction Advisers During Procurement

The following sections provide a few additional lessons learned for municipalities to consider when managing PPP procurement.

7.1 Don't Rush

In practice, municipalities are often in a hurry to award a PPP project, reasoning that the sooner the PPP tender documents are released the sooner the contract can be awarded, and the private partner can start delivering the needed public services. As a result, municipalities often issue PPP tender documents that are unclear and incomplete, with the expectation that these issues can be resolved later, such as after the tendering process. However, such an approach regularly creates more delays and problems. Bidders will review PPP tender documents and draft PPP agreements in detail to identify and resolve issues with the PPP structure and terms before they become larger problems or even project failures.

It is better for the municipality and its advisers to complete the structuring of the PPP first, and to include a detailed description of the PPP project's risk allocation structure and performance output standards in the RFQ. This sends an important signal to prospective bidders that they should be similarly prepared to invest in innovative, competitive, and detailed bids. This also allows the municipality to receive informed comments and questions about the proposed PPP deal structure from interested bidders before the RFP is finalized and released.

7.2 Provide Clear Instructions to the Tender Evaluation Committee

Tender evaluation committee members are unlikely to be familiar with the context of PPP procurement, and should be given clear instructions on how to determine whether the technical approach proposed by the bidder is viable (using an output-based procedure). For example, a bidder should not 'fail' simply because it proposes a new technology or a design that may be different from one that is preferred by the individual reviewer. Often designers, engineers, and technology specialists from municipalities and the public sector have decades of sound experience with input-based projects, in which they themselves select the design and technology. When such individuals are asked to review a different design or technology, they may be

inclined to give it a 'failing' score, simply because it differs from how the municipality has been designing and building projects for many decades.

Tender committees familiar with public procurements may also not understand the relevance of the SPV, the reason that PPP investors are not jointly and severally liable, the context of lenders in a PPP project, the function of an output-based performance specification, the context of folding construction and operation into a single counterparty, and so on. Capacity support for the tender committee should be started early to avoid delaying the bid evaluation process.

7.3 Contract Management Plan

The transaction advisers should develop the contract management plan and help form the contract management team, before the PPP agreement is signed. Once the agreement is signed and financed, the transaction team will move to the

next deal, and it is difficult to pull together a team and a plan once those most familiar with the project have moved on.

8.0

List of References

International Finance Corporation. 2013.
Public-Private Partnership Stories India:
Bhubaneswar Street Lighting.
[https://www.ifc.org/wps/wcm/connect/
c97d4db6-4fd5-4483-9617-4793bd9e4ad7/
PPPStories_India_BhubaneswarStreetLighting.
pdf?MOD=AJPERES&CVID=IKbKhV3](https://www.ifc.org/wps/wcm/connect/c97d4db6-4fd5-4483-9617-4793bd9e4ad7/PPPStories_India_BhubaneswarStreetLighting.pdf?MOD=AJPERES&CVID=IKbKhV3)

