



16th Meeting of the CAREC Transport Sector Coordinating Committee

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16-е заседание Координационного комитета ЦАРЭС по транспортному сектору

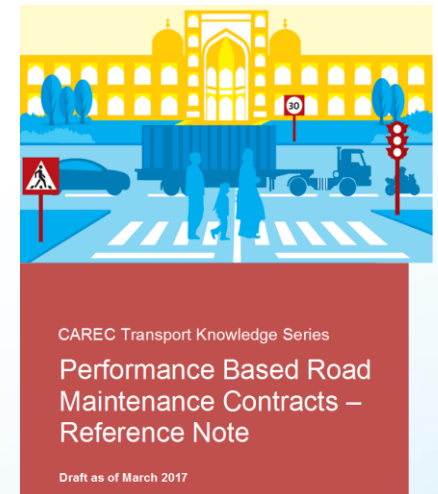
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Performance Based Contracts (PBC): Enabling better RAM



Performance Based Road Maintenance Contracts – Reference Note

- Main Sections:
 - Basics of PBC concept
 - Implementation experiences
 - Lessons learned
 - PBC implementation strategy in CAREC countries
 - Recommended options for pilot PBCs in CAREC member countries
 - Role of international financial institutions






Delivery of Road Maintenance

- In-house with own staff (force account)
- Contracts with private sector
 - *Traditional contracts*
 - Unit rates for work items
 - Payments are based on quantity of completed and measured work
 - *Pure performance contract (PBC)*
 - Performance Standards or Service Quality Levels
 - Fixed monthly payments if service quality levels are complied with
 - *Hybrid contract (PBC)*
 - Mixture of method based contract and performance contract

Basics of PBC Concept

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- Performance or Service Levels define the minimum conditions related to road assets during the entire contract period
 - The contractor is free to decide on how to satisfy the minimum conditions.
 - Lump sum payments are made periodically and might be adjusted in accordance with agreed factors (e.g. inflation or increased traffic volumes).
 - Deductions are made for non-compliance with terms and conditions of contract, particularly the service levels.

Advantages of PBC



- Deliver good value for money
- Provide better guarantee of sufficient funding for road maintenance
- Improve road conditions, help to reduce road user cost and improve road safety
- Help to save substantial amounts of road rehabilitation and reconstruction works



Keys to Successful Implementation


- Strong commitment and support by key decision makers
- Qualified and motivated staff of the client, contractors and consultants
- Adequate road asset management system to support the requirements of PBC
- Enabling operating environment, including:
 - legal (multi-year contracts),
 - financial (long-term funding), and
 - institutional (separation of client and contractor) framework

A decorative graphic on the left side of the slide consists of several overlapping, colorful triangles in shades of blue, green, and orange. Each triangle contains a white icon representing a different mode of transport: a ship, an airplane, a train, a truck, and a bus. A stylized blue road with a white winding line also winds through the composition.

PBCs in CAREC member countries

- Afghanistan
 - 8 PBCs awarded between 2006-2011, 1913 km in total
- Tajikistan
 - 2 PBCs awarded in 2013, 150 km in total
- Peoples Republic of China
 - More than 20 PBCs awarded between 2004-2015, over 300 km in total
- Georgia
 - 2 PBCs awarded in 2016, over 200 km in total

Proposed Next Steps

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- Create an enabling environment and meet preconditions
 - Design a PBC in line with national conditions (technical studies, tender documents, data to be supplied to bidders, supervision arrangements)
 - Procure and implement PBC, for example:
 - Option 1: Routine maintenance, 3-4 yrs, 100-150 km
 - Option 2: Routine and periodic maintenance, 5-6 yrs, 150-200 km
 - Option 3: Routine and periodic maintenance, 5-6 yrs, 700-1000 km