

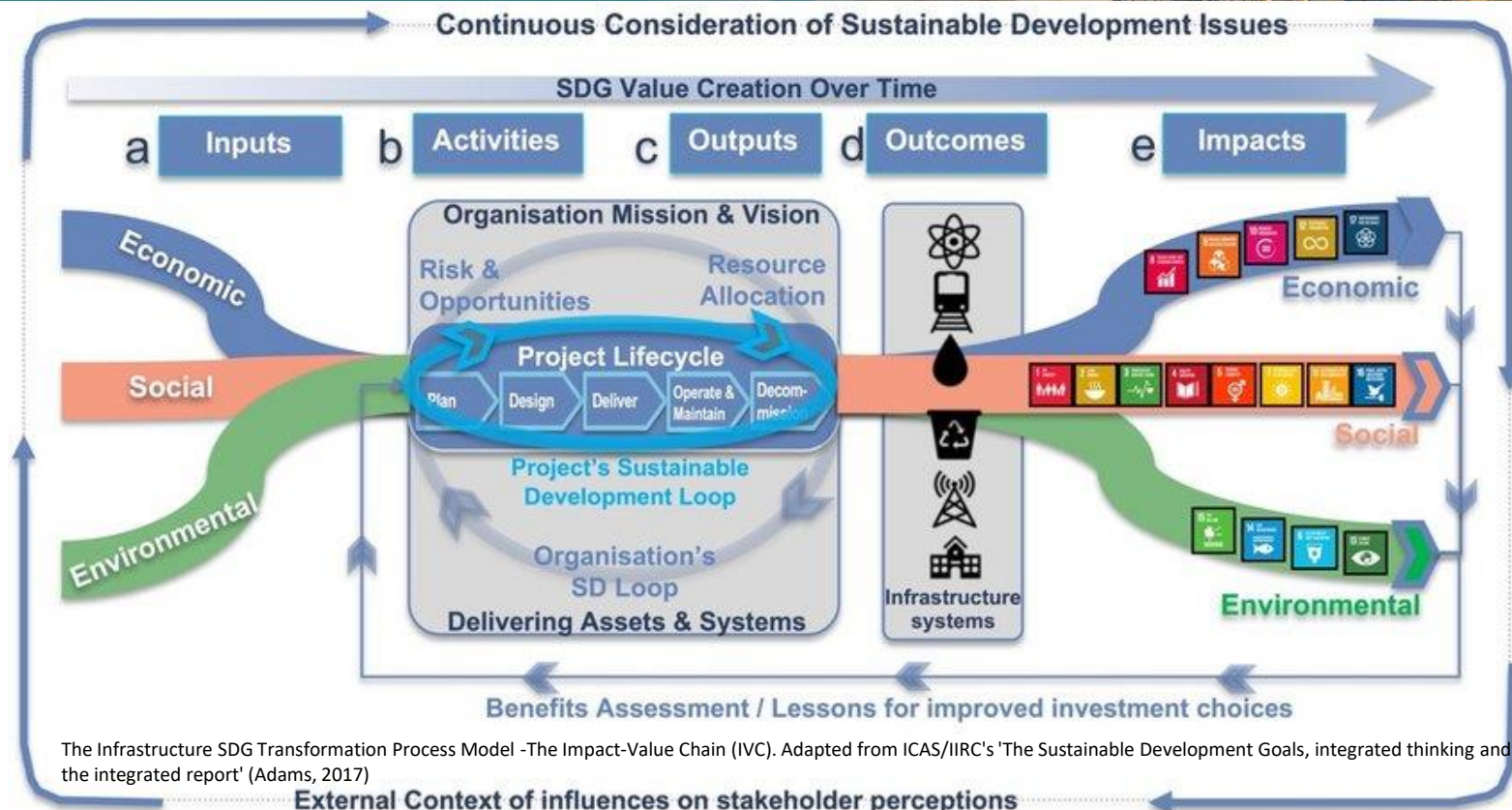
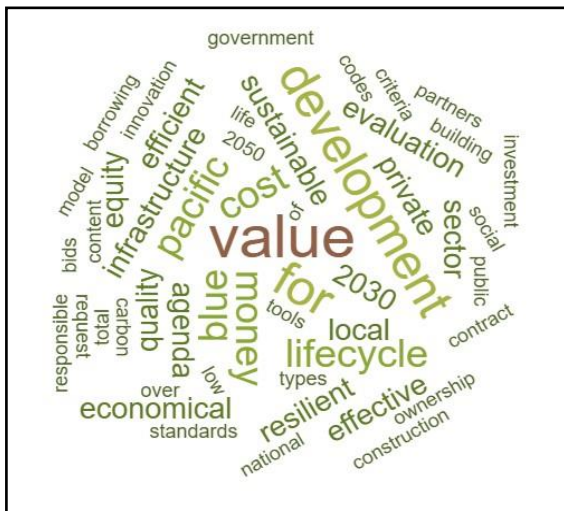


PRIF WEEK
2023

Value for Money Procurement for Pacific Infrastructure

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What is VfM Pacific Infrastructure?



The Infrastructure SDG Transformation Process Model -The Impact-Value Chain (IVC). Adapted from ICAS/IIRC's 'The Sustainable Development Goals, integrated thinking and the integrated report' (Adams, 2017)

VfM in public procurement processes is traditionally defined as the effective, efficient, and economical use of resources. In recent years, these definitions of VfM have been expanded to include a fourth “e” – ethical and to include additional sustainability considerations into the outcomes of what public procurement should achieve, usually described as Environmental, Social and Governance (ESG).

- Sustainable Development Goals 2030
- Paris Agreement
- Sendai Framework
- 2050 Strategy for the Blue Pacific Continent
- Framework for Resilient Development in the Pacific
- National Development Plans
- National Adaptation/Mitigation/Sector Plans
- National Budgeting/Borrowing/Resourcing Plans
- National Infrastructure Investment Plans
- National Building Codes/Standards
- National Procurement Strategies

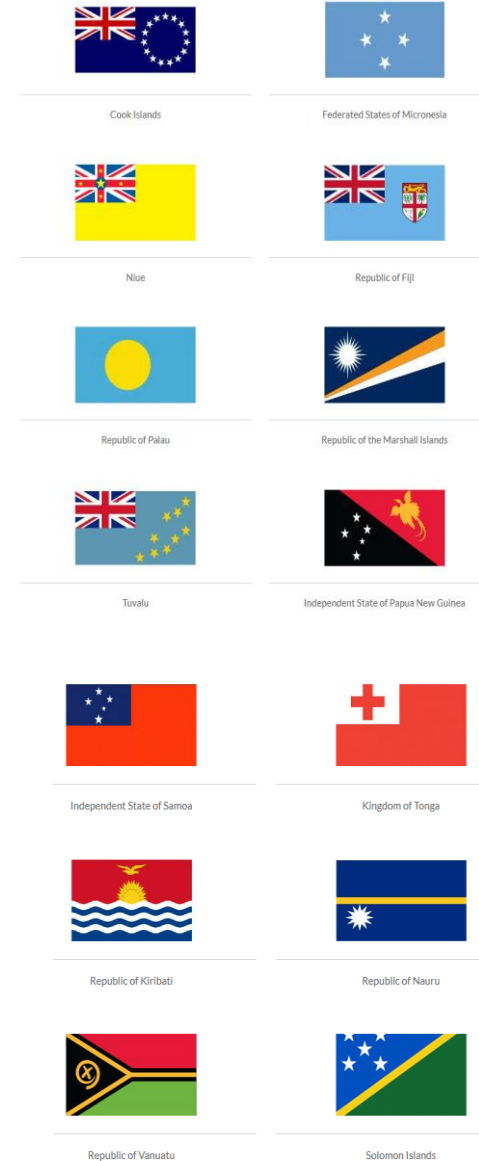
Intended Outcomes of the TA



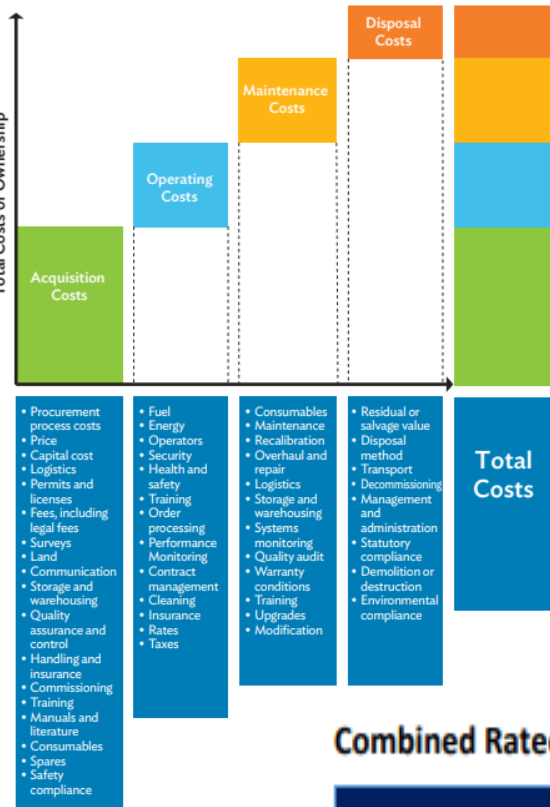
1. Providing a better base of knowledge of current procurement options for infrastructure across the Pacific, providing an understanding of the broad economic costs/benefits that are possible, the determining factors that lead to a higher likelihood of successful outcomes & identification of the constraints in the market to inform any significant ramping up of investment.
2. Identify concrete actions that can be taken in project cycle that can generate more value for money for the client.
3. Development of a suite of tools (flow charts, checklists etc.) that outline & explain procurement approaches available & provide assistance to guide selection of most appropriate process given project/program objectives & particulars of the different markets.
4. Building the capacity of procurement staff in the Pacific via workshops (virtual) to introduce findings, guide & tools developed.
5. Sharing of practical recommendations to improve evaluation of longer-term objectives over the design life of significant infrastructure.

Beneficiaries: PIC and DP procurement staff, project officers within executing agencies, PMUs & SOEs.

Secondary beneficiaries: Private sector (designers, contractors and suppliers) and ultimately Pacific consumer who stand to benefit from better infrastructure procurement outcomes.



VfM Tools application and an example



Source: The World Bank Pacific Procurement Implementation Guidelines 2023

Water Supply and Waste Water Management - Fiji

1. ADB, EIB, GCF and Government of Fiji
2. Design Build and Operate contract
3. Innovation sustainable infrastructure Management
4. Maximized Benefits/Outcomes
5. Positive Impact Economical/Social/Environment
6. NDP, NAP, NIIP, CC, FRDP, SDG's, private sector participation, gender and social inclusion

Combined Rated and Price Score

	Proposal A	Proposal B	Proposal C	Proposal D
Technical Score	47.3	37.7	31.7	41.5
Financial Score	45.2	43.2	35.9	50.0
Combined Score	92.5	80.9	67.6	91.5



TA Early Findings



New initiatives to support procurement foundational capability have been welcomed such as:

- DFAT/WB support of local CIPS training in Solomon Islands
- ADB BuildProc training initiative with ILO Turin
- Hands on country Implementation Support by World Bank HEIS consultants and staff experienced in infrastructure
- Out posting of more international procurement staff & recruitment of local specialist at DPs to provide better local coordination or support on projects to help speed up implementation
- Whilst donors have been trying to simplify processes in the Pacific, donor & national procurement guidance, policy, practices and oversight focus heavily on the “sourcing to contract award” parts of the procurement cycle. Value & budget may be lost through poor contract & financial management post award
- Surveying & interviews (incomplete) show there is no common shared view of what represents “value” in finished infrastructure to be able to point to good examples.
- Different countries have raised different issues over which areas of value matter to them – including infrastructure’s resilience to natural disasters & predicted effects of climate change, or using more local materials to increase the ease & reduce the cost of maintenance.



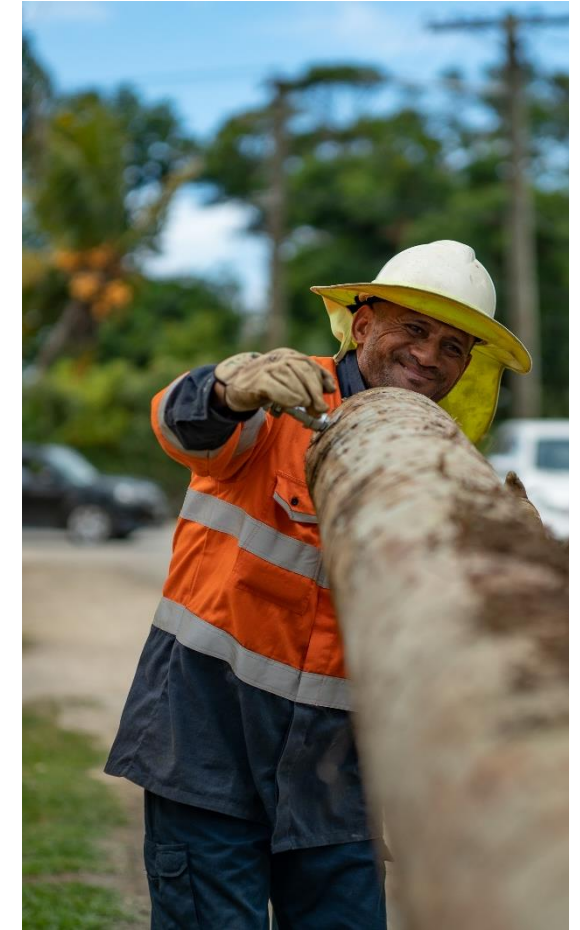
Munda Airport Solomon Islands Source: Solomon Airlines 2023



Alternergy and Solar Pacific Palau’s Largest Solar PV + Battery Energy Storage Project. Source [Alternergy And Solar Pacific Inaugurate Palau’s Largest Solar PV + Battery Energy Storage System Project – Solar Quarter](#)

TA Early Findings

- Poor estimation & lack of costing benchmarks – up to 100% underestimated – means issues over budget
- Poor standards & design may lead to poor outcomes
- Lack of competition
- Different tax regimes, withholding tax application (especially where these taxes will not be refunded) & exemptions between different nationalities and development partners causing confusion & delays – giving some bidders and nationalities an advantage
- Local firms dis-incentivized to bid when large firms have totally different cost structures & access to plant & materials
- Complex contracts which rely on adversarial rather than partnership models with requirements for lots of guarantees which may be hard to obtain & get recognized by local banks
- Building capacity & professionalism in procurement needs to be more coordinated and address the tension between hands on implementation support and oversight of local procurement
- Prescriptive/inflexible interpretations of DP procurement guidelines and rules, e.g. around completing Sustainable Procurement Plans, which extend timescales
- Geographical & logistical issues
- Insufficient use or development of local unskilled & semi-skilled construction labor
- Experienced locals moving to other countries for better economic opportunity



A Power Utility worker in the Pacific Source: PRIF WEEK 2022

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