

D4: Value for Money

Methodology and Guidance for Value for Money
Assessment

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Disclaimer

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ABBREVIATIONS

CBA	Cost-Benefit Analysis
EPEC	European PPP Expertise Centre
PIMU	Public Investment Management Unit
PPP	Public-Private Partnership
PSC	Public Sector Comparator
VfM	Value for Money

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1. PURPOSE OF THIS DOCUMENT

1.1 Aim of this Guidance

This Guidance aims to provide public authorities and PPP practitioners throughout Romania with a concrete approach and methodology for defining and assessing Value for Money (VfM) for PPP and Concession projects to determine whether to use PPP or concession as a project procurement approach. The framework stipulated in this Guidance is informed by VfM practices in mature PPP markets in Europe and world-wide and has been tailored to the Romanian PPP context.

This Guidance complements the *Emergency Ordinance No. 39/2018 on Public-Private Partnerships* ("the **PPP law**") and must be followed when assessing VfM of a PPP project in all stages of maturity (e.g. pre-Feasibility study, Feasibility & Substantiation study and subsequent project preparation and procurement) and contains the following elements:

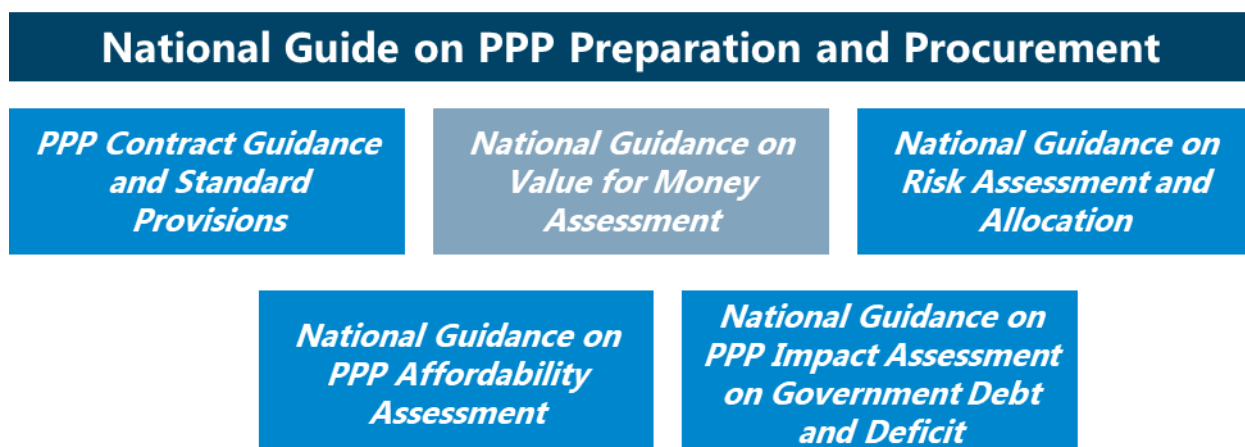
- A definition of VfM and VfM assessment for PPP and concession projects and the role it plays as a tool in the development of PPP and concession projects;
- A detailed process that must be followed for VfM assessment in the context of PPP and concession project preparation and procurement in Romania, including guidance on the parties responsible for each step in the process, and
- A comprehensive framework and approach for contracting authorities and their advisors to assess VfM for PPP and concession projects, which must be followed throughout the VfM assessment process.

1.2 Reading guide

Chapter 2 describes the concepts, definitions and purpose of VfM assessment in the PPP and concession project preparation process. **Chapter 3** describes the VfM assessment process and details the steps required throughout the PPP and concession preparation and procurement process with regard to VfM assessment. **Appendix 1** and **2** provide the more detailed methodology to follow on how the different components of a VfM assessment should be carried out.

This guide is part of the National Guidance on PPP Preparation and Procurement and should be read in close conjunction with the procedures and methodology provided by the set of documents that are part of this Guidance (see Figure 1).

Figure 1: All guidance documentation as part of the National Guide on PPP Preparation and Procurement



1.3 Definition

The term **Public Private Partnership (PPP)** in this document means: *“A long-term contract between a public authority and a private sector company for the delivery of a public infrastructure or service that is under the responsibility of a state agency which transfers substantial risk to the private party, includes the provision of private financing and includes a focus on the specifications of project outputs rather than project inputs, linked with a payment system based on performance.”*¹

The Romanian legislation distinguishes between: (i) **PPPs** and: (ii) other long-term (i.e., over 5 years) contracts involving either the performance of works and the operation of the asset(s) resulting from such works, or the provision of public services. Such other long-term contracts are classified as either **Public Procurements** or **Concessions**, depending on whether a substantial portion of the operational risk is transferred to the private partner. PPPs are defined in and governed by Government Emergency Ordinance No. 39/2018 on Public-Private Partnerships (the “PPP Law”), Public Procurement contracts are governed by Law No. 98/2016 on public procurement (or by Law no. 99/2016 on sectoral procurement) and Concessions are governed by Law No. 100/2016 on works concessions and service concessions (the “Concessions law”). PPP contracts are awarded according to Law No. 98/2016 (or Law No. 99/2016) or according to Law No. 100/2016.

Whereas traditionally in other countries in Europe, no distinction is made between PPPs and Concessions (as Concessions are considered a form of PPP), the PPP Law specifically distinguishes between PPPs and other long-term contracts (such as Concessions). In order to determine if the PPP Law is applicable, the PPP law requires the Substantiation study to demonstrate that *“...more than half of the revenues to be obtained by the project company from the use of the good / goods or operation of the public service that is the object of the project come from payments made by the public partner or other public entities for the benefit of the partner public.”*² The Substantiation study that determines whether a given project qualifies as a PPP or not should also determine whether the project involves the transfer of a substantial portion of the operational risk to the private partner.

If half or more of the revenue comes from payments made by users and all other conditions as set by the Concessions law are met (notably, the condition that a substantial portion of the operational risk is transferred to the private partner), the project will be defined as a Concession.

This Guidance on VfM assessment is applicable for both PPPs and Concessions, as the requirements for VfM assessment for both types of contracts (PPPs and concessions) are the same. Throughout this Guidance, no further distinction between PPPs and Concessions will be made. Whenever reference is made to PPP, both PPPs and Concessions as defined by the PPP law and the Concessions law are included.

¹ Definition based on the definition of a PPP by EPEC.

² PPP Law, Article 2

2. THE CONCEPT OF VALUE FOR MONEY

2.1 What is Value for Money?

2.1.1 Definition

Value for Money is considered to be the relative balance between the value and the cost of the different procurement options that are available for the project. In this consideration of VfM:

- The **value** aspect of VfM comprises the quality and quantity of the service (i.e. the performance level) delivered over the period of the PPP; and
- The **cost** aspect of VfM usually represents the cost to the payer (i.e. the public authority and/or end-users) over the same period to deliver the associated value of the different procurement options, including the costs of managing the risk.³

Value for Money assessment is defined as follows: *Value for Money assessment describes the structured comparison of the PPP procurement option versus a realistic or hypothetical non-PPP procurement option. It compares whether there is a better balance of value (quality and quantity of a service) to cost (including risk management) in a PPP than in the non-PPP procurement option.*⁴ VfM is assessed for a potential project from the public authority's perspective. VfM is considered to be created if the assessment indicates that the PPP procurement option of the project proves more beneficial than the non-PPP procurement option.

What is the **non-PPP procurement option**? Typically, the alternative to delivering the project as a PPP is defined as "*the traditional procurement option*" that can realistically be applied. The non-PPP procurement option includes classical public procurement (e.g. construction only) as well as variations where some parts of a project or service are delivered by private contractors (e.g. design and construction).

Unlike an **economic cost-benefit analysis (CBA)**, a VfM assessment in a PPP context does not verify whether the underlying project is economically viable. The VfM assessment focuses on the choice of **procurement method** of a project.

2.1.2 Value for Money Drivers

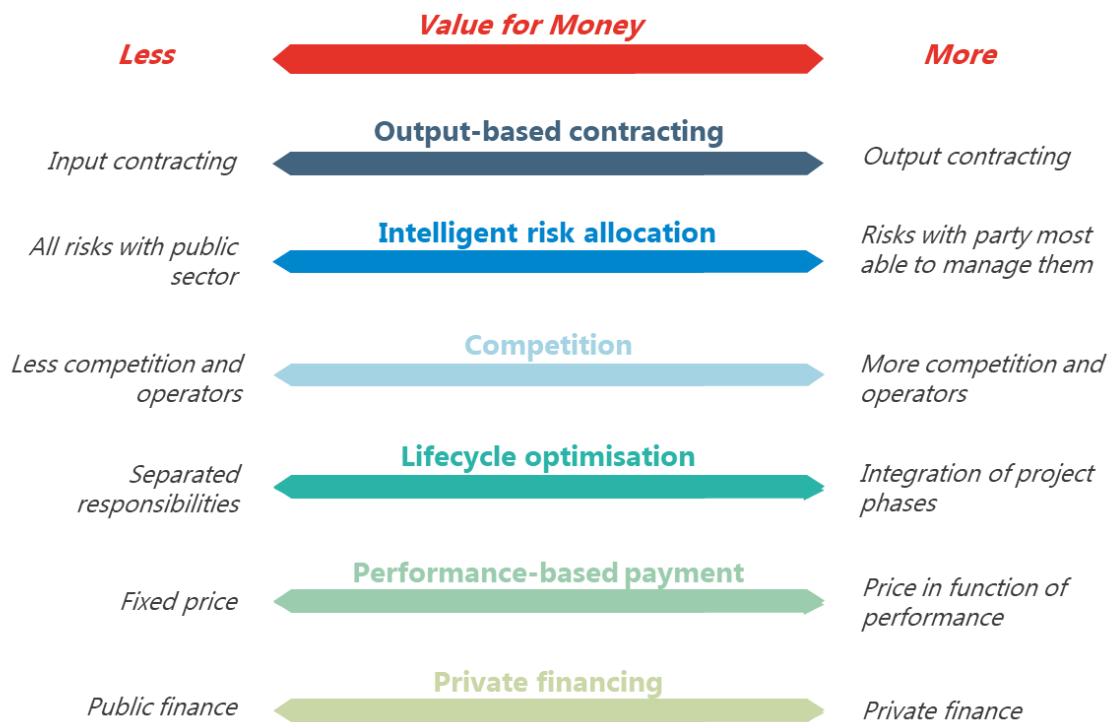
The VfM that a PPP can create is derived from a number of driving factors that are specific for PPP projects. The figure below shows an overview of the driving factors behind the creation of VfM, a number of which are core features of the PPP process. They are explained one by one in the subsequent section.

³ Source: EPEC, WBIF (2018):: A Guide to the Qualitative and Quantitative Assessment of Value for Money in PPPs, Public-Private Partnerships in the Western Balkans

⁴ Modified from EPEC. (2018). *A Guide to the Qualitative and Quantitative Assessment of Value for Money in PPPs*.

And: EPEC. (2015). *Value for Money Assessment. Review of Approaches and key concept*.

Figure 2: Value for Money drivers



The value for money drivers of PPPs include:

- **Output-based contracting.** The use of performance-oriented (or outcome-based) specifications is an important lever for creating value in PPP contracts. In traditional procurement contracts, specifications are defined in terms of inputs and activities that need to be delivered by the contractor. The technical solutions as well as the engineering and design are imposed, meaning the private sector has little opportunity to innovate in the design, materials, equipment, and so on.

In a PPP project, on the other hand, the specifications are focused on desired outputs (minimum performance required). In other words, the contracting authority specifies what must be provided by the private contractor, but not how. Consequently, the private partner has a degree of flexibility in deciding how best to provide the requested services, allowing it to deploy unique technical skills or creative methods that offer better VfM than the proposals of competitors. Performance-oriented specifications enable the contracting authority to harness the innovative and creative capabilities of the private sector, resulting in the delivery of public services at a lower cost to the user or at the same cost with better quality.

- **Intelligent risk allocation.** The basic principle of optimal risk allocation is that each project risk should be held by the party that is best able to manage it to ensure an optimal balance between value and cost. For instance, the construction contractor has the strongest control over the management of construction activities ensuring a delivery on time and within budget. Therefore, the construction contractor should assume the construction risk and receive a financial penalty in case delivery is late or over budget. However, the risk of delays in the securing of planning approvals (if not due to negligence of the private partner) or of changes in the desired output specifications having a negative impact on project profits should be allocated to the contracting authority because they are outside the influence of the private partner and can be best controlled by the contracting authority

In the traditional public procurement model, most of the project risks are in the hands of the contracting authority. In PPP projects on the other hand, those risks that are usually more efficiently managed by

the private sector (in particular design, construction and operating risks) are allocated to the private partner.

Optimising the allocation of risks seeks to ensure that overall project risks will be managed efficiently. The performance based payment mechanism of the PPP then ensures that all contract parties have maximum incentives to control the risks (i.e. to reduce the likelihood and/or the consequences of risks), they are responsible for, resulting in lower overall project costs.

- **Competition.** The benefits of PPP will only materialise if there is an adequate number of suitable private sector entities which are able and willing to take part in a competitive procurement process to provide the envisaged public service. Ensuring strong competition between bidders is therefore crucial to VfM, hence the importance of having a well-prepared PPP project and a well-managed public procurement process to ensure strong interest from the private sector to bid.
- **Lifecycle optimisation.** Integrating the design, construction, operation and maintenance stages of public infrastructure can reduce the interface problems that a contracting authority typically has in dealing with multiple contracts when it is procuring a project using a traditional approach. Furthermore, a private partner who is responsible for all stages of the project lifecycle has an incentive to minimise costs over the entire construction and operating/maintenance life of the project ('lifecycle costs'), otherwise it is likely to suffer the consequences of higher costs during the operating/maintenance phase if the earlier design and/or construction of the project asset was poor. In contrast, if different contractors are each responsible for a different project stage, they may seek to minimise their own costs or maximise their own revenues even if this behaviour increases costs or reduces revenues in other stages.
- **Performance-based payment.** In PPP projects, the private partner is only paid upon delivery of the service during the period of the PPP contract. This is obvious in the case of a revenue-based PPP. However, also in availability-based PPPs the settlement of the availability payment is conditional on the project assets being available in good condition and the services being provided in the agreed quantities and according to the agreed quality standards over the life of the PPP contract.

Through the performance-based character of the payments, the private partner is strongly incentivised to complete the facilities on time and deliver the services according to the contractually specified output specifications and quality standards as well as underpinning the other drivers such as risk allocation and life-cycle optimisation. In this way the PPP ensures timely delivery with consistent quality.

- **Private financing:** Private financing has a similar effect as performance-based payments. It sharpens the incentives by ensuring that the return/repayment of such financing is dependent on the performance of the project. In this manner, it pushes the private partner to deliver on time and according to the agreed specifications.

Private finance also brings to bear additional project monitoring capacity. The equity investors and lenders have strong incentives and are often better placed to monitor the operational and financial performance of the project than the contracting authority. If the lenders detect shortcomings in performance, they will request the private partner to take remedial actions in order not to endanger the debt service payments and if necessary to replace the private partner and associated contracts. Finally, private financing mobilises additional financial resources thus accelerating project implementation and service delivery if public resources are currently scarce.

Other less direct drivers of VfM of the PPP process include (i) increased upfront visibility of life cycle costs (these have to be known upfront as a consequence of entering into a long-term PPP agreement, unlike a traditional design and build contract), (ii) the additional economic benefits that may result from improved project delivery (such as the availability of school classrooms sooner than might be possible with traditional procurement), or reduced motor accidents as a result of better maintained roads, or time saving for commuters as a result of more reliable public transport services.

In addition to the listed advantages for PPPs above that generate VfM, some features from PPPs might have the opposite effect and destroy the potential VfM of delivering the project through a PPP:

- **Lack of flexibility.** As a PPP project is a long-term contract and requires upfront definition of the required outputs of the project, limited room for flexibility remains to modify the infrastructure or service requirements throughout the project period. This makes PPPs less suitable for infrastructure or services in rapidly changing environments, as it is difficult and expensive to change these later on.
- **Complex preparation.** The procurement of a PPP contract requires a much more complex preparation process compared to traditional procurement, due to the extensive assessments and studies performed beforehand (notably in the financial structuring of the project and finding the optimal balance in the risk allocation) as well as the more complex contractual arrangements that need to be prepared and procured. This complex preparation process may require additional time and costs, which means VfM can only be generated if the benefits created by the PPP outweigh the additional costs including the lengthier and more complex preparation process.
- **Contract management.** Monitoring performance of the private partner on the basis of the PPP contract requires sufficient skills and time within the contracting authority. Without appropriate resources to effectively manage the PPP contract, VfM can subsequently be destroyed.
- **Potential lack of market interest.** As previously mentioned, the benefits of PPPs also depend on ensuring that sufficient competition exists within the market to bid for the long term PPP contract. The lack of competitive pressure will then not result in optimised pricing of bids and reduce the potential for VfM.

In both qualitative and quantitative VfM assessment (see section 3), the assessment ultimately aims to measure the impact of these VfM drivers and destroyers in the proposed PPP project.

3. THE VFM PROCESS

3.1 Process chart

VfM assessment is only one of the assessments and studies performed when preparing and procuring a PPP project. Its role and function should be seen in light of the entire PPP preparation and procurement process, as VfM assessment is supported and informed by other activities carried out during the project preparation and procurement process (such as the development of the financial model which is also used as part of the affordability assessment, the risk allocation profile developed during the risk assessment and allocation activities, market sounding, the structuring of the procurement process etc.).

For more information and guidance on the PPP preparation and procurement process, refer to the *National Guidance on PPP Preparation and Procurement*.

The timing and level of detail of VfM assessment follows the following principles:

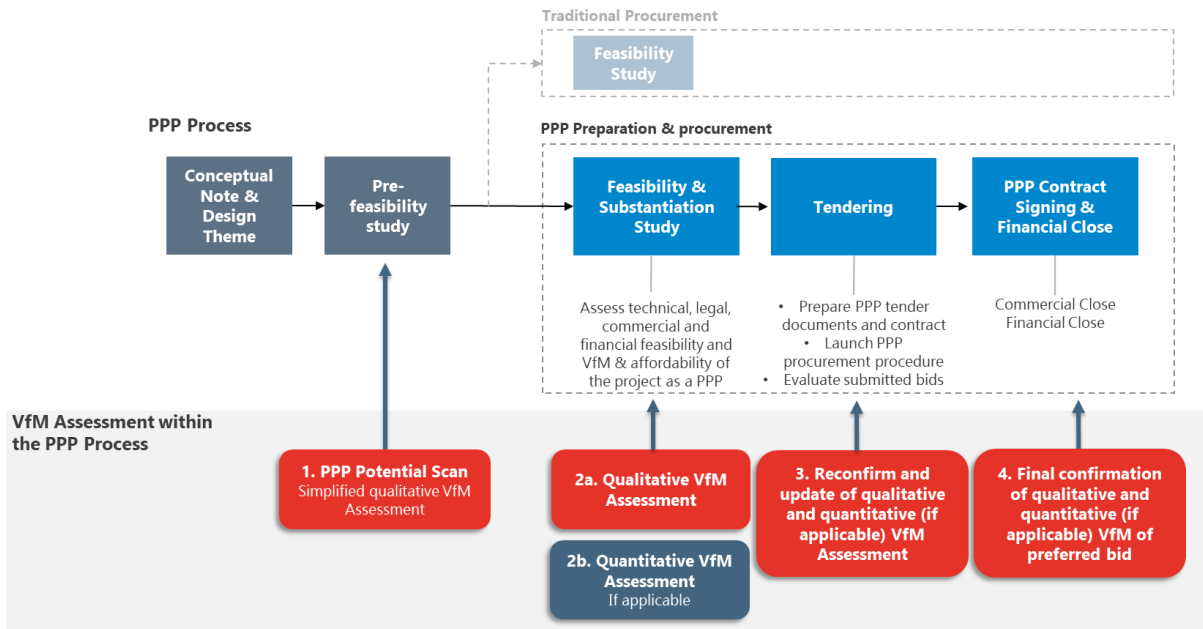
- VfM assessment must be **proportionate**: the level of detail of the assessment should fit the stage of development of the project, the size and complexity of the project and the quality of information available;
- VfM assessment must be **useful**: the information generated in the VfM assessment should be helpful for decision making and project improvement at that moment;
- VfM assessment must be **efficient**: a stepwise approach, building on previously generated knowledge, adding more detail to the assessment throughout the lifecycle, is key.

VfM assessment and VfM enhancing activities can take place throughout the whole lifecycle of the project, in different stages. In other words, VfM is both a *static* and a *dynamic* concept. *Static* refers to VfM assessments at certain moments during the project process to inform decisions at that moment. *Dynamic* refers to carrying out VfM improving activities that consistently aim to achieve or improve VfM during the project cycle. Important examples of the dynamic character of VfM are ensuring a strong competitive process through a well-run project preparation and procurement process; effective contract management by ensuring that an appropriately resourced and skilled contract management team is in place.

VfM assessment is particularly important during project preparation and procurement stages, before the competitive process is launched and before long-term contractual commitments are entered into (as well as being valuable to inform decision-making during and after implementation. This last phase is not covered in this guidance.

When preparing a PPP project in Romania, VfM assessment will be performed in different stages of the preparation and procurement process, as can be seen in the figure below.

Figure 3: VfM assessment in the PPP preparation and procurement process



In the following sections, the specific activities and objectives for each of the five above-mentioned VfM assessments will be further detailed.

3.2 Step-by-step approach to VfM assessment

3.2.1 Stage 1 – PPP Potential Scan

During the preparation of the pre-Feasibility study for projects with an expected investment size of over **20 million euros**, a **PPP Potential Scan** is recommended to be carried out by the contracting authority. Furthermore, for every project below this threshold for which the contracting authority wishes to explore the potential for PPP procurement, a PPP potential scan also needs to be carried out. The objective of the PPP potential scan is to assess whether the preferred project option is likely to be suitable for the PPP approach and if it is procured as a PPP, it has the potential to deliver VfM. This will inform on the procurement strategy to be selected for the project (either through traditional procurement or through PPP procurement).

While it is not necessary to prepare a PPP potential scan for *any* project, performing the PPP potential scan is required in this stage if the CA desires to further prepare the project as a PPP.

In case the PPP potential scan identifies a high potential for PPP procurement of the project, the project could be further structured as a PPP and more detail subsequent VfM analysis can be performed during the Feasibility & Substantiation study.

For more information and guidance on the Feasibility & Substantiation study for PPP projects, refer to the *National Guidance on PPP Preparation and Procurement*.

If the PPP potential scan does not point to the PPP as being a suitable procurement option, the traditional procurement strategy needs to be followed and the feasibility study needs to be prepared in accordance with Government Decision No. 907/2016 on the stages of elaboration and the framework content of the technical-economic documentation related to the objectives / investment projects financed from public funds.

The PPP potential scan needs to be prepared under the responsibility of the contracting authority (e.g. the authority who would like to develop the project) as part of the pre-Feasibility study process.

What	Stage 1 – PPP Potential Scan
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When	Recommended as part of the project pre-Feasibility study
Objective	Determine overall suitability of a project for procurement through PPP compared traditional procurement.
How	Qualitative VfM quick scan based on a limited number of guiding questions. Extensive information gathering or analysis should not be required at this stage. For the detailed methodology on the PPP potential scan, refer to Appendix 1 .
Who is responsible	Contracting Authority
Result	Decision whether or not the project will be prepared as a potential PPP project (by proceeding with the Feasibility & Substantiation study in accordance with the PPP law) or as a traditional project (by proceeding with the Feasibility study in accordance with G.D. 907).

3.2.2 Stage 2 – Qualitative VfM Assessment

If the decision has been taken to further explore the feasibility of developing the project as a PPP, as a second step in the VfM assessment process, a **qualitative VfM assessment** needs to be performed as part of the Feasibility & Substantiation study. This builds on the PPP potential scan phase and at this stage is more comprehensive. This guidance therefore describes all requirements for VfM assessment of a project during the Feasibility & Substantiation study that is required at this stage.

For all other requirements of the Feasibility & Substantiation study (not directly related to VfM assessment), refer to the *National Guidance on PPP Preparation and Procurement*.

Based on a set of targeted questions, the qualitative VfM assessment determines whether or not the project has the potential to deliver VfM based on the proposed project features and scope, the risk structure and allocation between parties, the expected interest from the market, the proposed procurement and contracting strategy etc.

If the outputs of the qualitative VfM assessment are negative (e.g. the project is unlikely to deliver VfM as a PPP), the results of the assessment could still point to where the project should be altered (for example by changing the scope of the project, the proposed risk allocation etc.). After changing project parameters, the qualitative VfM assessment can be updated to reassess the potential for VfM generation of the project. This is an iterative process, aiming to structure a highly implementable project that would deliver VfM for the contracting authority. VfM assessment during the project preparation phase therefore functions as a **dynamic tool for project structuring and for the decision to proceed to the next stage with the procurement**.

The qualitative VfM assessment is part of the Feasibility & Substantiation study. While the contracting authority is responsible for the Feasibility & Substantiation study and therefore the VfM assessment, the contracting authority will usually include the VfM assessment work as part of the scope of work for the transaction advisors.

What	Stage 2 – Qualitative VfM Assessment
When	As part of the preparation of the Feasibility & Substantiation study.

Objective	Assess whether the PPP option - as being elaborated - delivers VfM for the project to inform the decision to launch the procurement of the project as a PPP.
How	Qualitative assessment based on a more extensive set of questions than at stage 1 as well as reconfirmation of the stage 1 previous assessment (i.e. the PPP Potential Scan) in case project characteristics have changed. For a detailed methodology on the qualitative VfM assessment in this stage, refer to Appendix 1 .
Who is responsible	The contracting authority, usually supported by the Transaction Advisor hired by the contracting authority for the elaboration of the Feasibility & Substantiation study.
Outcome	Decision whether to launch the formal procurement stage for the project as a PPP.

3.2.3 Stage 2 – Quantitative VfM Assessment

In certain cases, a **quantitative VfM assessment** also should be considered during the preparation of the Feasibility & Substantiation study. A quantitative VfM assessment aims to compare the risk-adjusted costs of the project for the contracting authority when delivered as a PPP (the 'PPP reference case') to the risk-adjusted costs of the project when procured through the traditional procurement route (the 'Public Sector Comparator'). The quantitative VfM assessment takes into consideration all risks assumed by the government in both scenarios and assumes the delivery of the same quantity and quality of services.

However, performing a quantitative VfM assessment can be complex and requires availability of reliable information such as data on long-term risk-adjusted project costs. This can reduce the reliability of the quantitative VfM assessment. In some cases, the additional time, effort and financial resources spent on the quantitative VfM analysis is not in proportion to the insights that can be generated from such an analysis.

Nevertheless, in a number of cases the quantitative VfM assessment provides valuable additional support to the decision whether or not to proceed with the PPP procurement. This could be notably useful to a contracting authority to justify the use of PPP for projects in a new sector (in which no PPP projects have been implemented before) or for projects that involve the commitment of significant future payment obligations. Furthermore, the process of quantitative VfM analysis can be as highly informative for a contracting authority as the result, as it can create a better informed understanding of a project's long risk costs and risks.

A quantitative VfM assessment must be carried out if one of the following two criteria is met:

Criteria	Description
Size The initial capital requirement for the project exceeds 50 million EUR.	The initial capital investments required for the project are a proxy for the expected fiscal commitments and should therefore exceed the mentioned amount in order for the quantitative VfM assessment to provide valuable insight and play a role in the decision-making process.
New sector Is the project proposed in a sector in which no PPP projects have been previously implemented?	If the PPP project is expected to be further scaled and replicated within the sector, quantitative VfM analysis of the initial project is even more important.

The quantitative VfM assessment should usually be prepared by the transaction advisors hired by the contracting authority. It should be carried in line with the framework set out in this guidance.

The outputs of the quantitative VfM assessment provide insights into the magnitude by which the PPP project delivers VfM compared to the traditional procurement option. However, the results of the assessment heavily depend on input parameters related to revenues, costs and risks (magnitude of the risk and probability for that

risk to occur). The availability and reliability of the input parameters for the project under both the PPP and the traditional models should be taken into account when analysing the results of the assessment.

This means the outcome of the quantitative assessment should be treated as one of, and not the sole consideration, in the overall decision on whether or not to proceed with the procurement.

What	Stage 2 – Quantitative VfM Assessment
When	As part of the preparation of the Feasibility & Substantiation study and only if applicable based on criteria (size > 50 million EUR or PPP project in new sector).
Objective	Quantify the VfM generated by the project when structured as a PPP to inform the decision to launch the procurement of the project as a PPP by ensuring that the PPP project procurement option is better VfM in comparison with non-PPP procurement of the project.
How	Quantitative assessment based on a comparison of the risk-adjusted cash flows to government in the PPP option (the PPP Reference Case) to the risk-adjusted cash flows to government in a 'hypothetical' traditional procurement option (the Public Sector Comparator). For a detailed methodology on the quantitative VfM assessment, refer to Appendix 2 .
Who is responsible	The contracting authority, supported by the Transaction Advisor hired by the contracting authority for the elaboration of the Feasibility & Substantiation study.
Outcome	Input to the decision whether to launch the formal procurement stage for the project as a PPP.

3.2.4 Stage 3 – Update of qualitative and quantitative VfM assessment during dialogue process

If the decision was made to proceed to the procurement stage of the project, and the procurement has been launched on the market, it often happens changes to the project or to the draft PPP contract are made during this process (usually throughout the competitive dialogue process). During the dialogue stages, the parties that are invited to the procedure can ask questions and suggest modifications to the draft PPP contract. Often, these suggestions result in a modification of the project or the draft PPP contract as the market might have indicated otherwise not being interested to submit a bid for the project.

Therefore, when changes to the project and/or the draft PPP contract are proposed by the contracting authority during the dialogue phase, the qualitative and (if applicable) quantitative VfM assessment should be updated in order to assess the potential impact of the proposed change on the VfM delivered by the project.

In case the updated VfM assessment leads to the conclusion that the project does not deliver VfM anymore once the proposed change would be implemented, the contracting authority can decide not to adopt the change or to fully cancel the PPP procurement (in case it is deemed unrealistic the project will be successful without the proposed change to the RfP or the PPP contract).

What	Stage 3 – Update of qualitative and quantitative VfM assessment during dialogue process
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When	Only when changes to the project and/or draft PPP contract are proposed during the dialogue procedure
Objective	Assess the impact of the proposed change to the project on the expected VfM of the project and ensure the project continues to deliver VfM after adopting the change.
How	<ul style="list-style-type: none"> Reconfirm and update the qualitative assessment performed during stage 2 on the basis of the methodology as described in Appendix 1. If applicable, reconfirm and update the quantitative assessment performed during stage 2 on the basis of the methodology as described in Appendix 2.
Who is responsible	The contracting authority, usually supported by the Transaction Advisor hired by the contracting authority for the elaboration of the Feasibility & Substantiation study.
Outcome	Decision whether or not to adopt the proposed change to the project and if applicable whether or not to proceed with the procurement of the project.

3.2.5 Stage 4 – Reconfirm qualitative and quantitative VfM assessment prior to contract signing

After evaluation of all submitted bids, selection of a preferred bidder, and finalisation of the PPP contract provisions, this final stage of VfM assessment aims to confirm that the selected bid and final negotiated PPP contract generates VfM. As no (material) changes to the project or the draft PPP contract should be made after completing the dialogue procedure (stage 3), the outcome of the assessment should be similar to the results of the assessment in the previous stage. The assessment therefore merely serves as final confirmation to the contracting authority (and subsequent approval authorities) that the final negotiated PPP contract delivers VfM before signing of the contract.

What	Stage 4 – Final confirmation of qualitative and quantitative VfM assessment prior to contract signing
When	After selection of preferred bid and finalisation of the PPP contract, before contract signing.
Objective	Confirm the selected winning bid and final negotiated contract delivers VfM.
How	<ul style="list-style-type: none"> Reconfirm and update (if applicable) the qualitative assessment performed during stage 2 and 3 on the basis of the methodology as described in Appendix 1. If applicable, reconfirm and update the quantitative assessment performed during stage 2 and 3 on the basis of the methodology as described in Appendix 2. In this case, the PSC will be compared to the final negotiated PPP contract provisions (and not to the PPP reference case).
Who is responsible	The contracting authority, usually supported by the Transaction Advisor hired by the contracting authority for the elaboration of the Feasibility & Substantiation study.
Outcome	Decision whether or not to sign the contract.

VfM assessment is not the same as an **affordability** or **financial feasibility** assessment. The purpose of VfM assessment is to inform decision-makers whether to choose a non-PPP procurement option or a PPP procurement option based on the benefits and costs specifically related to the procurement mode chosen. The purpose of an affordability assessment is to determine whether the project can be paid for (whether it be by public budgets, user payments, or other sources).

For more guidance on affordability assessment of a PPP project, refer to the *National Guidance on PPP Affordability Assessment*

APPENDIX 1: PPP POTENTIAL SCAN & QUALITATIVE VFM ASSESSMENT

The questions provided in the tables below and in the qualitative VfM tool that is part of this guidance will constitute the PPP potential scan and the qualitative VfM assessment performed during the preparation of the Feasibility & Substantiation study and during the procurement phase. The questions will support the selection of PPP projects that have the potential to generate VfM.

The set of questions as identified in the tables below and in the qualitative VfM tool aim to detect the presence of value for money drivers in the project. Before applying the questions on the project, please note the following:

- The checklist addresses different steps in the PPP project cycle: The questions apply to stage 1, 2 and 3 as highlighted in section 3 of this Guide.
 - The PPP Potential Scan (stage 1), performed during the elaboration of the pre-Feasibility study (e.g. Project Inception).
 - A detailed qualitative VfM assessment (stage 2) during the elaboration of the Feasibility & Substantiation study (e.g. Project Preparation).
 - An update of the of the qualitative VfM assessment (stage 3) in case of changes to the PPP project during the dialogue process as part of the procurement procedure (e.g. Project Procurement)

In the VfM tool (a separate Excel-tool which forms part of this Guidance), the stage in which the VfM assessment is performed should be selected, as some questions only become relevant in later stages. The number of relevant criteria and thus questions increase along the stages as more information becomes available. For stage 2 (qualitative VfM assessment) all the stage 1 questions are rechecked as well as checking the new ones that arise in stage 2.

It should be noted, as described in section 3.1, that VfM is not only a static assessment but equally a *dynamic* process. On top of the checklists for the three stages the project and procurement teams should pay attention to the creation of VfM consistently through the quality of the project preparation, procurement and monitoring activities.

For more information on well-preparing and procuring a PPP project, refer to the *National Guidance on PPP Preparation and Procurement*.

- A scoring tool to qualitatively assess VfM forms an integral part of this guidance. The tool allows to directly answer each of the questions from the tables below by scoring the questions. The overall score determines whether or not procuring the project as a PPP would be recommended or not. The following elements need to be noted while using the tool:
 - In the tool, the stage in which the VfM assessment is performed (stage 1, 2 or 3) needs to be selected, as more questions become applicable starting stage 2.
 - All questions in the tool come from the tables below and can be scored. The meaning of a score differs per question and is explained in the tool by clicking the button "*options*" for the relevant question. The answer options presented by clicking on the button should result in a score for that particular question.
 - Several questions in the tool concern pass or fail questions. For those questions, a score of 0 or 1 should be allocated. In case the question cannot be answered affirmatively (by a 1), the contracting

authority should consider what changes, if any, can be made to address the issue that is impeding VfM, and if not, reconsider if the project as a whole is suitable to be procured as a PPP.

- All other questions in the tool can be scored more gradually, on a scale from 1 to 4. The meaning of the scale differs per question and is explained by clicking on the "options" button.
- Depending on the score for each question, action items are identified in the score. If the VfM question is highly scored, no actions are required to improve that particular aspect of VfM. However, if the score is lower, the tool will identify whether this aspect of VfM is a critical focus point, should be further improved or can be finetuned. This is helpful for the contracting authority to determine which elements of the project can be improved for the project to be suitable for PPP procurement.
- Based on the scores for all questions, an overall score is determined which is the basis for the output recommendation from the tool. The recommendation is two-fold:
 - In case any of the pass-or-fail questions cannot be answered affirmatively by a 1, the project should not be procured as a PPP and the "Pass/Fail" section will indicate "Fail".
 - In case all pass-or-fail questions are affirmatively answered by a 1, a recommendation on the suitability of the project for PPP procurement is provided. This recommendation depends on the overall score from all questions.

Recommendation	Score stage 1	Score stage 2 and 3
Do not procure as PPP	Below 51	Below 54
Potentially suitable for PPP procurement but some areas need attention	Between 51 and 71 and minimum score of 3 or 4 for every question.	Between 81 and 108 and minimum score of 3 or 4 for every question.
Very suitable for PPP procurement	72 and minimum score of 4 for every question	108 and minimum score of 4 for every question

Overall, a critical and thoughtful handling of these questions is required by the user in order for this VfM check to deliver the decision-making information needed to prepare and progress projects as PPPs.

The questions that are included in the VfM tool are shown in the tables below, including several notes and explanations to the questions.

Part A: Project Characteristics				
Ref no.	Stage 1	Stage 2 3 and 4	Question	Score
A.1	X	X	The project is an eligible public infrastructure or service under the responsibility of the government. (pass/fail criteria)	Fail (0) / Pass (1)
A.2	X	X	The contracting authority has the legal authority to enter into a PPP contract (for a project of this kind) (pass/fail criteria).	Fail (0) / Pass (1)
A.3	X	X	Is the capital expenditure required for the project expected to exceed euro 20 million? (pass/fail criteria).	Fail (0) / Pass (1)
A.4	X	X	Can design, construction, and maintenance be integrated to achieve life cycle optimisation?	1-4

A.5	X	X	Is the contracting authority sufficiently comfortable that the dominant purpose and service requirements of the asset will remain unchanged during the term of the PPP project.	1-4
A.6	X	X	Is the contracting authority able to estimate CapEx and OpEx reliably for the entire duration of the PPP project?	1-4
A.7	X	X	Is it clear that it is not more beneficial to extend an existing public service to include the envisioned project scope?	1-4
A.8	X	X	Can the project be procured as a PPP in a realistic timeframe?	1-4
A.9	X	X	Will the technology and technical methods of realising, maintaining and operating the project remain stable over the envisioned contract period?	1-4

Notes and explanations Part A

- A.3: It will prove difficult to generate VfM if the project is too small. This largely reflects the relatively high upfront preparation and transaction costs of a PPP. The threshold of 20 million euro is therefore an indication of the minimum size of project that could potentially deliver VfM if procured through a PPP.
- A.4: Consider if an integration of the different activities is possible and will lead to overall cost optimization. Also consider if sufficiently substantial maintenance or major maintenance activity is required during the envisaged project lifetime such that lower whole-life costs may be realised?
- A.5: Functional specifications (output specifications) that should be applicable for the whole PPP contract life must be drafted as part of the PPP contract. There are limits to the flexibility of the PPP contract: significant changes in the service requirement can be expensive. A minimum 15-year contract period within which major changes are not anticipated is a rule of thumb based on experience and a reasonable time frame to capture at least one major maintenance cycle.
- A.6: If the costs cannot be estimated with some certainty (of course, taking into account indexation and some risk), because, for example, technological advances or market developments make it impossible, the bidders may include high mark-ups in their prices to account for this uncertainty. Consider changing the scope to limit this risk.
- A.7: In other words, are there clearly no obvious benefits or synergies to be gained from extending the current public authority's operations to include this asset and service, which may be an alternative option?
- A.8: A realistic timeframe differs per project, depending on the complexity of the project and the public authority's capabilities, capacity and experience with PPP preparation and procurement.

For suggestions on procurement planning timeframes, refer to the *National Guidance on PPP Preparation and Procurement*.

Part B: Private Actors Characteristics				
Ref no.	Stage 1	Stage 2 3 and 4	Question	Score
B.1	X	X	Can the private party be expected to have easier or superior access to design and/or contracting and/or maintenance skills/experience compared to the contracting authority?	1-4
B.2	X	X	Is the long-term PPP performance based contractual structure likely to incentivise the private party to provide superior quality than what	1-4

			is typically provided in non-PPP projects? Put differently: is the reality of the non-PPP solution that over the lifetime of the project the quality is in practice typically deteriorating?	
B.3	X	X	Have financial institutions provided long-term project finance previously to a similar project? Or is there other evidence that financial institutions have the capability and willingness to provide long-term project finance to the PPP project?	1-4
B.4	X	X	Is there evidence that bidder (contractor, operator and financing) interest in the project will be strong?	1-4

Notes and explanations Part B

- B.2: Higher quality can refer to, for example, more reliable or consistent service availability, improved aesthetics, superior energy performance.
- B.3: The project should be in the same sector with a comparable scope, and the financing recipients should be companies that are likely to participate in this procurement.
- B.4: The potential PPP partners can be contractors or facility management companies and should be at least three (ideally five) different parties. Information can be gathered in market soundings or informal discussions with potential bidders.

For more information on market sounding for PPP projects, refer to the *National Guidance on PPP Preparation and Procurement*.

Part C: Public Actor Characteristics				
Ref no.	Stage 1	Stage 2 3 and 4	Question	Score
C.1	X	X	Is the contracting authority sufficiently convinced of the importance of and potential to generate VfM through the application of PPP?	1-4
C.2	X	X	Is there political support for this project to be realised as a PPP?	1-4
C.3	X	X	Are the interests of the key stakeholders in the project's success sufficiently aligned to realise the project as a PPP?	1-4
Does the contracting authority have sufficient and available qualified staff and/or have the resources to hire appropriately experience advisors...				
C.4	X	X	... to develop functional specifications for all phases of the project?	1-4
C.5	X	X	... with experience in PPP procurement and contracting to carry out both the procurement and contract management during project lifetime?	1-4
C.6		X	... to manage the financial close process in interaction with the Preferred Bidder?	1-4
C.7	X	X	... to monitor and optimise VfM within the project team?	1-4
C.8		X	...to manage any outstanding risks, especially but not limited to the major project permits and consents?	1-4
C.9		X	Does the contracting authority have adequate governance arrangements in place to oversee the preparation and procurement of the PPP project?	1-4

C.10	X	X	Is the creditworthiness of the contracting authority sufficient for the financial institutions?	Fail (0) / Pass (1)
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Notes and explanations Part C

- C.3: Also consider if the contracting authority is capable of managing concerns and opposition of key stakeholders.⁵
- C.5-7: The capabilities and capacity can be available inside the contracting authority's organisation but might also be provided by co-authorities or transaction advisors. For long-term success of PPP programs, a solid staff basis should be built up within the contracting authority.

C.8: All key members of the project team, especially the project manager, should be aware of and capable of optimising the project for VfM.

Part D: Project Deliverability				
Ref no.	Stage 1	Stage 2 3 and 4	Question	Score
D.1		X	Have all major permits and consents for the project been acquired, or is it certain that the major consents will be acquired prior to the award of the contract? And for those permits that the private partner must acquire, has the contracting authority verified that the risks are manageable? Has all relevant land or right-of-way been acquired?	Fail (0) / Pass (1)
D.2		X	If applicable, does the contracting authority have full access to and understanding of the existing conditions of the assets to be handed over to the PPP partner, and has this information been prepared in a comprehensive inventory file?	1-4
D.3		X	Has the contracting authority estimated sufficiently accurately and reliably the costs and revenues of the project, including long-term operations and maintenance costs, financing costs and the contracting authority's own costs?	1-4
D.4		X	Has a budgetary projection of the payments to the PPP project partner been made, and has it been verified that these payments can be met from the available future budgets?	Fail (0) / Pass (1)

Notes and explanations Part D

- D1/ D3/ D4: These questions concern PPP readiness and project affordability, respectively. The questions address important concerns of the private sector. As the market appetite of the private sector is essential to generate VfM in a competitive procurement procedure, the questions are also a relevant prerequisite for VfM, and therefore included in this checklist.
- D2: Applicable for brownfield projects.

Part E: Realistic Risk Allocation

⁵ For more guidance on PPP stakeholder management, refer to the *EPEC Guide to Public-Private Partnerships (2021)*, pages 148 to 155 and to the *Stakeholder Engagement Handbook, IFC (2007)*

Ref no.	Stage 1	Stage 2 3 and 4	Question	Score
E.1		X	Has the contracting authority carried out a project risk assessment and established a risk register? And does it engage in continuous risk management?	1-4
E.2	X	X	Can the long-term risks of the project be clearly identified?	1-4
E.3		X	Do the specific risks that the contracting authority (anticipates to) transfer to the private sector form a meaningful proportion of the overall project expected risks?	1-4
E.4		X	Does the proposed PPP structure contain a transfer of risks that may be expected to be sufficiently manageable by the winning bidder?	1-4
E.5	X	X	Is it likely that the combined transfer of project activities (particularly design, realisation and maintenance) will allow the integrated management of the related risks?	1-4
E.6	X	X	Will the transfer of activities to the private sector not materially limit the public sector in its ability to implement adjacent activities or projects?	1-4

Notes and explanations Part E

- E.1: A risk register is essential to actively and continuously manage the project risks.

For more information on risk assessment and allocation for PPP projects, refer to the *National Guidance on Risk Assessment and Allocation*.

- E.2: Long-term risk can include asset standards, laws and regulations, etc.
- E.3: Consider the sub-questions: Is the private investment sufficiently exposed to long-term performance risk? And does the PPP contract materially reduce the risks that are retained by the contracting authority?
- E.4: In answering this question, also consider, if the specific risks that the contracting authority anticipates transferring to the private sector have been successfully transferred and accepted by private operators in previous transactions.
- E.6: This is usually a concern for user-pay schemes (such as a new airport), in which the private sector demands exclusivity and/or restricts competing activity over a defined area to protect demand.

APPENDIX 2: QUANTITATIVE VFM ASSESSMENT

Quantitative VfM assessment is a complex activity and requires significant access to reliable data. Quantitative VfM assessment should be performed by transaction advisors and not by the contracting authority. This guidance therefore sets out an outline of the key elements that are part of quantitative VfM assessment and the process that needs to be followed, in order for the contracting authority to understand the work delivered by the transaction advisors and the (policy) conditions that must be met when assessing quantitative VfM of a project and ensure that it is carried out in a consistent way across all projects.

This appendix specifically focuses on the building blocks that constitute a quantitative VfM assessment, the results of a quantitative VfM assessment, how to interpret and use those results and indicative Terms of Reference (ToR) for transaction advisors (with regards to quantitative VfM assessment).

Objectives of quantitative VfM assessment

The quantitative VfM assessment compares the risk-adjusted cost of delivering the project facilities and services if undertaken by the government through the traditional publicly funded route with the risk-adjusted cost of delivering the project through the PPP mode. If the risk adjusted cost for the PPP mode is lower than the risk-adjusted cost of the traditional procurement mode with public funding, then there is VfM in the PPP.

Quantitative VfM assessment therefore aims to achieve the following:

- a) Estimation of the value to government by implementing the project on a PPP basis in terms of risk adjusted cost savings relative to the traditional publicly funded route.
- b) Reasonably objective justification of the decision to select PPP mode (over the public procurement option). The justification not only facilitates the final decision to implement the project on a PPP basis, but also facilitates the communication to other relevant stakeholders (e.g. public representatives, interest groups).
- c) A useful input for the ex-post evaluation of the PPP Project implementation. The contracting authority can evaluate the actual project performance to measure the value that was delivered by the PPP Project against the value that was expected to be delivered (not part of this guidance).

Building blocks of quantitative VfM assessment.

The quantitative VfM assessment compares two components, the Public Sector Comparator and the PPP Reference Case:

- a) The traditional model with public funding is indicated by the term **Public Sector Comparator (PSC)**. The PSC is an estimate of the hypothetical, whole-life cost of a public sector project if delivered using traditional procurement and government funding. The PSC is developed in accordance with the required output specifications, the proposed risk allocation and is based on the most efficient form of government delivery, adjusted for the lifecycle risks of the project.
- b) The PSC is compared with the **PPP Reference Case**, the risk-adjusted cash flows to the government or user for the scenario if the private sector implements the project on a PPP basis.

Both cases will involve a best estimate of risk adjusted costs for the two potential procurement options, because the assessment is carried out before the procurement is launched i.e. before real bids are received from the market. Hence the importance of good cost and risk data, even if these are estimates at this stage.

Elements of the Public Sector Comparator

The PSC is comprised of the following components:

1. Raw PSC;
2. Competitive neutrality;
3. Retained risks;
4. Transferred risks; and
5. Discount factor.

Raw PSC

The Raw PSC consists of the cost that the public sector would incur to deliver the project through traditional public procurement, before making any adjustments for risks. The costs are estimated for the delivery of the reference project, which is the most likely and efficient way the public sector can achieve the output specifications.

The Raw PSC is developed on the basis of the following costs

- Capital expenditure incurred for the development of the project facilities, including the cost of construction, design costs, expenses incurred in public procurement, etc. ('sunk costs' ie costs already incurred, are not included)
- Operations and maintenance expenditures incurred by the public sector in operating the project facilities for the contract tenor and providing the services based on the basis of the output specifications. This also includes the cost of repair and maintenance, administrative costs and the staff costs for delivery of the output specifications. It is important to be careful when using maintenance cost data for existing traditionally procured projects as these may not always reflect the true costs of maintaining the projects assets to the standards required under the PPP. Depreciation and other accrual-based items (e.g. amortisation) are not included as part of the Raw PSC as they are not cashflow items. Finally, if there is a possibility of third-party revenues from the public funded projects, then the same has to be excluded from the associated operations and maintenance costs.
- The Raw PSC is obtained by adding the capital, operations and maintenance expenditures (net of third-party revenues), without adjustments for risks. The costs are usually expressed in nominal terms i.e. in inflation adjusted cash terms.
- The inputs for developing the Raw PSC are obtained from the financial model that is developed as part of the Feasibility & Substantiation study.

For more guidance related to the estimation and forecasting of costs for PPP projects, refer to the *National Guidance on PPP Affordability Assessment*.

Competitive Neutrality

Competitive neutrality refers to adjustments to ensure that the PSC is comparable to the private sector reference project, by removing any advantages that the government benefits from compared to the private sector. These advantages consist among other of taxes and charges from which the contracting authority may be exempt, such as property tax, stamp duty (on purchase of land), municipal charges, and corporate taxes. Similarly, any

disadvantages incurred by the contracting authority compared to private sector must be removed for competitive neutrality.

Retained and transferred risks

The concept of PPP is based on the transfer of risks from the public sector to the private sector. In fact, the VfM concept measures the value that is generated by the transfer of risks from the public sector to the private sector. Hence to develop the PSC, risks need to be identified and valued, as described below:

1. Identification of risks

The transaction advisor must list all the material risks that the project would be exposed to.

For more guidance related to the identification of risks for PPP projects, refer to the *National Guidance on Risk Assessment and Allocation*.

2. Estimation of the probability of individual risks

The probability of the risk is the quantitative likelihood that it will materialise during the contract period. The estimation of the probability of individual risks is ideally based on empirical evidence from past projects of similar scale undertaken by the contracting authority or other government departments. For instance, the probability of project cost escalation can be based on the average cost escalation that projects implemented by the contracting authority have experienced in the past.

3. Valuation of risks

The valuation of the risk involves the estimation of the expected financial impact of the risk. The maximum exposure of the risk is the loss that would occur if the risk event materialises. The product of the maximum loss and the probability of occurrence equals the expected loss or value of the risk.

In short: expected value of risk = (financial impact if the risk event occurs) X (probability that the risk event occurs)

4. Retained and transferred risk

In function of the proposed PPP Arrangement, the contracting authority allocates specific risks to the Private Partner and retains the remaining risks. The retained risks and the transferred risks are valued using the approach described above.

Developing the full PSC

The full PSC is the sum of the following components

- Raw PSC
- Adjustments for competitive neutrality
- Retained risks
- Transferred risks

The expected cash flows of the government deriving from the sum of these components is then **discounted** to calculate the present value of the PSC. The discount rate that needs to be used for the quantitative VfM assessment should be equal to the social discount rate published by the European Commission in the EC Guide to Cost Benefit Analysis of Investment Projects.

The PPP Reference Case

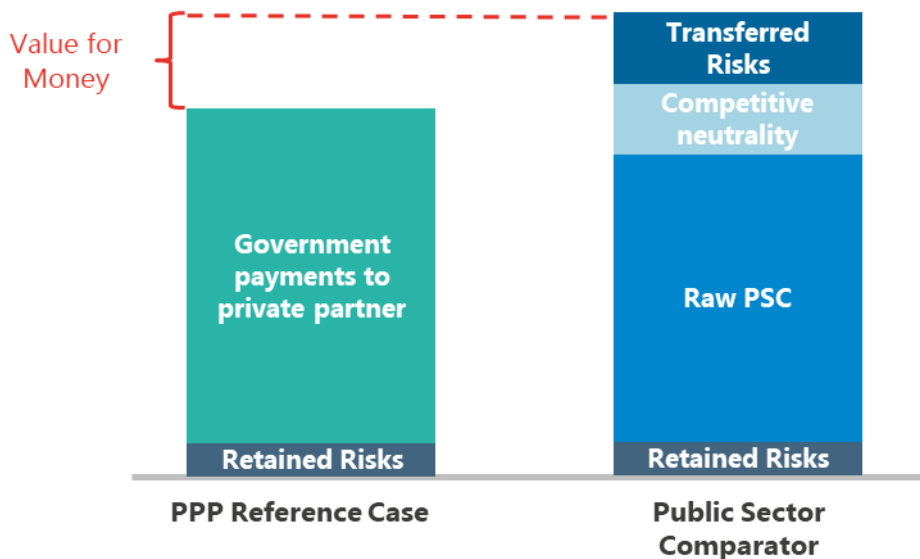
The discounted PSC as calculated above must then be compared to the discounted risk-adjusted cash flows of the contracting authority if the project is procured as a PPP. The PPP Reference Case includes all payments made

by the contracting authority to the Private Partner, as well as the value of costs of the risks retained by the contracting authority. The payments made by the contracting authority are an estimation of the availability payments that are required to ensure financial viability of the project as a PPP and any other costs to/payments by the contracting authority (such as the costs later on of managing the PPP contract). The estimation of the availability payments is based on assumptions about the structure and cost of private financing for the PPP (including how risks might be priced by the private sector), how much it will cost the private sector to construct and run the facility during the contracting period and any efficiency improvements assumed, if appropriate.

The PPP reference case is derived from the financial model prepared during the Feasibility & Substantiation study.

For more information on the financial model for PPP projects, refer to the *National Guidance on PPP Affordability Assessment*.

Comparison of the PSC and the PPP Reference Case



The quantitative estimate of VfM is the difference between the PSC and the PPP Reference Case, as shown in the figure above. A positive VfM, means that the private sector reference project has a lower risk-adjusted present value of cash outflows for the public sector, as compared to the PSC. The positive VfM indicates that the PPP model will likely generate value for the government, and therefore the government should proceed with PPP procurement.

Interpretation and use of results

The results of the quantitative VfM assessment provide an indication of the Value for Money (in monetary terms) that a PPP delivers compared to a (hypothetical) traditional procurement option. It needs to be noted that the quantitative VfM assessment relies significantly on assumptions related to costs, revenues and risks (both the valuation of the risk event as well as the probability of that risk event actually occurring). Formulation of correct inputs can be very labour-intensive and can be easily disputed, which makes it difficult to estimate a reliable Value for Money of the PPP project.

The results of the quantitative VfM assessment should therefore not be the definitive decision factor and should only be a factor in deciding whether or not to proceed with preparing a PPP-based procurement.

The quantitative VfM assessment should help the contracting authority with the following matters:

- An indication of the order of magnitude of the expected VfM for the PPP option. Without defining whether a 10% or a 12% Value for Money is “good”, the results of the output will provide insights into whether or not the project can potentially deliver VfM. This should ultimately be taken into account when deciding on whether or not to proceed with a PPP-based procurement, but it should not be the only factor.
- The quantitative VfM assessment can also provide additional information supporting a specific PPP option. When different PPP options are compared, the assessment could identify which option would deliver the highest VfM for the contracting authority.
- The results of the quantitative VfM assessment can also be used to go back to the drawing table and have another critical look at how the PPP project is being structured. If too many risks are retained by the government and the assessment shows that insufficient VfM is being delivered by the project, a different risk allocation could potentially be explored to improve the PPP and therefore its VfM. The quantitative VfM assessment is therefore also a useful tool used during the dynamic process of structuring a PPP project. For example, testing the sensitivity of the VfM result to different cost inputs can help to identify which risks/costs are likely to be the main drivers of VfM as well as help to focus attention on these in terms of the quality of the data required.

Indicative ToR for transaction advisors

The quantitative VfM assessment should be carried out by experienced transaction advisors that assist the contracting authority during the entire PPP preparation and procurement process. The following elements with regards to quantitative VfM assessment should be included in the Terms of Reference for transaction advisors (in case quantitative VfM assessment is required for the project according to the criteria as mentioned in section 3):

1. Prepare a quantitative value for money (VfM) assessment for the project to compare the risk-adjusted net present value of public sector procurement of the project to the considered PPP option(s). The quantitative VfM assessment should be in line with the parameters as set out in the National Guidance on Value for Money Assessment and should contain the following elements:
 - a. Develop a base model (the base PSC) in line with project output specifications;
 - b. Identify and value competitive neutrality factors and add to the base PSC;
 - c. Develop a risk-adjustment PSC by identifying, valuing and allocating all material risks related to the project;
 - d. Develop the PPP (risk-adjusted) reference case based on the financial model developed during the Feasibility & Substantiation study; and
 - e. Compare public sector risk-adjusted costs of the PSC and the PPP reference case and establish value for money of the proposed PPP project.
2. Support the contracting authority in interpreting the results of the quantitative VfM assessment and using results if applicable to reassess proposed risk allocation of the project.
3. If changes to the project are proposed during the dialogue procedure as part of the procurement stage of the project, reconfirm and update the quantitative VfM assessment (by updating both the PSC and PPP reference case) and assess impact of the proposed change to the VfM of the project, if requested by the contracting authority.
4. Update VfM assessment on the basis of the selected winning bid by comparing the selected bid with the PSC.