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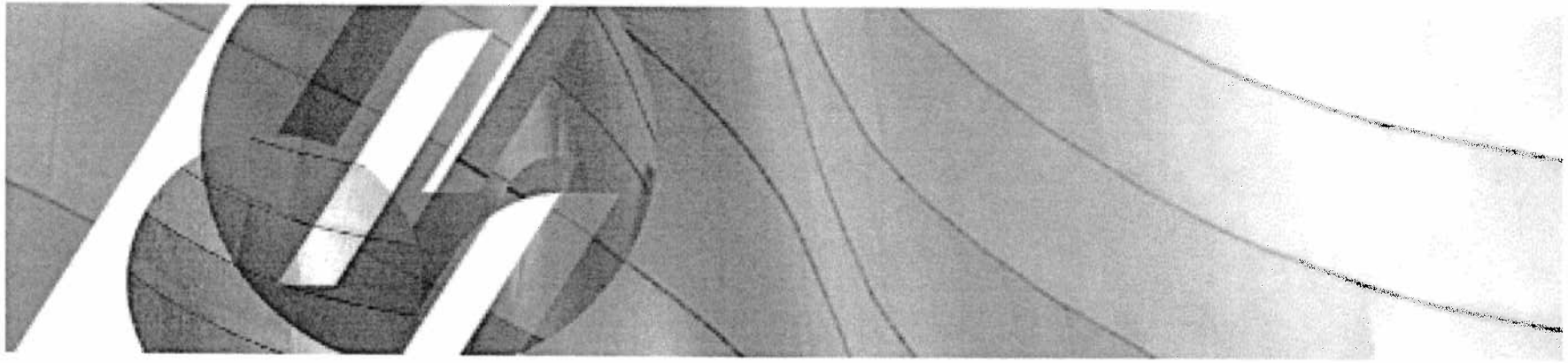
infrastructure

Notes on Procurement

2009



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- Key Procurement Issues
  - Motivations and Public Policy
  - Transparency of Process
  - Reasonableness of Project Agreement
  - Balance of Markets
  - Schedule
  - Projects

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- Motivation & Public Policy
  - Clarity of Political Leadership
  - Risk Transfer Approach/Accountability
  - Concerns of Citizens and Interest Groups
  - Regulatory Framework – Procurement + Project
  - Value for Money
  - Long Term Nature of Relationship

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- Transparency of Process
  - Ease of Access to Information
  - Regular Updates
  - Ability to Comment on Process & Documents
  - Client Team/Advisors
  - Interagency Agreements
  - Clear Commercial & Legal Authority

Reasonableness of Project Agreement

- Ability to innovate
- Concerns of lenders
- Security requirements for Contractors and Operators
- Certainty of any government support
- Basis of award

Balance of Markets

- What choices do investors, contractors and operators have?
- Is there likely to be a continuous program of projects
- Is the government establishing institutional capacity
- Are there unreasonable barriers to entry for team members

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- Schedule
  - Certainty
  - Compression
  - Time and conditions for commercial and financial close
  - Standardization of Process & Docs

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- Projects
  - Sound Fundamentals
  - Private Sector Value Added
  - Performance criteria vs construction spec
  - Minimal Scale
  - Overcoming Scarce Resources
  - Risk allocation
  - Bid Requirements

SUMMARY THOUGHTS

- Shift from low cost construction to lowest NPV of all costs
- Establish clear accountability for performance
- Culture of Maintenance
- Empower the Public Sector through financing and performance
- Selective shift of revenue risk where appropriate
- Competition brings innovation which brings improved outcomes