

PUBLIC PRIVATE PARTNERSHIPS

PROCUREMENT



PRESENTED BY:



National Treasury
REPUBLIC OF SOUTH AFRICA

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INTRODUCTION

- PPP Procurement is different from a conventional tender process:
 - A conventional tender process has a single stage when an offer is made which an institution can accept or not
 - The PPP procurement process is long and complex, involving multiple stages

PPP PROCUREMENT IN THE PROJECT CYCLE

- Procurement is Phase III of the PPP project cycle
- There are three Treasury approvals during procurement: TA:IIA; TA:IIB and TA:III
- Treasury Regulations 16.5 and 16.6 outline the functions of procurement

PPP PROCUREMENT AND STANDARDISED PROVISIONS

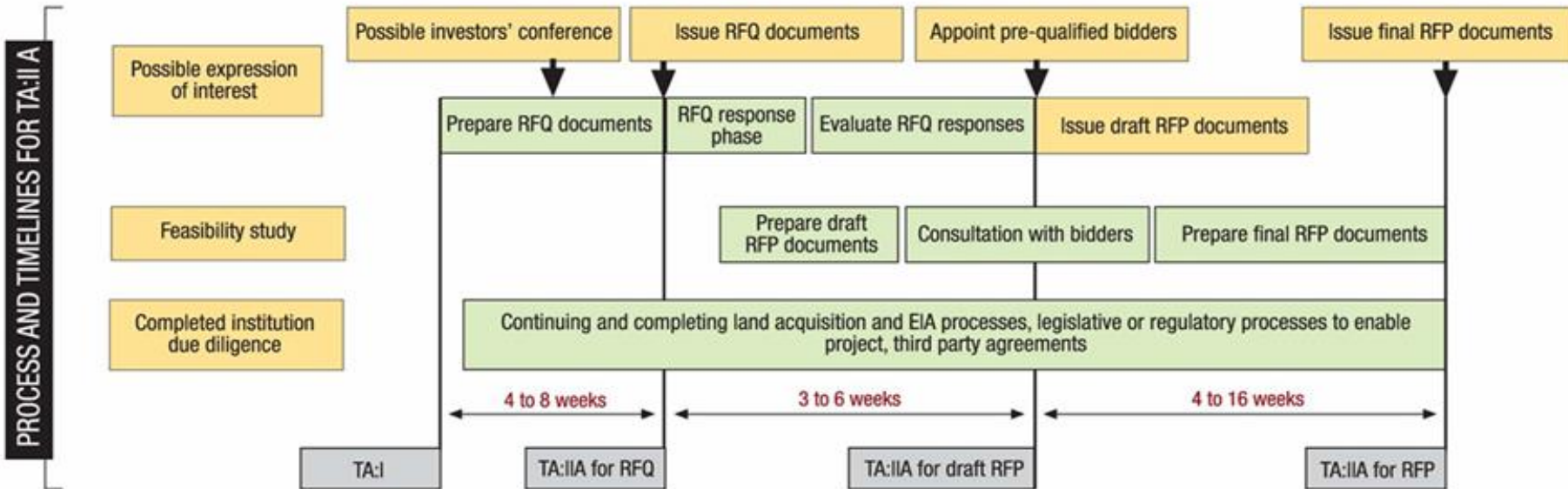
- Standardisation must be used for projects with limited recourse finance and with a unitary payment that the procuring institution will pay the private party
- In projects that do not have the characteristics of a PPP subject to Standardisation, Standardisation should be applied to all procurement documents in so far as they apply to the project
- The PPP procurement documents (including RFP documents and the draft PPP agreement) must reflect the same risk profile as established in Standardisation

STAGES OF PPP PROCUREMENT

- RFQ – Pre-qualification
- Request for Proposals (RFP)
- Best and Final Offer (BAFO), where appropriate
- Negotiations
- Financial closure

STAGES OF PPP PROCUREMENT, WITH INDICATIVE TIMELINES

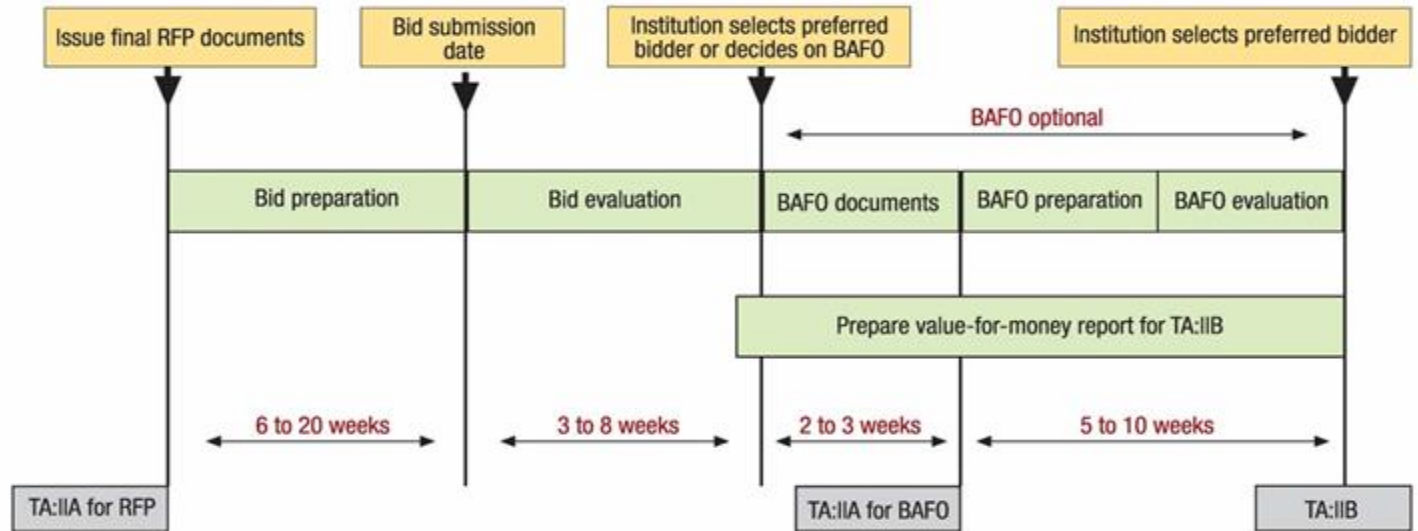
PART 1



STAGES OF PPP PROCUREMENT, WITH INDICATIVE TIMELINES

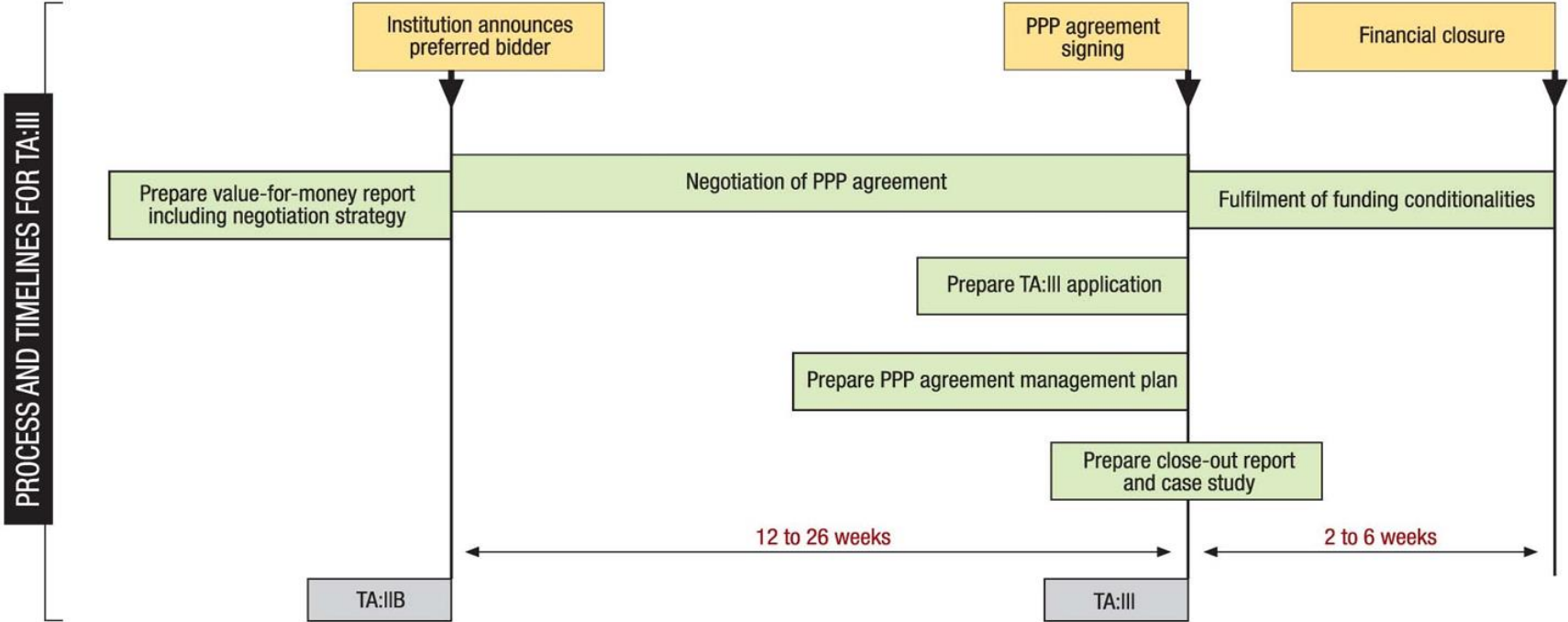
PART 2

PROCESS AND TIMELINES FOR TA:II B



STAGES OF PPP PROCUREMENT, WITH INDICATIVE TIMELINES

PART 3



THE RFQ

- National Treasury considers it to be best practice for the institution to limit the number of eligible private parties, by carrying out a pre-qualification exercise – Request For Qualification (RFQ)

The Chief Objective of the RFQ:

- To select a number of bidding consortia that are qualified technically, financially and in terms of BEE
- Only pre-qualified bidders will be allowed to enter the RFP stage



IMPORTANT: AN RFQ IS NOT AN EXPRESSION OF INTEREST

- An expression of interest (Eoi) is a way of establishing the level and type of interest of a particular market sector in a particular project
- An Eoi helps an institution make an informed decision about whether to proceed with a project. If used, it should be early in the project cycle, either before or as part of the feasibility study

STEPS IN THE RFQ

- Prepare the RFQ document
- Get TA:II
- Advertise and distribute the RFQ
- Evaluate the responses
- Communicate with bidders



THE RFP

Part 1: Bidder participation in preparing the final RFP

- Prepare the draft RFP and get TA:IIA
- Get feedback from bidders

Part 2: The Final RFP document

- Prepare the RFP document
- Get TA:IIA

CONTENTS OF THE RFP

1. General information to bidders
2. Essential minimum requirements
3. Service specifications
4. Standard specifications
5. Payment mechanism and penalty regime
6. Legal requirements and draft PPP agreement
7. Commitments required from bidders
8. Evaluation criteria
9. Bid formalities



ESSENTIAL MINIMUM REQUIREMENTS OF THE RFP

- Financial
- Legal
- Technical
- BEE
- Additional mandatory requirements

COMMITMENTS REQUIRED FROM BIDDERS

- More and better quality information given by the institution in the RFP results in higher quality proposals from bidders
- This section is the crux of the RFP and sets out what information is required from bidders on all aspects of the bid including legal, technical, financial and BEE

EVALUATION CRITERIA

- The process and evaluation methodology should be set out so that bidders take comfort from an auditable process with checks and balances
- The RFP should specify that the technical, BEE and price elements should each be scored out of 100 points
 - Technical (comprising technical, legal, financial solution)
 - Price and BEE on 80/20 or 90/10

THE FINAL RFP DOCUMENT

Get TA:IIA

- The institution's Accounting Officer/Authority must submit to the relevant treasury a complete set of draft and final RFP documentation, and draft PPP Agreement, with an application for TA:IIA



CHOOSE THE PREFERRED BIDDER

Critical Considerations for Managing the Bid Process

- Experienced bid managers
- Anti-corruption
- Prohibited suppliers
- Security environment
- Clarification meetings
- Bidders' notes
- Changes to consortia during bidding
- Bidder due diligence
- Bid validity period

EVALUATE THE BIDS

- Step1: Technical evaluation teams
- Step2: Evaluation co-ordination committee
- Step 3: Project evaluation committee
- Step 4: Clarification
- Step 5: Evaluate variant bids
- Step 6: Choose the preferred and reserve bidders

BEST AND FINAL OFFER (BAFO)

When is BAFO appropriate?

- After the evaluation of bids, there may not be a clear, preferred bidder. This calls for the best and final offer (BAFO) process

Two main reasons to extend the bidding process:

- The bids are identical or too similar to choose a clear preferred bidder
- No single bid meets the institution's defined project objectives

THE VALUE FOR MONEY (VFM) REPORT

- Covering letter applying for TA:IIB
- Section 1: Introduction
- Section 2: Evaluations
- Section 3: Affordability assessment
- Section 4: Value-for-money assessment
- Section 5: Risk transfer assessment
- Section 6: Notes raised and bid deficiencies
- Section 7: BAFO consideration
- Section 8: Negotiation plan



GET TA:IIB

- The institution's accounting officer/authority must submit the value-for-money report to the relevant treasury with an application for TA:IIB
- Only when this approval has been received may the preferred and reserve bidders be announced and negotiations commence with the preferred bidder

NEGOTIATIONS

- Successful negotiations culminate in awarding the contract, concluding the procurement phase and starting implementation
- The output of the negotiations must be a PPP agreement with all ancillary agreements containing the service level agreements and payment mechanism



TA:III

Institution's application for TA:III

- Establishes final negotiated project costs
- Establishes the value for money
- Establishes the final terms of the PPP agreement
- Establishes contingent liabilities incurred by institution
- Provides institution's PPP agreement management plan
- Confirms legal due diligence on competency of parties to enter into PPP agreement



THE CLOSE OUT REPORT AND CASE STUDY

- The close-out report: provides a comprehensively summarised institutional record, with all project documentation, including details of transaction and all confidential negotiated, contracted and financing matters
- The case study is to build a public library of South African PPP experience

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