



# **NAVIGATING GOVERNMENT PROCESSES IN INFRASTRUCTURE DEVELOPMENT PROJECTS: VALUE FOR MONEY AUDIT BENCHMARKS**

**Kofi N. Andah**  
**Country Director**  
**October, 2021**



# Presentation Outline

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# Who are Crown Agents?

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- ❑ We are a leading international development company providing professional services to the public sector and international organisations across the world.
- ❑ Our value proposition includes:
  - ❖ Entire focus is on international development objectives
  - ❖ In existence for over 180 years in the development arena - so we understand the complex challenges being faced by our clients
  - ❖ Permanent offices across the world - this means we understand national challenges and deliver practical and appropriate solutions
  - ❖ Wholly owned by not-for-profit Foundation - this means we have no shareholders or dividends and each year a proportion of our surplus is passed to the Foundation for investment in development initiatives
  - ❖ Wide skillset, but primarily focusing on procurement, fund and grant management, health systems strengthening, public financial management (especially revenue, debt and expenditure management) and public sector modernisation
  - ❖ We are one of the world's leading experts in public procurement and supply chain management, and we provide project management services to facilitate development

## VFM Audit: Project Aim

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- ❑ Our work with Ghana's Ministry of Finance(MOF) began in 2000.
- ❑ Our remit is to assess high value public sector capital contracts, to help the Ministry of Finance achieve its specific objectives of transparency, accountability and value for money.
- ❑ VFM assessment aim at achieving the following:
  - ❖ Identifies potential financial savings
  - ❖ Improvements in contract terms and conditions
  - ❖ Strengthen the procurement function by identifying capacity building needs

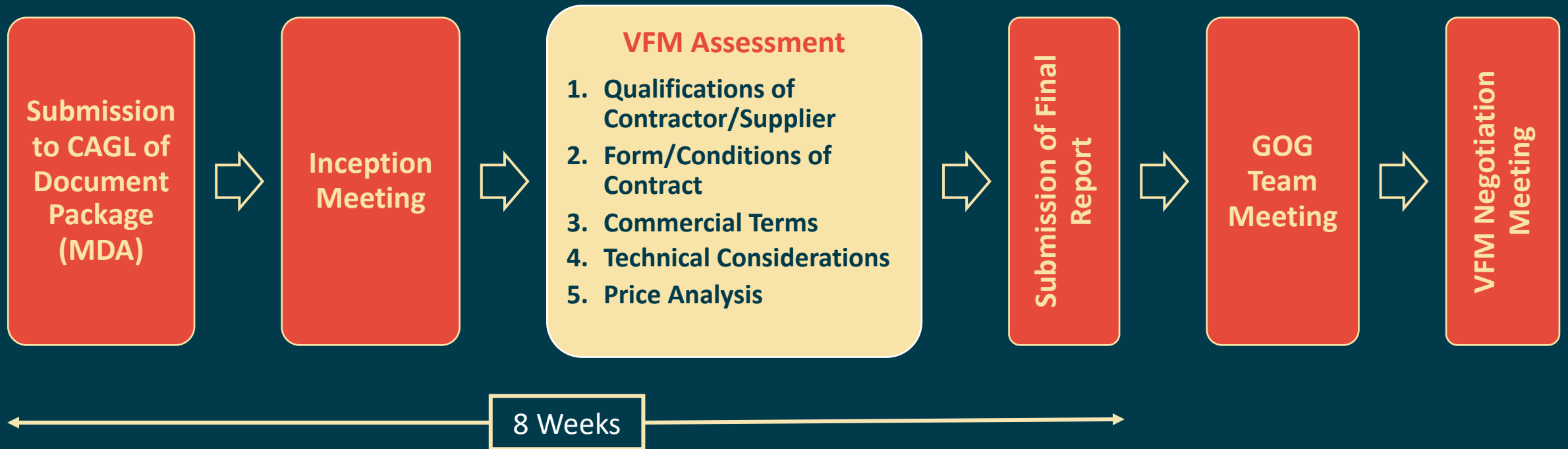
Crown Agents' client is the Ministry of Finance



## □ Crown Agents' Role:

- ❖ Qualitative evaluation of risk level for each of five contract assessment components
- ❖ Determination of overall risk level to which client is exposed
- ❖ Recommendations on how to reduce the risk in each case
- ❖ Supporting GOG in negotiation with the proposed contractor
- ❖ Assessing any revised proposal that arises from negotiations
- ❖ Capacity Building
  - Fundamental principles of value for money in public procurement;
  - Planning for large capital procurement;
  - Planning for and writing Employer's Requirements; and
  - Negotiation on issues of value for money with contractors.

# The VFM Audit Process: CA's Role (cont.)



# VFM Audit: Contractor's Qualifications



No.	Subject	Minimum Qualification Requirement	Supporting Documentation
1	Financial History	The Contractor must demonstrate the current soundness of the its financial position and its prospective long-term profitability.	3 years audited balance sheets.
2	Financial Resources	The Contractor shall demonstrate access to liquid assets, unencumbered real assets, lines of credit, and other financial means (independent of any advance payment) sufficient to meet the production cash flow requirements estimated as 50% of the Contract Price net of the any other commitments.	Audited Balance Sheets indicating liquid assets and/or net current assets
3	Turnover	Contractor minimum average annual turnover of 1.2 times the estimated annual turnover of production of the goods for this Contract based on a straight line projection, and calculated as total certified payments received by Contractor for contracts in progress or completed, within the last 3 years.	3 years audited Income Statement, or copies of certified payments received.
4	Contractor Experience	Contractor must have satisfactorily and substantially completed as a prime contractor, joint venture member, or sub-contractor 2 similar contracts in the last 5 years, having a value to the Contractor of at least 60% of the Contract Price for this Contract.	Completed Form F1.
5	Personnel Experience and Qualifications	Contractor must demonstrate that they have sufficient suitably experienced and qualified staff to undertake the Contract.	CVs of contractor's key staff.

## VFM Audit: Conditions of Contract

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- Selection by the Client of an appropriate form of contract is a critical step in establishing the foundation for achieving value for money in public procurement.
- This section assesses the suitability of the Form of Contract selected for this contract as well as the extent to which the contract conditions maintain a reasonable balance of risk and reward for both Parties.
- Recommendations are made to mitigate risks identified with the contract as written.



## VFM Audit: Commercial Terms

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- ❑ Commercial contract terms governing payments, securities, damages, insurances and termination of the Contract.
- ❑ It is critical that the commercial terms of contract are clearly and fairly established at the outset to protect the interests of both Parties and to allocate a fair distribution of risk and reward between them.
- ❑ This section assesses the commercial terms proposed for this Contract and offers recommendations to improve substantially the clarity and balance of the commercial terms of contract.

## VFM Audit: Technical Considerations

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- ❑ Value for Money is defined as the optimal balance of whole-life cost and quality to meet the end user's requirements.
- ❑ Therefore a clear statement of the user's (or Employer's) requirements is critical to the assessment of whether a contract or project has the potential to achieve value for money.
- ❑ This section compares the Contractor's Proposal to the Employer's Requirements to ensure coherence, and makes recommendations for mitigating risks associated with any identified gaps.

## VFM Audit: Price Analysis

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- ❑ The contract price analysis is critical to determine value for money to the Employer.
- ❑ The analysis is to assess whether the Contract Price is in line with fair market pricing.

# Crown Agents' VFM Audit Results

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## □ The benefits of our work have extended beyond the financial savings:

- ❖ Strengthened institutional procurement knowledge
- ❖ Built capacity and good practice
- ❖ Greater institutional awareness of practices such as
  - The need for early interventions (“upstreaming”) in order to build in best VFM outcomes right from the start.
  - The need to use standard model forms of contract , wherever appropriate, in order to provide a proper basis for attainment of VFM.
  - The need for scope of supply and product specifications to be dictated by well-defined needs assessment of employers.

## Crown Agents' VFM Audit Results (cont')



Year	Number of VFM Assignments Received*
2021 (Jan - July)	4
2020	10
2019	7
2018	4
2017	2
2016	4
2015	1
2014	4
2013	3
2012	10
<b>Grand Total</b>	<b>49</b>

\*Does not include cancelled or suspended VFM assignments.

Savings made by GOG through CA's VFM Audit work: US\$ 352.4 million



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THANK YOU