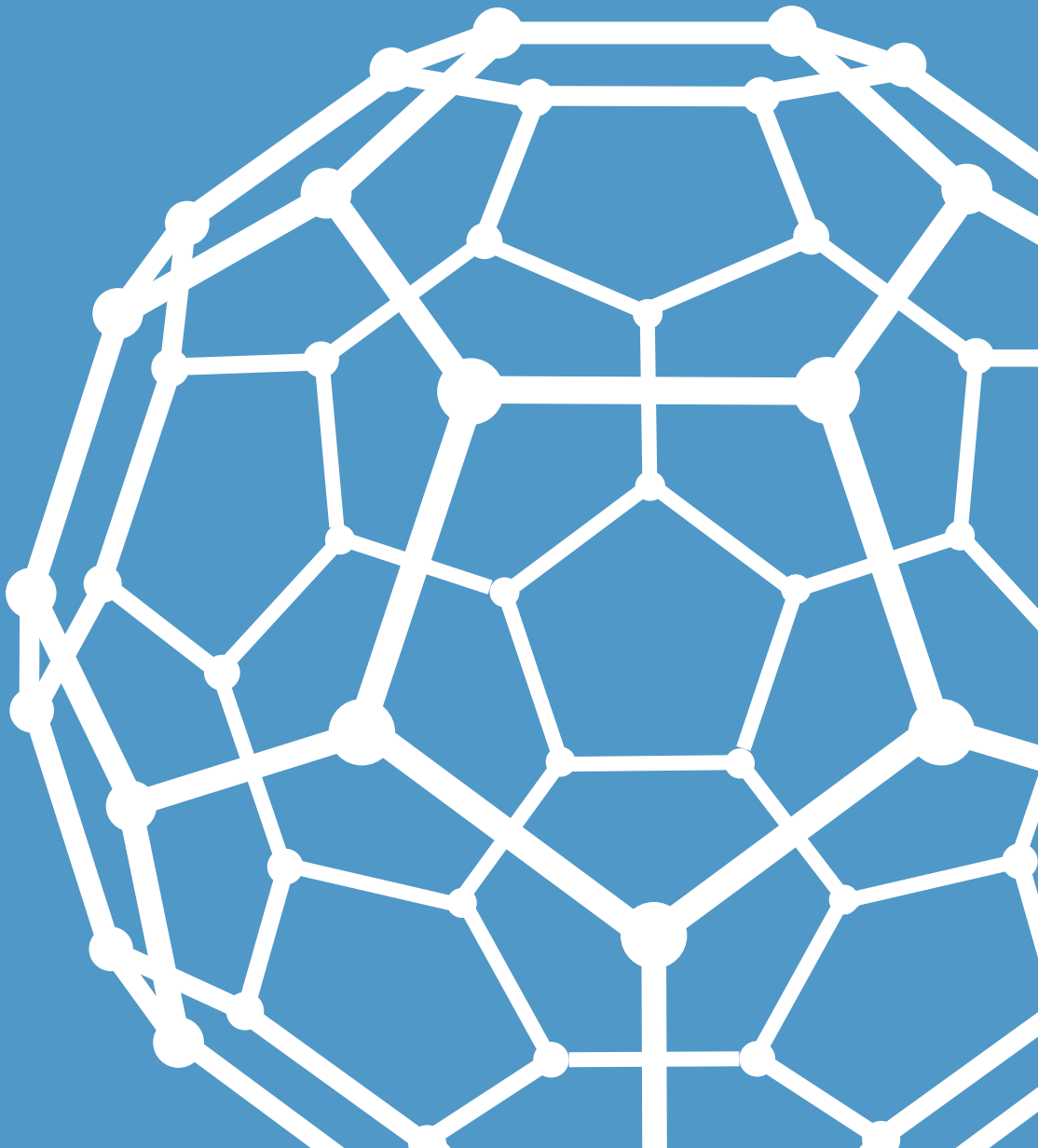


Using the Praxis Framework to support the PPP Guide for successful PPP projects and programs

PPP Guide – the Body of Knowledge on Public-
Private Partnerships (PPPs)

March 2019



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INTRODUCTION

This document brings together the PPP Guide with global best practice in P3 management from the Praxis Framework, in a simple and accessible way.

The left-hand, shaded column in this document contains the text of the Public-Private Partnerships (PPP) Guide. All diagrams are also taken from the PPP Guide. The right-hand column explains the Praxis Framework approach to the guidance set out in the PPP Guide and provides links to the relevant detail with the Praxis Framework web site.

Note: This document is not a replacement for the official PPP Guide; it is a supporting document and should be used alongside the official PPP Guide.

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PPP GUIDE

An Overview of the PPP Process Cycle: How to Prepare, Structure and Manage a PP Contract

The purpose of the PPP Guide is to help public officials and their advisors implement efficient, resilient, and sustainable PPPs.

This section describes an overview of the PPP project process, which is then developed in detail — phase by phase — in chapters 3 to 8 of the PPP Guide.

The intention of this description is to give the reader a general view of the whole process, providing a preliminary description of its main phases. It also illustrates how the process may differ in some countries, depending on the tender approach or modality selected (when there is more than one approach available in a country). See figure 1.13.

The process as described in this section and developed through the PPP Certification Guide relates to the cycle of a PPP project. Normally this process starts with project identification and selection, and the PPP Certification Guide assumes that this occurs on a project-by-project basis. However, when the government assumes a program approach, project identification and selection, as well as the screening of projects as PPP candidates, will typically occur as part of the development of a program leading to a pipeline.

The definition of each phase, including the name and the scope of each of them, is somewhat arbitrary. There is no universal consensus on what should be included in each phase or where each should start or end. Thus, there are differing views, for example, about how to define contract “structuring” and what exactly should be considered “structuring” or even “feasibility” of a project contract. Additionally, there are different views and approaches about what should be the final outcome of the appraisal activity; whether the appraisal of the project should be regarded as a phase in itself and the investment decision taken before confirming the suitability and feasibility of the project as a PPP, or whether both activities and decisions can be better handled in the same phase (which is the approach assumed by the PPP Certification Guide for convenience, as fitting with the context of EMDE countries). See box below.

HOW PRAXIS SUPPORTS PPP PROJECTS, PROGRAMS AND PORTFOLIOS

The purpose of Praxis is to provide guidance on all best practices for project, programme and portfolio management in an open, free and community driven way.

The Praxis method comprises process models and descriptions of documentation. These lie at the heart of the management and governance of a project, programme or portfolio. The individual processes make use of functional procedures, tools and techniques and provide a [life cycle](#) based approach to their application.

A P3 life cycle illustrates the distinct phases that take an initial idea, capture stakeholder requirements, develop a set of objectives and then deliver those objectives.

The goals of life cycle management are to:

- ☐ identify the phases of a life cycle that match the [context](#) of the work;
- ☐ structure [governance](#) activities in accordance with the life cycle phases.

The nature of projects and programmes means that they have a very similar life cycle. They can therefore be managed using the same fundamental processes but with adaptations to suit their context and specifically, their [complexity](#).

While many characteristics of portfolios are shared with programmes, they have a different life cycle. Hence, the inclusion in Praxis of two process models, one covering [projects and programmes](#) and the other covering [portfolios](#).

BOX 26: Considerations regarding appraisal and decisions assumed by this PPP Certification Guide

The standard PPP process cycle described in the PPP Certification Guide involves initial analysis of the project economics and PPP screening in the Identification and PPP Screening Phase, followed by detailed appraisal of the project both as a technical solution and as a PPP during the Appraisal and Preparation Phase. This sequence is well suited to PPP programs motivated by a desire to use PPPs as an alternative to public finance, thus allowing for the acceleration of infrastructure development. In these circumstances, the investment decision (whether or not the project should proceed) is inter-related with the procurement decision (whether or not the project should be a PPP). If a project is not suitable to be a PPP, it may not be possible to deliver it as a traditionally procured project. By screening the project for PPP potential at an early stage, the government can avoid wasting money on appraisal if the project is not suitable to be a PPP.

Thus, since it is necessary to define a common ground in order to provide a proper explanation of the PPP process (as well as the different tasks to be undertaken and decisions made); the PPP Certification Guide is necessarily adopting a flexible approach. The described process presented in figure 1.14 incorporates significant flexibility to reflect the main potential variations in the tasks, decisions and authorizations to be taken within each “phase”.

As a practical matter, the analysis and tasks to be carried out in many phases will actually extend beyond the arbitrary limit of the respective phase. For instance, some of the feasibility analysis to be carried out as part of the appraisal may not be finished until subsequent phases, or it may be necessary to revisit this analysis at a later phase.

The work to be carried out in each phase is also influenced by the applicable policy and legal framework.

What is clear though is what has to be done to successfully develop a project as a PPP. Regardless of the order or timing of each of the tasks or the different names and concepts used in different regions and jurisdictions, a PPP procurement will necessarily imply significant work under a phased approach. As described in section 5.3, a PPP project must:

- ☐ Be based on an appropriate or optimum technical solution or “project”: this is usually referred to as identification
- ☐ Be duly appraised to assess if it is feasible (both the technical solution and the delivery of the project as a PPP), that the PPP is the best procurement solution, and that it be duly prepared before tendering: this relates to appraisal and preparation.

The way a project, programme or portfolio is governed and managed will depend upon its [environment](#) and many different external factors. These must be understood by the P3 sponsor and manager at the outset so that the work is managed in an appropriate manner.

The relationships between an organisation and its component projects, programmes and portfolios have multiple layers. A portfolio will always sit within a ‘host organisation’ e.g. a company, government department or charity.

Some programmes will be part of a portfolio and some projects will be within a programme. Other projects may simply be part of the portfolio.

The [project and programme process](#) model, based on [life cycle](#) phases, should be tailored to the context of the work.

The [identification process](#) manages the first phase of the project or programme lifecycle. An outline of the project or programme is developed and assessed.

The [definition process](#) develops a detailed picture of the project or programme and determines whether it is [desirable, achievable and viable](#).

- ❑ Have an appropriately structured PPP contract and a well-designed tender process: this will be referred in the PPP Certification Guide as contract and tender structuring and drafting
- ❑ Be effectively procured or tendered in accordance with the applicable legal and regulatory requirements: this may be referred to as the tender process itself (sometimes referred as “managing the transaction”)
- ❑ Be managed during its contract life: this is called contract management.

The [contract management](#) function supports [procurement](#) by [negotiating](#) terms and conditions, creating and administering contractual agreements. During the pre contracting phase it helps set the baseline conditions.

Procurement and tender processes are covered in the [procurement](#) function.

[Contract management](#) looks at the monitoring of contractual performance and contract conclusion.

FIGURE 1.13: General or Main Stages in the PPP Process

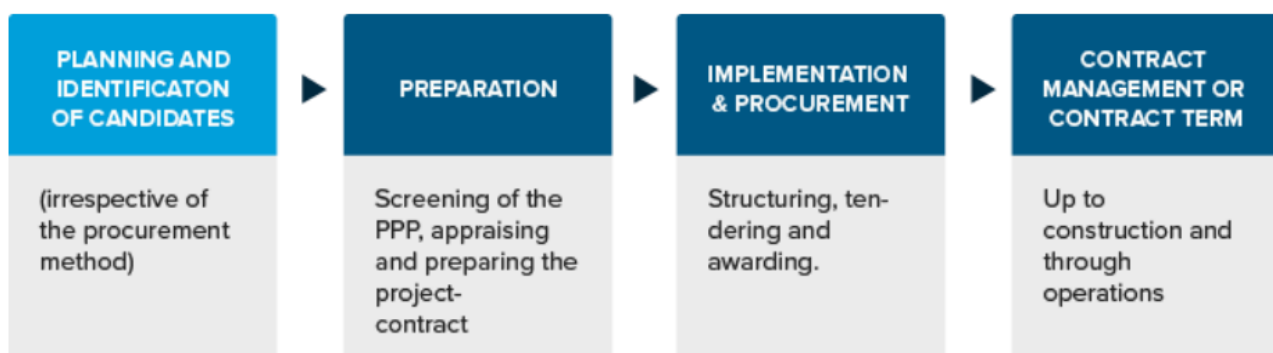
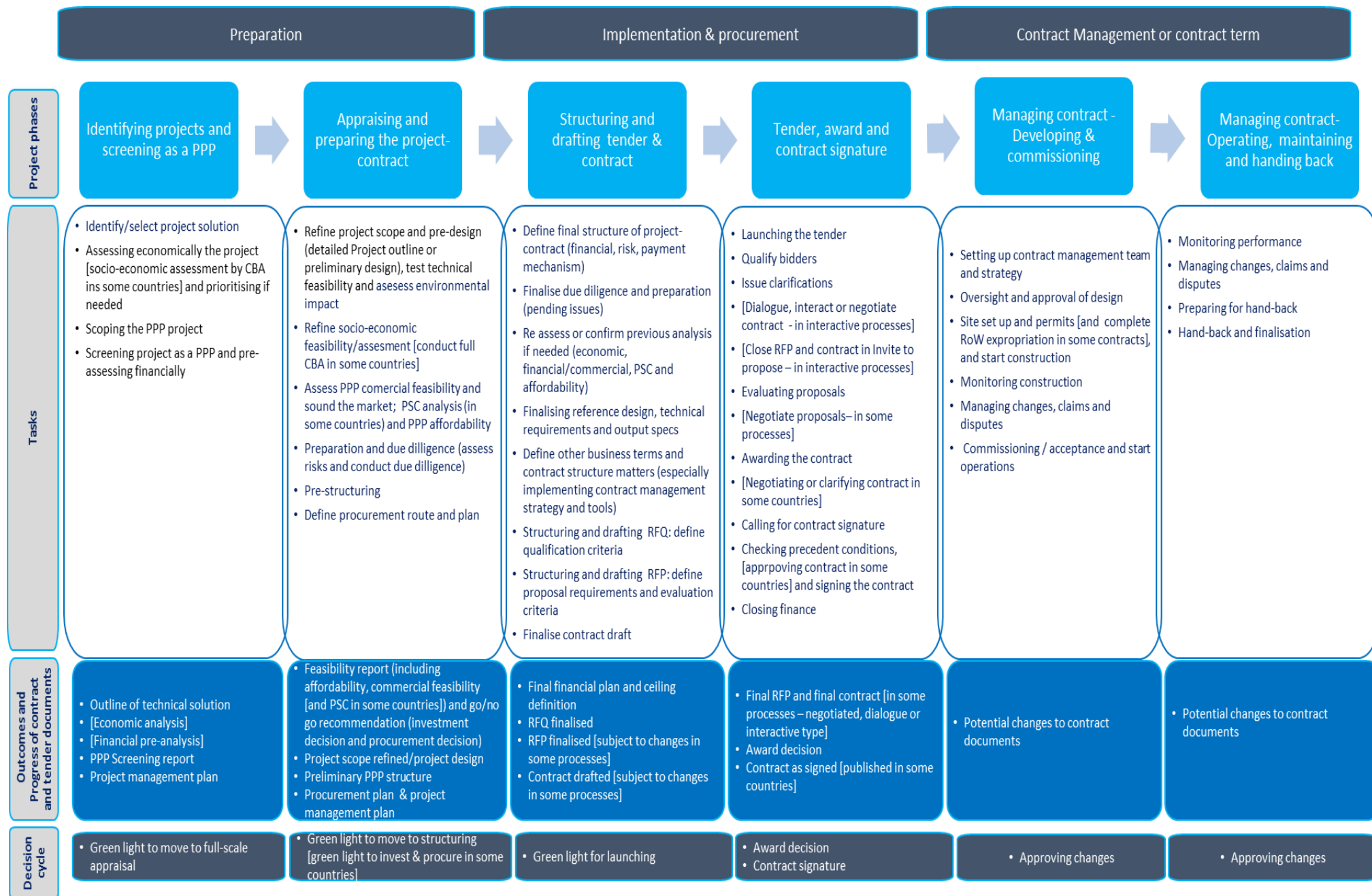


Figure 1.14 (see next page) describes in further detail the process and main tasks commonly developed in each of the phases (as defined in the PPP Certification Guide) noting the most common variations. Many of the tasks and sub-processes are progressive and iterative in nature: examples include appraisal and preparation, and contract and process design. The figure includes a description of how the process moves through to a final contract, and how decisions are also taken under a phased approach.

FIGURE 1.14: The PPP Process Cycle as Considered in This PPP Certification Guide



Phase 1 (chapter 3) – Project Identification and PPP Screening

Objectives: To select the right project option (the best technical solution for the need), and to pre-assess the suitability of the project as a potential PPP so as to avoid early on sinking resources into the full assessment and preparation of unworthy projects.

Tasks: Usual tasks included in this phase are as follows:

- ☐ Identify/select project solution out of a number of options.
- ☐ Scoping the project.
- ☐ Assessing the project economics (including a socio-economic assessment by CBA in some countries) and prioritizing the most worthwhile projects, if needed.
- ☐ Screening the project as a potential PPP.
- ☐ Prepare the project governance for the preparation process through tender launch, including developing a project management plan and defining the project team.

The project identification task is inherent to the process cycle of any infrastructure decision regardless of how it will be procured. It does not form part of the PPP cycle in strict terms, as in many cases and many countries projects will be already identified under a planning exercise, or they may be proposed by an agency or procurement authority during the government term legislature (and will be regarded as such as long as they fit the strategic objectives of the government).

For convenience, the PPP Certification Guide includes this task in the same phase as PPP screening, to reinforce the importance of proper project selection (PPPs cannot perform miracles and a PPP will only succeed if it is an economically sound and sensible project). However, in some cases, especially in EMDEs and when the PPP route is mostly motivated by government financial needs (including the fact that sometimes if it is not procured as a PPP, it will not be procured), identification and appraisal come together with screening and testing of PPP suitability and feasibility.

The [identification process](#) manages the first phase of the project or programme [life cycle](#). Its goals are to:

- ☐ develop an outline of the project or programme, conceptualize its outcomes and assess whether it is likely to be justifiable
- ☐ determine what effort and investment is needed to define the work in detail
- ☐ gain the sponsor's authorisation for the definition phase

The first goal is addressed in the form of the [brief](#) and the second in the form of the [definition plan](#). At the end of the process the project or programme manager will present these two documents to the sponsor with a request to authorise the [definition process](#).

The purpose of the [brief](#) is to provide sufficient information to justify investing in the definition process (the extent of which will be described in the definition plan). The exact content will vary in scope and detail according to circumstances and must be in proportion to the cost and risk of the proposed project or programme.

The identification team will:

- ☐ work with [stakeholders](#) to establish their requirements
- ☐ develop a solution and [scope](#) of work
- ☐ determine whether to manage the work as a project or programme, or a hybrid of the two
- ☐ estimate high level [timescales](#)
- ☐ identify sources of [funding](#) and estimate budgets
- ☐ identify and assess the main [risks](#) that could affect successful completion
- ☐ outline the type and quantity of [resource](#) that will be needed and whether it can be sourced internally or externally
- ☐ highlight areas of business-as-usual that will be subject to [change](#)
- ☐ identify and assess the most influential stakeholders and propose initial [communications](#).

Before considering how a project can be procured, it is necessary to have a clear notion of what is the best solution to the relevant public need from the technical and strategy standpoint. For example, to solve a problem of congestion in a particular city, the possible solutions might be a light rail transit (LRT) investment, an upgrade of the road network, or a metro system. This assessment of possible solutions should be undertaken for any public project decision (in infrastructure, for a service, a policy, a law, or in any other government activity). This is the basis of good practice in project identification.

A number of options should be considered and compared (including a “do nothing” option as a baseline), and the most suitable will be selected according to a selection method. Cost benefit analysis (CBA) and other simpler methods may be used for this purpose (for example, multi-criteria analysis, cost-effectiveness analysis). This process will identify a technical solution in general terms. At this phase, the project scope may be in the form of an outline including rough cost estimates. The scope and costings will be further developed through a final assessment in the Appraisal Phase.

In addition to using CBA for selection purposes, CBA may also be conducted in the project Identification Phase to pre-assess whether the project makes economic sense. In some countries, other appraisal tasks may also commence in the project Identification Phase. These analyses are generally referred to as pre-feasibility exercises, as they will be adjusted, evolved or further developed in subsequent phases before the project is tendered.

Once the project has been properly identified (including economic pre-assessment), the PPP Certification Guide assumes that the project will be screened as a PPP. This requires defining the contract scope in general terms and conducting a preliminary test of whether the PPP method of procurement is appropriate for the project.

At the end of this phase, a decision is made whether to proceed with a full appraisal analysis both of the project and the project contract as a PPP on the basis of a “PPP screening report”. The report should also include a description of how the project process will be managed under a project plan and related schedule.

While the [brief](#) outlines the project or programme as a whole, the [sponsor](#) will also need to know what is required to produce a full set of detailed documentation. The work required to define the project or programme in detail will range from the concise to the extensive. The [definition plan](#) follows the normal format of a [delivery plan](#) but has the specific purpose of describing how the [definition process](#) will be performed.

The identification team will need to ensure that:

- ☐ the [scope](#) of the definition work is well defined
- ☐ any specialised [resources](#) required for detailed definition are identified and available
- ☐ any [risks](#) specific to the definition work are identified along with proposed responses
- ☐ the [cost](#) and [timescale](#) of the definition phase is estimated as accurately as possible
- ☐ arrangements are in place to [mobilise](#) the definition team should the definition phase be approved

Where a project is part of a programme, the brief may be prepared by the programme management team and the identification process is bypassed at the project level. The same could be true of a programme that is part of a portfolio.

At the end of this phase, the [sponsor](#) must decide whether it is worth investing in the [definition phase](#).

Phase 2 (chapter 4) – Appraisal and Preparation Phase

Objectives: To assess whether the project and PPP project contract is feasible in order to mitigate the risk of project failure during tender or during the contract life of the project, and to further advance its preparation as a PPP.

The usual set of tasks to be carried during this phase are as follows.

- ☐ Refine project scope and pre-design, test technical feasibility and assess environmental impact.
- ☐ Refine socio-economic feasibility/assessment (CBA) or conduct it in full from the outset.
- ☐ Assess PPP commercial feasibility (which includes bankability) and test the market.
- ☐ Develop other financial assessments: Value for Money under the Public Sector Comparator method (PSC analysis) in some countries, PPP affordability, and national accounting impact analysis (in some countries).
- ☐ Preparation and due diligence: assess risks, consider risk allocation, and conduct due diligence tasks.
- ☐ Pre-structuring the PPP.
- ☐ Define procurement strategy/route and design the procurement plan.

The [definition process](#) manages the definition phase of the project or programme [life cycle](#). Its goals are to:

- ☐ develop a detailed picture of the project or programme
- ☐ determine whether the work is justified, including considerations of viability and sustainability
- ☐ describe governance policies that describe how the work will be managed
- ☐ gain the sponsor's authorisation for the delivery phase

The procedures described in the [scope management](#) function will be used to capture stakeholder requirements, develop solutions and define benefits as appropriate.

The [planning](#) function determines what is to be delivered, how much it will cost, when it will be delivered, how it will be delivered (including any partners), who will carry it out and how all this will be managed.

The [business case management](#) function will assess the desirability, achievability and viability of the proposed work.

The [financial management](#) function covers all aspects of obtaining, deploying and controlling financial resources. Financial management is made up of three main areas: [investment appraisal](#), [funding](#), and [budgeting and cost control](#).

The procedure described in the [risk management](#) function allows individual risk events and overall risk to be understood and managed proactively.

The [resource management](#) function covers all aspects of the deployment of resources that deliver the project, programme or portfolio. The three main components of resource management are [procurement](#), [contract management](#) and [mobilisation](#).

The [portfolio management process](#) must continuously balance changing resource demands and prioritise the allocation of limited resources through [capacity planning](#). Doing this effectively will depend upon the [schedule information](#) aggregated from the component projects and programmes.

A project should be appraised regardless of the procurement method that may be finally selected to develop and manage it. Therefore, much of the work done in this phase is common for any type of procurement and not exclusive to a PPP process. In fact, PPP is just an alternative delivery option of the broader public investment management process (World Bank 2014). However, in addition to the appraisal tasks and preparatory activities that would be conducted for any other project, there are also specific tasks and activities to assess and prepare the project as a PPP.

In countries or contexts with a strong public works tradition, there is a tendency to think that the preparation and bidding processes of PPP projects can be as short as those typically used for public works projects. However, this is far from true; practitioners wishing to design suitable and realistic PPP projects and their tendering processes will have to realize that preparing, appraising and structuring a sound PPP project is much more demanding in terms of time and resources than that of a conventional project procurement approach.

The feasibility analysis is two-fold. Firstly, the feasibility analysis is used to assess whether the project (or the form of procurement) is the optimum solution for the identified project need. This is usually done in the Identification Phase. Secondly, a feasibility analysis is used to assess the feasibility of the solution (can this project be done with no or limited risk of failure?).

Assessment of whether the project is the optimal solution requires a full cost-benefit analysis. The analysis should be done during appraisal unless it was done in the Identification Phase. If the analysis was done in the Identification Phase, it will sometimes be developed further, or refined, in the Appraisal Phase if a more complete set of data is available for confirmation purposes at that stage.

The central purpose of the appraisal of the project is to confirm that the project has Value for Money (in the broad sense) for society, which is commonly regarded as the “economic” or “socio-economic” feasibility. A number of additional feasibility assessments are conducted to confirm whether the expected net benefit or value for society estimated for the project is achievable.

In all but the simplest of projects, and all programmes, identification should be a separate phase with a review before proceeding to definition. This can avoid the cost of substantial definition work.

Where a project is part of a programme, the brief may be prepared by the programme management team and the identification process is bypassed at the project level. The same could be true of a programme that is part of a portfolio.

On large, complex projects and programmes, the definition phase may constitute a small project in its own right. Any supporting information should accompany the definition plan commensurate with the scale and [complexity](#) of the definition phase.

During the definition phase, the viability of the project is assessed. [Solutions development](#) evaluates the baseline requirements and alternative solutions/scenarios to achieve them, selects the optimum solution and creates a specification for the solution. Solutions development investigates the technical options for meeting the requirements and will work in conjunction with [investment appraisal](#) that investigates the financial implications of the different options.

Investment appraisal is a collection of techniques used to identify the attractiveness of an investment. Its goals are:

- ☐ assess the viability of achieving the objectives
- ☐ support the production of a [business case](#)

Most [investment appraisals](#) are based on cash flows but there are other factors that may need to be included, such as:

- ☐ Legal considerations
- ☐ Environmental impact
- ☐ Social impact
- ☐ Operational benefits
- ☐ Risk and financing sources

Analysis is also conducted to determine whether PPP delivery of the project is the best procurement option. In many countries this involves the preparation of a Public Sector Comparator, which is used to compare the PPP option with other methods (usually conventional procurement). This is used to test and confirm that the PPP option, as a procurement method, will likely produce additional net benefits, rather than destroy part of the overall benefit inherent in the project solution.

As appraisal is a progressive and iterative process; some elements of the feasibility analysis continue during the next phase (structuring). This is particularly true of analysis elements that are specific to the PPP route and relate to financial matters, such as commercial and financial feasibility, VfM/PSC (VfM is more than about money), and affordability.

There is a subtle distinction between appraisal and preparation. Preparation refers to the activities handled by the government to mitigate project risks and advance matters that are the responsibility of the government before the contract is tendered, starting with a due diligence review of risks, risk allocation, and obstacles that may threaten the success of the project. Examples include conducting geotechnical tests when the geotechnical risk represents a serious uncertainty to the project outcome, securing site availability for a facility, or obtaining preliminary environmental clearances.

Preparation activities may continue during the next phase. They should be finalized within the timeline estimated in the procurement plan and before the tender is launched.

As introduced, feasibility is commonly divided into several types of exercises or analysis. Some of them relate to the project in itself. These include technical, economic or socio-economic, political, legal and environmental feasibility. Most of these elements of feasibility relate to the “doability” of the project, although socio-economic feasibility relates more to the value of the project.

[Funding](#) is the means by which the finance required to undertake a project, programme or portfolio is secured and made available to perform the work. Its goals are to:

- ❑ determine the best way to fund the work
- ❑ secure commitment from the fund holders
- ❑ manage the release of funds throughout the [life cycle](#)

Complex funding arrangements may need the management team to have access to specialist expertise.

Throughout the identification process and definition process, the [risk management](#) function allows individual risk events and overall risk to be understood and managed proactively, optimising success by minimising threats and maximising opportunities

Governance mechanisms should be structured in accordance with the [life cycle](#) phases.

Justification for the project or programme is considered in the [business case management](#) function, and comprises three tests, i.e. is the work:

- ❑ **Desirable:** this is determined from requirements management, which demonstrates that the objectives of the work are required by the stakeholders

Other elements of feasibility relate to the project as a PPP. These include the PSC or other form of test for the appropriateness of the PPP option, financial and commercial feasibility, and the affordability test (which includes a control on the government's aggregated exposure to PPPs). It is also customary in some countries to analyze the nature of the transaction in terms of fiscal treatment (that is, whether the infrastructure and related debt should be regarded as public sector assets and liabilities in the national accounting system).

The outcomes of this phase include the foundations of the feasibility assessment (as to whether the project is beneficial and doable) which enables the government to decide whether the project should proceed to the next phase. The outcomes also include an initial outline of a proposed PPP structure for the project, which is further developed in the next phase.

Before moving to the next stage (structuring), the procurement strategy is defined and a procurement plan is shaped during this phase. The basic features of the procurement strategy are as follows.

- ❑ **Achievable:** benefits management defines achievable benefits, solutions management specifies achievable outputs and planning establishes the practicality of the work (within any time and resource constraints)
- ❑ **Viable:** investment appraisal assesses the financial and commercial return on investment; and
- ❑ risk management and allocation assesses the exposure to risk in performing the work

At the end of the [definition process](#), a request for authorisation will be submitted to the project or programme sponsor. The decision whether or not to proceed to the next phase will be made in the [sponsorship process](#) after a review of the relevant documentation.

[Tendering](#) can be a technical and time-consuming process in its own right, especially in some regulated industries, and a qualified P3 manager may need to seek specialist help. It is important that the requirements are clear and all suppliers are given an equal chance of success.

The procurement strategy forms part of the [resource management plan](#).

Phase 3 (chapter 5) – Structuring and Drafting Phase

Objectives: To define and develop a PPP contract solution and tender process that best fits with the specific features of the project contract so as to protect and, if possible, optimize VfM.

Tasks:

- ☐ Define the final structure of the project contract (financial structuring, risk allocation and structuring, payment mechanism definition) and outline the contract.
- ☐ Finalize due diligence and preparation (finalizing the preparation tasks started in the Appraisal Phase).
- ☐ Re-assess or confirm previous analysis if needed (economic, financial, commercial – potentially including new market testing, and updating the PSC and affordability analysis).
- ☐ Finalize the reference design, technical requirements and output specifications.
- ☐ Define other business terms and contract structure matters (especially implementing contract management strategy and tools).
- ☐ Structure and draft the Request For Qualification (RFQ) or Invitation for Expression of Interest (EOI): defining the qualification criteria.
- ☐ Structure and draft the Request For Proposal (RFP): defining the proposal requirements and evaluation criteria (and regulations for the dialogue or interactive phase, when the tender process is of this type, or negotiation procedures when negotiations are allowed).
- ☐ Finalize the draft contract for issuing with the RFP.

The main work in this phase comprises two main tasks:

1. The structuring and drafting of the project contract
2. The structuring and drafting of an enforceable package of procurement documentation, including the RFQ and RFP.

Structuring the contract:

The phases of the P3 [life cycle](#) should match the context of the work.

The [definition process](#) may be divided into separate phases to accommodate PPP appraisal and preparation, followed by structuring and drafting, with appropriate governance mechanisms.

At the end of the [definition process](#), all definition documentation is consolidated and submitted, with a request for authorisation, to the project or programme sponsor.

Although the nature of what is submitted for approval will vary according to the context, it should comprise:

- ☐ A [project or programme management plan](#) that summarises or brings together all the management plans for the project or programme
- ☐ A [business case](#) explaining the justification for the work
- ☐ A project or programme [delivery plan](#) showing how the objectives will be achieved

On large, complex projects and programmes, the definition phase may constitute a small project in its own right. In this instance, the PPP structuring and drafting phase may constitute the first delivery phase of the project, with the project contract, RFQ and RFP as the key deliverables.

The tasks of the PPP structuring and drafting phase will form part of the [delivery plan](#) for this stage. The tasks of the PPP structuring and drafting phase will be managed through the [delivery process](#) where the project manager will coordinate and monitor the work of [procurement](#) and [contract management](#) specialists.

The goals of the [contract management](#) function are to:

- ☐ support procurement by negotiating terms and conditions
- ☐ document contractual agreements
- ☐ monitor contractual performance
- ☐ conclude contracts

The structure that was developed at a preliminary level in the previous phase must now be refined (especially with respect to the financial structure, payment mechanism and risk allocation, as it is usually in this phase that the risk analysis is developed in substantial and greater detail). The rest of the business terms should also be developed before starting to draft the contract.

Structuring the RFQ and RFP:

It is not only the contract that has to be designed during this phase. The tender process must also be structured and designed because it should be tailor-made to fit the characteristics of the project. The tender process will have been selected at the end of the Appraisal Phase, but many details will now be defined according to the project specifics. These include the bar for pass/fail qualification criteria and the specific evaluation criteria. They also include some relevant features of the tender process, such as bid bond requirements, time to submit, and detailed regulations for dialogue or interaction in those type of tender processes.

Drafting is the process of effectively developing all the contents and provisions of the tender package, including the RFQ, RFP, and contract. Drafting should occur only after the main characteristics of each document have been outlined, discussed and approved. The timing of the drafting of the documents may vary depending on the tender process selected. In an open tender, the qualification conditions are included in the same document and form part of the RFP. In these processes, the tender is one single package covering qualifications and selection requirements, requirements to submit proposals, evaluation criteria, and contract regulations.

In two-stage processes, it may not be necessary to finalize the RFP at the same time as the RFQ. The RFP can be revised after responses received in the RFQ. However, the foundations of the proposal requirements and evaluation criteria, and especially those of the contract, should be defined before the launch of the qualification process. The period between launch of the qualification process and receiving submissions is the time available to refine and finalize the RFP and contract.

The goals of the [procurement](#) function are to competitively:

- ☐ identify potential external suppliers interest in the project
- ☐ identify serious bidders
- ☐ select competent external suppliers
- ☐ obtain institutional commitment to provision of internal resources

The structuring and drafting process is a highly iterative task. The contract structure is linked to the resolution of risk matters, financial and commercial feasibility, and therefore affordability. These will all still be assessed during this phase, and they depend on the final definition of the technical requirements and output specifications.

Once all assessments are finalized in parallel and iteratively with contract structure refinements, the drafts are submitted for internal approvals, before launching the tender process.

Phase 4 (chapter 6) – Tender Phase (to award and sign contract)

Objectives: To smoothly but rigorously manage the process to select the best value proposal in a competitive, transparent, and regulated environment, and execute the contract with the most suitable and reliable bidder. Strong evaluation criteria must be developed.

Tasks:

- ☐ Launching the tender.
- ☐ Qualify bidders (and shortlisting them in some processes).
- ☐ Issue clarifications.
- ☐ Dialogue, interact or negotiate contract — in interaction processes.
- ☐ Close RFP and contract in issue the invitation to propose (ITP)— in interaction processes.
- ☐ Evaluating proposals.
- ☐ Negotiate proposals — in some processes.
- ☐ Awarding and calling for contract signature.
- ☐ Checking precedent conditions (approving contract in some countries) and signing the contract.
- ☐ Financial close.

The key activity during this phase is the management of the tender process as it has been designed and regulated through the RFQ and RFP. The process should be managed as smoothly as possible to maximize the value inherent in the project.

The phased structure of the [life cycle](#) facilitates the creation of governance mechanisms. The delivery phase can be subdivided into packages of work, typically called stages on projects. The end of each stage is managed using the [boundaries process](#). The sponsor will make the go/no go decision within the [sponsorship process](#).

The PPP tender phase can be managed as a stage within the project, or a project within a programme. Detailed [planning](#) of the work will be done in the [boundaries process](#), at the end of the PPP structuring and drafting phase, and authorised by the sponsor in the [sponsorship process](#).

The tasks of the PPP tender phase will form part of the plan this stage. The tasks of the PPP tender phase will be managed by the project manager, who will coordinate and monitor the work of [procurement](#) and [contract management](#) specialists.

The goals of the [procurement](#) function are to:

- ☐ identify potential qualified external suppliers
- ☐ select external suppliers
- ☐ obtain commitment to provision of internal resources

The goals of the [contract management](#) function are to:

- ☐ support procurement by negotiating terms and conditions with selected preferred bidder
- ☐ document contractual agreements
- ☐ monitor contractual performance
- ☐ conclude contracts

Many features and characteristics of the tender process will be the same as in any other public procurement process. The same general objectives of procurement (such as transparency and fairness) apply to a PPP procurement as to other procurement processes. However, PPP procurements are more complex than most other procurement processes, and the particularities of the PPP will demand additional attention and resources from the procuring authority.

The Tender Phase can be divided into several stages, which will depend upon the type of procurement process that has been selected.

Generally there are four main stages into which any tender process may be divided.

- ☐ Pre-qualification (in open tenders with a pre-qualification stage) or shortlisting (in a process with shortlisting or pre-selection of candidates).
- ☐ Bid period from launching through to bid submission or reception (in open tenders without pre-qualification) or from an invitation to offer (or to negotiate) through bid submission in other processes.
- ☐ Bid evaluation (including qualifications in one-stage open tenders) and award — the procuring agency receives, analyzes/assesses, evaluates and selects a winner (usually referred to as the preferred bidder).
- ☐ Contract signature or “commercial close” (from decision to award to the effective date of contract) – financial close may occur at the end of this period or at a later time after contract signature.

The actual outline of the process and a more detailed description of the phases will vary depending on the tender process type.

In addition to signing the contract, the awardee must achieve financial close, which is the point at which it has finance available for the project. As mentioned in section 7, in some countries financial close is done soon after signing the contract. In other countries, more time is required for the awardee to reach financial close, but construction does not start until financial close has occurred.

With this phase, the procurement process finishes and the Contract Management Phase then starts.

The phased structure of the P3 [life cycle](#) encourages and facilitates the creation of governance mechanisms. The delivery phase can be subdivided into packages of work, typically called stages on projects. The end of each stage is managed using the [boundaries process](#). The sponsor will make the go/no go decision within the [sponsorship process](#).

Phase 5 (chapter 7) – Contract Management Phase - Construction

Objectives: To proactively manage the contract so as to avoid or minimize the impact of risks and threats (in this case, during the Construction Phase) associated with changes, claims and disputes. In this phase, it is especially important to monitor compliance with construction requirements.

Tasks:

- ☐ Establishing governance and a contract management team.
- ☐ Establishing and executing contract administration — including the development of a contract management manual (initially focused on the Construction Phase).
- ☐ Oversight and managing site handover, permits and design.
- ☐ Monitoring private party's compliance and performance during construction.
- ☐ Managing delays and disputes.
- ☐ Managing communication and stakeholders.
- ☐ Managing changes (due to change orders proposed by government or suggested by the private partner), claims (due to retained or shared risk events), and disputes.
- ☐ Administrating payments during construction in co-financed projects.
- ☐ Commissioning/acceptance and start of operations.

The foundations of the contract management strategy include a range of tools that are included in the contract itself. These include:

- ☐ The financial model and reporting
- ☐ Mechanisms to remedy faults and missed performance such as penalties, Liquidated Damages (LDs), deductions, or even early termination
- ☐ The basic procedures to deal with risks, claims, changes and disputes.

Construction takes place during the [delivery phase](#) of the P3 [life cycle](#). The delivery phase would constitute a number of stages in a project or a number of tranches in a programme.

The goals of delivering a project or programme are to:

- ☐ delegate responsibility for producing deliverables to the appropriate people
- ☐ monitor the performance of the work and track against the [delivery plans](#)
- ☐ take action where necessary to keep work in line with plans and budgets
- ☐ escalate [issues](#) and replan if necessary
- ☐ accept work as it is completed
- ☐ maintain communications with all [stakeholders](#)

The delivery process is supported by all of the management functions, for example:

The goals of the [contract management](#) function include the monitoring of contractual performance throughout the life cycle.

[Control](#) involves monitoring performance against approved baselines, updating delivery documents and taking corrective action as necessary.

The [change control](#) function is the means by which all requests to change a scope baseline are captured, evaluated and then approved or rejected.

The [stakeholder management](#) function ensures that stakeholders are appropriately involved in all aspects of the project, programme or portfolio.

The [financial management](#) function covers all aspects of obtaining, deploying and controlling financial resources.

However, it is good practice to develop a contract management manual in “common language” as a more friendly management tool. The manual should not be a substitute for the contract as a “reference” document, but should help the contract management team to develop their management task. The manual may serve to clarify ambiguities or further develop management procedures that are outlined in the contract. It may even serve to reach a consensus regarding potential ambiguities.

The very first task within the Contract Management Phase is to develop the manual, establish the contract management team, and establish the management decision governance (decision flows). Preparation for this task should commence before contract signature.

The Construction Phase is completed with the commissioning of the asset and the authorization and order to commence the service or operations period, which is by itself a relevant milestone to be carefully managed.

Phase 6 (chapter 8) – Contract Management Phase – Operations (to finalization and hand-back)

Objectives: To proactively manage the contract so as to avoid or minimize the impact of risks and threats (in this case, during the Operations Phase) associated with changes, claims and disputes. This is especially true of monitoring the performance, and controlling the hand-back of the asset at the contract expiration date. This is an important part of a PPP project and the longest phase.

The [risk management](#) function allows individual risk events and overall risk to be understood and managed proactively, optimising success by minimising threats and maximising opportunities.

Throughout the life cycle, the project manager will need to apply and effectively tailor their [interpersonal skills](#) to the different challenges. Praxis covers seven interpersonal skills that do not vary across the range of projects, programmes and portfolios: [leadership](#), [delegation](#), [teamwork](#), [conflict management](#), [negotiation](#), and [influencing](#).

The winning bidder will also need to develop a parallel contract management team.

The completion of the PPP construction phase constitutes the end of the traditional project [life cycle](#). The inclusion of service or operations constitutes an extended project life cycle.

The [closure process](#) may be required here to hand over responsibility for the project’s objectives to those responsible for operations and disband the temporary project organisation.

Alternatively, the PPP operations phase may constitute a delivery phase within the project life cycle. In this instance, the [boundaries process](#) would be used to transition between the PPP construction and PPP operations phases.

In either scenario, the [benefits realisation process](#) is used to measure current performance, manage the transition, and measure the improvement in performance.

The way in which Praxis is used to manage the PPP operations phase will depend on how the project [life cycle](#) has been designed.

The PPP operations phase is part of the extended project life cycle and takes place after the outputs have been delivered in the traditional project [life cycle](#).

Tasks:

- ☐ Monitoring performance.
- ☐ Managing changes, claims and disputes.
- ☐ Preparing for hand-back.
- ☐ Hand-back and finalization.

During this phase of the contract life, the foundations of contract management are naturally the same as during construction. However, some situations and risks are specific to the Operations Phase.

It is good practice for the contract management manual to include specific sections dedicated to each of the phases.

During the Operations Phase, the proper monitoring of contract performance starts (as the essence of PPPs is to pay for the service rendered and only when and to the extent the service is provided), as does the administration of the payment mechanism.

This is the phase in which the procuring authority commonly has to deal with the following.

- ☐ Non-compliance and under-performance of the private partner in executing specification outputs under the contract.
- ☐ Changes in ownership and/or transfer shares.
- ☐ Refinancing (which is a change in the financial plan, usually with impacts in the contract financial architecture, as long as refinancing gains are shared).
- ☐ Oversight of the renewal plan, renewal investments and renewal fund management.

This phase also includes the contract expiration and the handback of the asset to the procuring authority. The contract should include specific provisions for the hand-back, as well as technical specifications for the required condition of the infrastructure at this point in time. To meet this condition, the private party may have to make material investments before turning the asset over to the authority.

The goals of the [contract management](#) function include:

- ☐ monitor contractual performance
- ☐ conclude contracts

See Phase 5 above for application of Praxis to support the management of this phase.

The [closure process](#) covers the hand over of products, demobilisation, and closure of contracts. The goals of the closure process are to:

- ☐ close a project or programme that has delivered all its outputs
- ☐ close a project or programme that is no longer justifiable
- ☐ review the management of the work and [learn lessons](#)



I believe that Praxis is an excellent support resource to complement the PPP Certification Guide and CP3P certification, especially for public sector practitioners and their consultants.

Managing the PPP cycle requires a core knowledge and understanding of PPPs, but managing PPPs is in fact comparable to managing projects and programs, related to the procurement of public infrastructure under the PPP approach. As such, knowledge and understanding of key aspects of project & programme management (including effective communication, managing stakeholders, risks, schedules and resources) is equally applicable and paramount to the success of PPP projects.

Accordingly, the PPP Guide and syllabus for the supporting CP³P qualifications address a range of project & program management disciplines, relevant to life cycle of PPP initiatives, but not at the same level of depth as leading project & program management frameworks. The Praxis Framework provides that additional depth. With extensive free resources available including templates, models and case studies, Praxis provides a perfect tool for PPP practitioners to use alongside the PPP Guide, supporting them with the successful design, development and delivery of PPP initiatives.

Andrés Rebollo, PPP Guide Lead Author

The Public-Private Partnership Guide (PPP Guide) distils much needed good guidance in the field of public-private partnerships. Since this work is invariably delivered through projects and programmes, the Praxis Framework provides the perfect complementary guidance. It provides a pragmatic and comprehensive approach to project, programme and portfolio management that will help deliver public-private partnerships in an effective and consistent manner.

Importantly, both the PPP Guide and the Praxis Framework are available online at no charge. APMG International, the World Bank and Praxis Framework are all committed to ensuring that this type of good practice guidance is open, free and community-driven. These two sets of guidance are heralding a new era of 'best practice' that seeks to democratise the availability and distribution of knowledge, process and organisational maturity.

Adrian Dooley, Praxis Framework Lead Author



PRAXIS FRAMEWORK

Praxis is a free framework for the management of projects, programmes and portfolios. It includes a body of knowledge, methodology, competency framework and capability maturity model. The framework is supported by a knowledgebase of resources and an encyclopaedia.

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PPP GUIDE

The PPP Certification Program Guide, referred to as the PPP Guide is the Body of Knowledge (BoK) on public-private partnerships (PPPs). Available in multiple languages, it is designed to help public officials and their advisors implement efficient, sustainable PPPs.

Download the Guide for free at www.ppp-certification.com.

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