



**TEMASEK  
FOUNDATION**

**Temasek Foundation – Singapore Cooperation Enterprise  
International Technical Cooperation (Public-Private Partnership)  
in the Philippines**

**In Partnership with Department of Health, University of the Philippines &  
International Finance Corporation**

**Programme Launch – Project Structuring**

*25 July 2019*

# Important Notes

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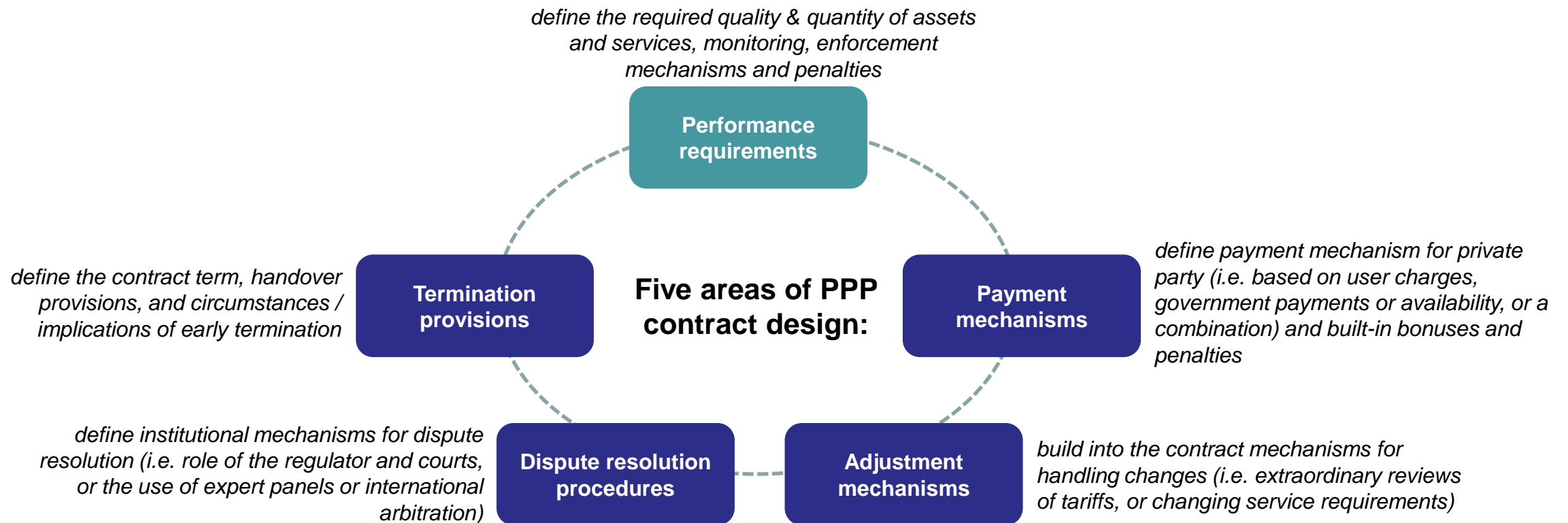
1. Output Specifications
2. Market Sounding

# 1

## Output Specifications

# Output-based specification is a key area of PPP contract design

A well-designed contract is clear, comprehensive, and creates certainty for the contracting parties. Because PPPs are long-term, risky, and complex, the PPP contract needs to have flexibility built in to enable changing circumstances to be dealt with.



# What are output specifications for?

The Output Specification typically aims to detail what needs to be achieved not how it is to be achieved, and a well-drafted Output Specification is fundamental to the successful delivery of long-term services.

- This enables the private PPP company to be innovative in responding to requirements
- Specifying outputs rather than inputs also keeps competition as open as possible
- Performance indicators and targets are typically specified in an annex to the main PPP agreement.

# Setting performance requirements and standards

Output Specifications should be developed in a way that encourages Service Providers to be innovative in the solutions they offer for the provision of the contracted facility/services

- Performance requirements refers to quality standards that the private sector has to meet
- Performance standards should be unambiguous and measurable
- Monitoring and enforcement mechanisms should incentivise the private sector to deliver the service

## *SMART performance targets or output requirements*

- **SMART:** Specific, Measurable, Achievable, Relevant and Timely.
- “Challenging but achievable”

## *Clear performance measuring and monitoring*

- What information must be gathered, by whom, and reported to whom at an agreed frequency;
- Roles of the government, private party, external monitors, regulators and users; and
- Checks and right of project audit.

## *Remedial mechanisms in place*

- Penalties (or liquidated damages);
- Payment deductions (for Availability and/or Performance);
- Increased penalties (or deductions) under a ratchet mechanism – to incentivise the private sector to rectify the issue(s) sooner rather than later;
- Stepping-in rights; and
- Termination by default

# Sample performance requirements and standards

KPIs can broadly be divided into Availability, Service Levels and Quality Standards



*Sample KPIs*

## **Availability**

- Minimum doctor to bed ratio
- Minimum nurse to doctor ratio
- Minimum equipment specifications

## **Service Levels**

- Diagnostic test Turn-Around-Time
- Equipment down-time and its availability for users of the service
- Non-discriminatory access to services across all types of users

## **Quality standards**

- Accreditations such as JCI and JCAHO
- Infection rate
- Readmission rate
- Minimum maintenance standards



# Sample KPIs for universal access

Setting KPIs can help mitigate potential issues that may arise in the future by reducing ambiguity in the level of service expected from the private partner

Issues	Solutions
Accreditation requirements	<ul style="list-style-type: none"> <li>For example requirement to be accredited by Joint Commission International (JCI)</li> </ul>
Beds earmarked for EWS are not utilised	<ul style="list-style-type: none"> <li>EWS requirement stipulated in terms of bed-days and not beds</li> <li>For example: Minimum required bed-days for EWS patients is 15,000 per year</li> </ul>
Minimum required EWS tests per year	<ul style="list-style-type: none"> <li>Stipulate minimum number of radiology and pathology tests earmarked for EWS patients per year</li> </ul>
Referral of EWS patients to other hospitals	<ul style="list-style-type: none"> <li>Ratio of EWS patients referred to Regular patients referred should not be greater than 1</li> <li>Record each EWS patient referral with Govt. designated monitoring person</li> </ul>
Service delivery for diagnostic tests	<ul style="list-style-type: none"> <li>Stipulate timeline for service delivery</li> <li>For example: Tests for patients registering on or before 1 PM should be carried out within 7 days of registration</li> </ul>

# Sample KPIs for universal access (cont'd)

Setting KPIs can help mitigate potential issues that may arise in the future by reducing ambiguity in the level of service expected from the private partner

Issues	Solutions
Turnaround time for diagnostic tests	<ul style="list-style-type: none"> <li>• Stipulate turnaround times for specific critical tests</li> <li>• For example: turnaround time for radiology tests is 24 hours from the date of the test</li> <li>• For example: turnaround time for ELISA test for TB should be on the 6<sup>th</sup> day of sample collection</li> </ul>
Fake reports to report EWS treatments	<ul style="list-style-type: none"> <li>• Random medical audits by government appointed monitoring official(s) to cross check services delivered to EWS patients</li> </ul>
Payment security mechanism to minimise the gap in payment terms	<ul style="list-style-type: none"> <li>• ESCROW mechanism that is funded, on an average, by 2 months equivalent annual budget for government payments covering eligible EWS patients</li> </ul>
Clear communication	<ul style="list-style-type: none"> <li>• Detailed requirement for private operator to communicate benefits to EWS patients</li> <li>• For example: Notices listing benefits to EWS in the main lobby of the hospital and website.</li> </ul>
Grievance mechanism	<ul style="list-style-type: none"> <li>• A mechanism for EWS patients to reach-out to government appointed monitoring person to report any issues or concerns</li> </ul>

# 2

## Market Sounding

# Establishing the need for Market Sounding

Market sounding is likely to offer real benefits for those projects which present one or more of the following characteristics:

1. There is uncertainty about the **level of private sector's interest** in the project
2. The **in-house knowledge of the market** is superficial, incomplete or absent
3. There is uncertainty about which will be the **right business scheme**
4. There is a **need to manage expectations** of a project
5. Meeting the requirement likely to involve a consortium – perhaps one with a **new or unusual structure**

Source: World Bank PPIAF

# Improving marketability

by bringing private sector perspective to the design of business scheme at an early stage

Market sounding offers a chance to shape the business scheme at a very early stage, when this is relatively easy to do. Market sounding must be viewed in relation to the following:

- **Public service need:** market sounding must be strongly related to the services that Government (through the Contracting Authority) is aiming to bring about
- **Creation of the PPP modality:** the most important link is between market sounding and the creation of a business scheme that is well suited to the market
- **Formal procurement process:** market sounding helps build-up market knowledge that will be useful in the procurement process

Source: World Bank PPIAF

# Focus areas

## Market sounding involves gathering knowledge focused in these key areas:

- **Viability:** whether the proposed business scheme is actually viable, or has it ever been done
- **Capability:** will the private sector (individual or in consortium) be able to achieve the requirement
- **Capacity:** whether the market have the capacity to achieve what is required quickly enough and with large enough scale
- **Maturity:** whether there is an established market

**Who to involve?** The government needs to reach out to providers of experienced infrastructure and services. Experienced providers might not exist in particular countries, especially if the project is a first in its sector. In this case, a good practice is to reach out to international providers that can offer international expertise in a particular type of project

Source: World Bank PPIAF, APMG

# Market sounding vs. Public consultation

- Market sounding should not be confused with public consultation but there are some similarities.
- Both should be carried out as early as possible in the project cycle so that the views of affected groups can be taken into account in project planning.

## Public Consultation

The focus of public consultations is on the general acceptability of the project among the affected stakeholders.

## Market sounding

The focus of market sounding is on the suitability and attractiveness of the business scheme and generates inputs and requirements from the potential partners, as a group.

Source: World Bank PPIAF

# Benefits to the Implementing Agency

1. Establishing an **early understanding** of market and its requirements;
2. Confirming the **scope and objective** of PPP scheme;
3. Finding out about **new, innovative or alternative solutions**;
4. Identifying **potential issues** with the project;
5. Gaining **first hand knowledge** of the role of private sector;
6. Establishing a **business scheme** for the market to respond, while stimulating competitions;
7. Laying **foundations** for contract and relationship management; and
8. Managing **stakeholders expectation** from the PPP project.

Source: World Bank PPIAF



# Risks to the Implementing Agency

**The risk of “enforced” solutions**

Suggested by dominant and/or experienced player

**The risk of potential information trading**

Which gives unfair advantage during the following procurement process

**The risk of misdirecting the project**

Based on incomplete information or misleading information obtained during market sounding

**solution**

**Deploying market sounding team**

With the necessary competence and skill in order to maintain the impartiality and set a high ethical and integrity standards

Source: World Bank PPIAF

# Questions?

# Thank you

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