

The Relation “Monitoring – Assessment – Control” in implementing projects for Public-Private Partnerships (territorial aspects)

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Annotation: Subject of the report is the monitoring, assessment and control system as a key element in the process of service provision through projects for public-private partnerships (PPP) at a local level.

Key words: public-private partnerships, local authority, local administration, monitoring, assessment, control, project activities, criteria, indicators.

I. INTRODUCTION

The growing needs and requirements of the population regarding the public welfare, as well as the strive for a more efficient spending of the taxpayers' payments necessitate the search for new options how to provide public services. Under these conditions the public-private partnerships (PPP) become this instrument which gives opportunities on one hand to attract private funds in the welfare production and provision for the society, and on the other – to avoid the typical deficiencies of the public sector. As far as the Bulgarian municipalities are concerned, the application of PPP is of particular significance since their economic development is highly dependent on the inertia and the lack of public resources due to the crises processes, curbs even more the traditional financing of the public services.

The monitoring, assessment and control system is a key element in the process of providing services through PPP projects. Notwithstanding that in the PPP projects many of the responsibilities related to their realization are delegated to the private sector, the local authority still plays the key role in the successful final implementation of the project. The PPP contract usually includes procedures for self-monitoring, where the partner from the private sector monitors and reports its activity by identifying and correcting a significant part of the encountered problems.

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II. EXPOSE

Nevertheless, the local administration has to maintain its independent monitoring, assessment and control function with spot checks and report reviews in order to guarantee the correct identification, reporting and correction of the problems, as well as the service implementation pursuant to the output specificities and the contracted agreements [3, p.49].

The monitoring, assessment and control are three independent elements of the PPP project management, however, they are also differentiated in one continuous process during the project realization (see Fig. 1).

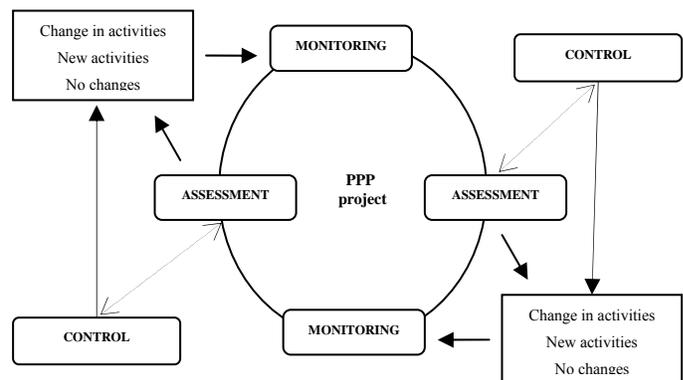


Fig. 1

The aim of the monitoring is to provide efficient and effective implementation of the PPP project. In the standard investment projects the monitoring includes the analysis of the specific product by sampling and assessing the product conformity with the public sector requirements. In the PPP project the quality management process is different since there should be assessment and control mechanisms envisaged for the quality implementation and management in the unified monitoring system [2].

The payment mechanism should motivate the private partner to maintain the necessary level of the service through penalty payments in case of infringements. This motivation



system can lose its efficiency if the problems are not quickly identified and treated in a suitable way. Therefore the PPP project management, as well as the monitoring, assessment and control during its realization should not be underestimated by the local authority in the implementation stage of the PPP projects. Despite the different role of the public sector in the PPP projects realization, the local administration should have active participation during their implementation. This requires the elaboration and determination of framework conditions for the processes management pursuant to the contract.

In the PPP infrastructural project, within the exploitation stage, the quality monitoring and the assessment of the service provision is an essential part of the contract management. These are performed in lieu of the standards and parameters set in the output specification of the project and included as clauses in the contract. In the monitoring and assessment the public subject depends on the private partner in providing the necessary information for control and management of the quality of execution. Therefore the municipal administration should do so that the systems for gathering information and measuring the PPP implementation are available and work precisely and reliable. It is necessary to provide independent confirmation of the information provided by the private partner which is important for the municipality so that the services are provided in the quantity and with the quality pursuant to the preliminary agreed standards and distributed risks.

The process of monitoring, assessment and control of *the implementation* is focused on the quality, quantity and expedience. Subject to monitoring are the undertaken project activities and the expenses made for their realization, the achieved preliminary set goals and expected results. The basis of any monitoring is the logical framework – the connection between general and specific goals, results, activities and budget of a project with objectively verifiable monitoring indicators, sources of information for verification, proposals and prerequisites.

The activities on performing *success* monitoring are used for assessment of:

- *compatibility* – to what extent the project goals are achieved in a way corresponding to the defined problems;
- *efficiency* – how well the input resources were transformed in activities in relation to quality, quantity and time of the achieved results;
- *efficacy* – конкретна оценка на ползите, получени от целевите групи и ефектът на проекта върху по-широката среда;
- *sustainability* – the probability for the benefits to continue existing after cessation of external funding.

For the PPP project the monitoring starts with research and clarification of the goals, set in the very beginning, and continues till the end of the project, so that the plan

implementation can be verified and if necessary timely measures to be undertaken [6, p.39].

The process of the implementation monitoring is of significant importance for: identifying the successes and the problems during the project implementation; taking an informed and timely decision for implementation support; accountability of the resources used and the achieved results; awareness and participation of the interested parties; assessment of the project achievements and audit of the activities and finances. Regardless of the specification of each separate PPP project, as standard spheres – subject to constant monitoring and control of the project implementation can be identified: the project cost compared to the budget and the cash flow; the changes in the instructions and their impact on the project implementation; the quality of work; meeting the deadlines; the availability of resources; the risks distribution.

The requirement for performing constant monitoring of the implementation is directed to both contracting parties. The private partner is the one who should introduce an adequate quality monitoring and control system, while, in turn, the local administration has the right independently to check the information received from these systems as deemed necessary. Therefore the role of the local administration is to audit these systems through planned and/or random checks on the spot in order to guarantee that the implementation components are reliably, accurately and thoroughly measured and accounted. The local administration does not interfere in the relations of the private partner with their sub-contractors, but it is necessary to ensure the correct project management and the reliability of their agreements. Due to these reasons it is common to maintain the technical/quality surveillance during the construction/service provision to ensure that the work of the private partner is corresponding to the specificities.

One of the key roles of the local administration in performing the monitoring is to observe the correct risk distribution and to ensure the return of the invested funds. An omission in the implementation of efficient monitoring on the PPP contract implementation can lead to allocating a bigger part of the risk on the local authority and as a result to reduction or loss of the return of the invested funds.

When the monitoring detects a problem during the project implementation the local administration should check that the private partner obligations pursuant to the agreement terms and conditions have been correctly fulfilled.

There may be difficulties in establishing clear causal links between the planned activities, the achieved results, and the impact from the point of view of the final goals. In such cases it is appropriate to use methods for the impact assessment of a certain measure on a certain group in comparison with a similar (control) group for which the measure was not applied.

When financing from the private partner is included, then the local administration employee responsible for the PPP contract should maintain constant contact with the representatives of the financing organizations by including them in the information exchange and in the regular meetings with the private investor.

The conditions for monitoring, assessment and control included in the PPP contract describe the obligations of each party in the partnership, as well as the procedures for determining compliance. This means a variety of activities, which are described in details in the agreement. These activities include:

Choice of criteria and indicators for monitoring assessment and control. During the project lifespan are used objectively verifiable indicators (physical and financial), which provide the basis for measuring the project implementation. They are related to the project specific character and its goals, purpose and results, and are arranged in a way that shows the stage reached at the time of measurement compared to the initially set goals. The physical indicators provide information about the technical aspect of the project progress, while the financial ones aim to guarantee lawfulness and efficiency of the input funds. The schedule for implementing the project activities and the budget framework form a suitable instrument for their monitoring.

In order for a comparison “before-after” to be made, for each indicator are given 2 values:

- *Basic value* – the initial value of the indicator upon launching a certain project compared to which the achieved progress will be subsequently measured. The basic indicators are usually formed based on data of the official statistics. Since quite often these sources may be problematic, the local authority should carry out its internal in-depth analysis of the situation, the medium restrictions and try to provide a quantity aspect of the problems identified, which the project aims to intervene.

- *Target value* – the final value of the indicator which is expected to be achieved with implementing the concrete project intervention. The target indicators are direct measurements of the level of achievement of the preliminary set goals and hence of the project efficiency and feasibility. We should bear in mind that the good goal setting and more specific the provision of adequate, real and measurable indicators is of extreme importance for achieving a quality technical and financial implementation of the project. Unfortunately even more often we witness the practice where it is necessary to impose the relevant unfavorable corrective measures for otherwise well structured projects due to inefficient planning and inability to achieve the set goals and the relevant physical and financial indicators.

Depending on the stage of the project implementation and on the scope of the desired impact, the indicators can be classified as:

- *Result indicators* – they are related to the direct immediate effect on the beneficiary (for example in infrastructural projects – an increased number of citizens serviced by a city waste water treatment plant or an increased quantity of treated waste in the built regional system for waste management; in non-infrastructural projects – a new social service established);

- *Impact (effect) indicators* – they are related to the results of the project implementation beyond the immediate effects/results (for example in infrastructural projects – improving the ecological infrastructure; in non-infrastructural projects – improving the business and/or the investment climate; improving the socio-economic environment for the local community).

Gathering, processing and analyzing data, for example: review and analysis of the measurements made of certain parameters, performed by the private partner, that are related to the workload of a particular facility; review of the quality control date and of the procedures for quality assurance in order to guarantee that the introduced quality systems are available and efficiently used.

The data about the output condition provide quantitative information about the socio-economic conditions on the territory where the respective PPP project is been carried out. They allow defining the quantitative goals and the assessment of the possible effects, results or impacts of the planned goals.

The gathered data is used as a base of calculating the current value of the indicators and the criteria for achieving and forecasting their future values based on the past performance. The assessments of the current values are the base of the actual control. The data analysis and interpretation should be bound to the goals and the assessment indicators so that subjectivity could be curbed.

The problems in gathering, processing and analyzing data are mainly related to:

- Establishing clear casual relations between the planned actions, the achieved results and the impacts based on the final goals. In such cases it is appropriate to use methods for the impact assessment of a certain measure on a certain group in comparison with a similar (control) group for which the measure was not applied.

- Complexity of measurement methods. The qualitative measurement of the results is comparatively easy. In contrast, the impacts on target groups should be measured outside the operational context. They are not always clear and obvious which has an impact on their measurement. The impacts are usually a cumulative effect of various measures, which also hampers the analysis.

Independent control on behalf of the local administration in order to check whether the monitoring performed by the private sector is correct and valid. The control over the PPP



project implementation can be performed through official and unofficial mechanisms.

Small projects implemented by small teams situated on one and the same place in an independent organization unit are not required to mandatory have an official control system [5, p. 48-49]. The control systems can be ordinary, in the form of regular meetings with the partners, as well as more complex, covering a set of technical means, documentation, programme coverage, etc. The decision to apply an official control system and the choice of the specific for each project system should be based on two aspects of the project: the included risk; the value of the control system and the benefits expected from it. The situations with big risk, where the possibility for unwanted results is significant due to the project complexity and the environment factors and where the expenses related to the elimination of the undesirable outcomes are high, the investment in official, well developed control systems are justified. In all cases the control value should not exceed the expected profits as a result of the functioning of the control system. The control is exercised by the project manager, who uses information from the control system.

In case of non-conformities the following steps should be undertaken: requiring information for clarification; launching an investigation; requiring specific corrective measures; requiring changes in the procedures and practices of the private partner; requiring changes in the management staff or contractor(s) of the private partner; official warning of the private partner for unsatisfactory performance; issuing a public warning; if the situation remains unchanged – a recommendation for entering in/or termination of the contract.

Generating reports. Each PPP project has strictly defined requirements for the design and content of the reports, especially if information is received by several sources. It is advisable to prepare reports for the so called “critical stages” of the project. A comparison is drawn between the achieved results and the preliminary assessments of the work, expenses, terms, quality, etc. The reports should include assessments for deviations from the plan, the possible consequences and problems, as well as requirements for the future work [5, p. 48-52]. For the big PPP investment projects it is recommended to prepare a report for the real value of each implementation criteria. For example: the completion of a certain stage can be reported at the successful implementation of the accepted sample and during the submission of the relevant quality control report. The same stage is reported as completed only after the payment by the public sector (or the financing institution), based on the stage completion [4].

It is possible to envisage the establishment of a Project Supervisory Commission – the Supervisory Commission is a recommended unit for performing implementation

monitoring especially in longer and complex projects. Traditionally it is formed in the very beginning of the project realization with the main purpose of allocating supervisory responsibilities for implementing the project activities. Usually its members are representatives both of the municipal management and at the expert level depending on the specific project features. The presence of representatives of the project partner is necessary, while often part of the Surveillance Commission are also external for the beneficiary organization persons who are directly interested in the implementation. The Surveillance Commission gathers for regular working meetings and maintains close cooperation with the Management Team. Among the main activities of the Commission are review of the progress according to the project plan, review and approval of necessary changes of the planned implementation within the permissible, approval of key strategies, identification of risks beyond the project control, specifying corrective measures during escalated problems, solving conflicts between the interested parties.

III. CONCLUSION

The monitoring, assessment and control system for PPP projects should be constructed in such a way that it guarantees the planned project realization. Its main function is to monitor the progress and to note the deviation between the set goals and the current conditions and tendencies, which show the probability of the deviation to occur again in the future.

Similar to the Information system for management and monitoring of the Operational Programmes Management Units, developed for the purposes of the European funds and supporting the daily work of the managing bodies, the intermediary bodies and the central coordination unit, the local authority can create an internal municipal information system, which can service the project work, including such based on PPP.

It is recommended that the system should be designed in such a way that the user can find quickly and easy all kind of information, generated in the process of the project preparation and implementation. Thus the presence of electronic archive of the projects is secured, which will allow traceability, analysis and summary of key data. The establishment of such information system is suitable for municipalities, which simultaneously perform multiple projects funded by different sources. In order to be functional the system should be designed in such a way so that it allows upgrading it with additional “intelligent” modules depending on the scope of the necessary information bases – tender procedures; contract management; management of time, human and financial

resources (own and attracted); document flow; risk analysis, etc.

The role of the local community in its quality of user of the service/object, which is the subject of the PPP, is important in its essence, since the behavior of the user (as part of it) is a leading factor in the forecast and in the actual collection of the PPP project revenues. In this context the focus should be on the intermediary function of the municipal administration in finding lawful methods for solving potential for the PPP conflicts between the financial profit and the public benefit of the project. Therefore the inclusion of the local community in the monitoring, assessment and control of the entire process of the PPP project planning and implementation is very important both for the local authority and the private partner and for the financing institution.

Preparing, at the end of the exploitation period and after the contract completion, a financial analysis and assessment of the project results based on its usefulness and efficiency, is also an important prerequisite for its successful completion. The results of the regularly carried out monitoring, assessment and control of the PPP project activities, as well as the conclusions of the final analysis of its completion are an information resource for planning and implementing future PPP in the municipality.

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