



NEC South American case study: Lima 2019 and Reconstruction Authority Project

Wednesday 4 August

08:00am- 09:00am (PET)



Housekeeping

- Please mute your mics and turn off your video
- Remember to keep your microphone on mute when not speaking
- Recording and slides to be distributed after session

Speakers

Amalia Moreno

Authority of Reconstruction
Projects with Changes



Pamela Katherine Salas alfaro

Authority of Reconstruction
Projects with Changes



Speakers

Kate Flint

UKDT Programme Director /
Directora del programa UKDT

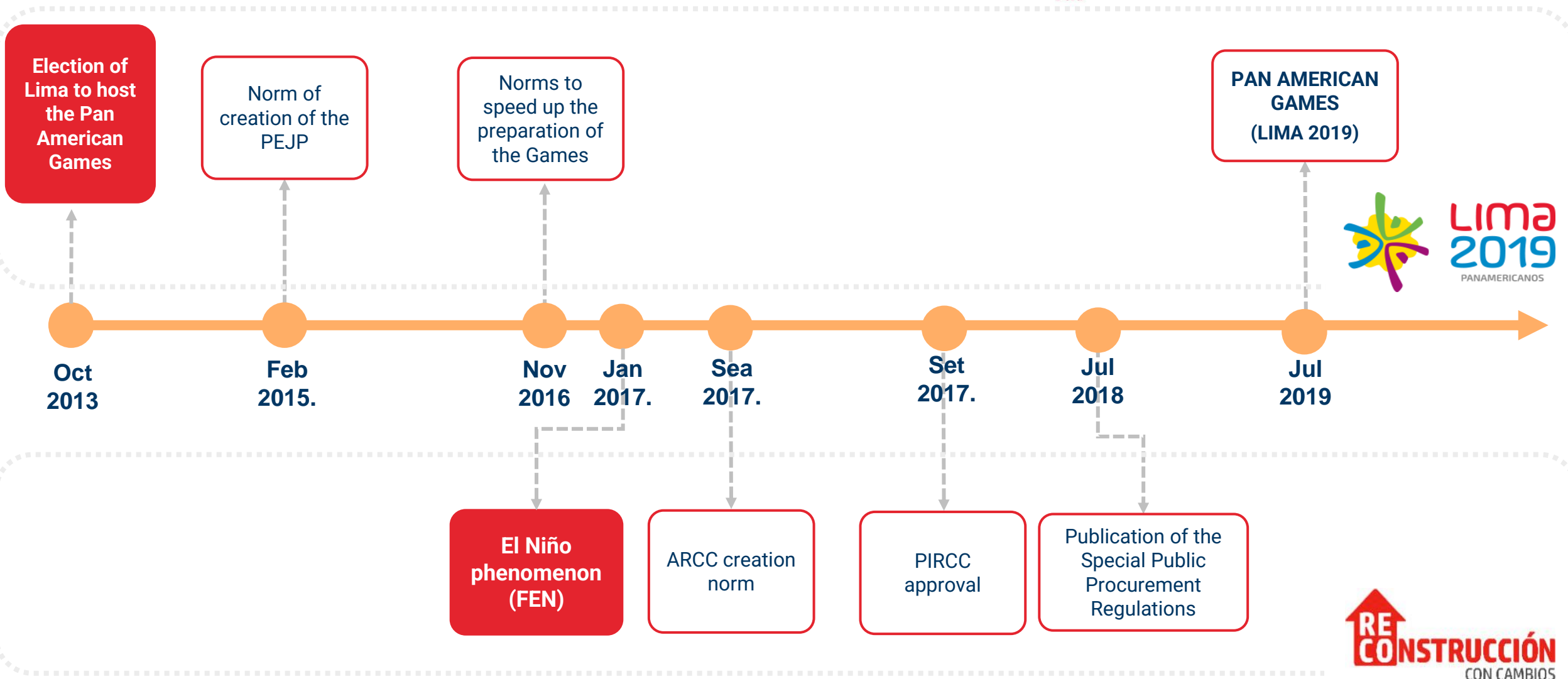


Jaime Gray

NPG



PROJECTS CONTEXT



SOCIAL CONTEXT: Years 2016 - 2017



LAVA JATO CASE



CONSTRUCTION CLUB

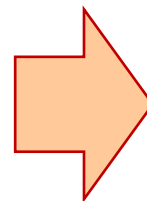


PERUVIAN REGULATORY FRAMEWORK FOR PUBLIC PROCUREMENT

POLITICAL CONSTITUTION OF PERU

Article 76. The works and the acquisition of supplies with the use of public funds or resources are compulsorily executed by contract and public bidding, as well as the acquisition or disposal of goods.

The contracting of services and projects whose importance and amount is indicated by the Budget Law is done by public tender. The law establishes the procedure, the exceptions and the respective responsibilities.



LEY DE CONTRATACIONES DEL ESTADO Y SU REGLAMENTO

Mejores lineamientos legales
para el uso eficiente
de los recursos públicos

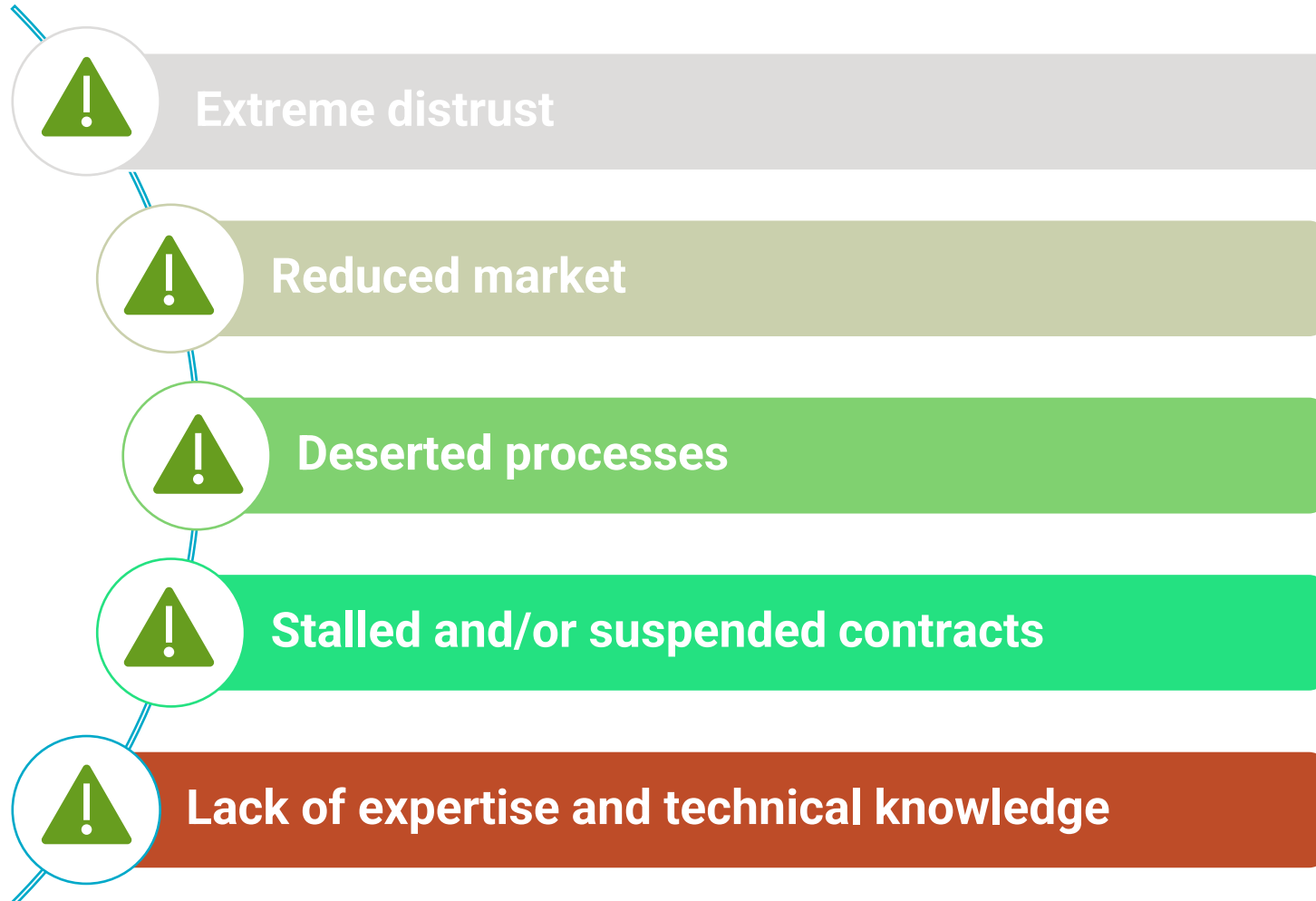
A partir del 09 de enero de 2016, entra en vigencia la nueva Ley de Contrataciones del Estado.

Ley 30225.

Busca la maximización del valor, gestión por resultados, priorización de calidad frente a las formalidades y mayor discrecionalidad.



PROBLEMATIC OF PUBLIC PROCUREMENT AS OF 2017



CHALLENGES



- ✓ Reduced risk of default
- ✓ Greater negotiation capacity and use of agile contracting schemes
- ✓ Reduction of contracting costs and risks
- ✓ Incorporation of innovation components and knowledge transfer
- ✓ Incorporation of incentives to strengthen the cooperation policy between the parties
- ✓ Incorporation of conflict prevention mechanisms

STATE TO STATE CONTRACTING



Article 4 of the Legislative Decree No. 1248



Use the state-to-state contracting modality for the hiring of management and for the provision of all the necessary services for the realization of the XVIII Pan American Games of 2019 and Sixth Parapan American Games of 2019, including the contracting of the different components of viable investment projects.

Numeral 7.8 from the article 7 of the Law N ° 30556



Use the state-to-state contracting modality for the management and provision of goods, services or works necessary to implement construction and reconstruction interventions included in the Plan.

REQUIREMENTS

- Market research at the State level.
- Technical-economic report that evidences the comparable advantages for the Peruvian State of contracting directly with another State.
- Report from the Budget Office or the one acting in its place that indicates that the necessary financing is available for said contracting; Y
- Declaration of viability for construction interventions, or the Single Reconstruction Format approved for reconstruction interventions; and in the case of management, a report on the status of the Plan's interventions is required.



STATE TO STATE CONTRACTING

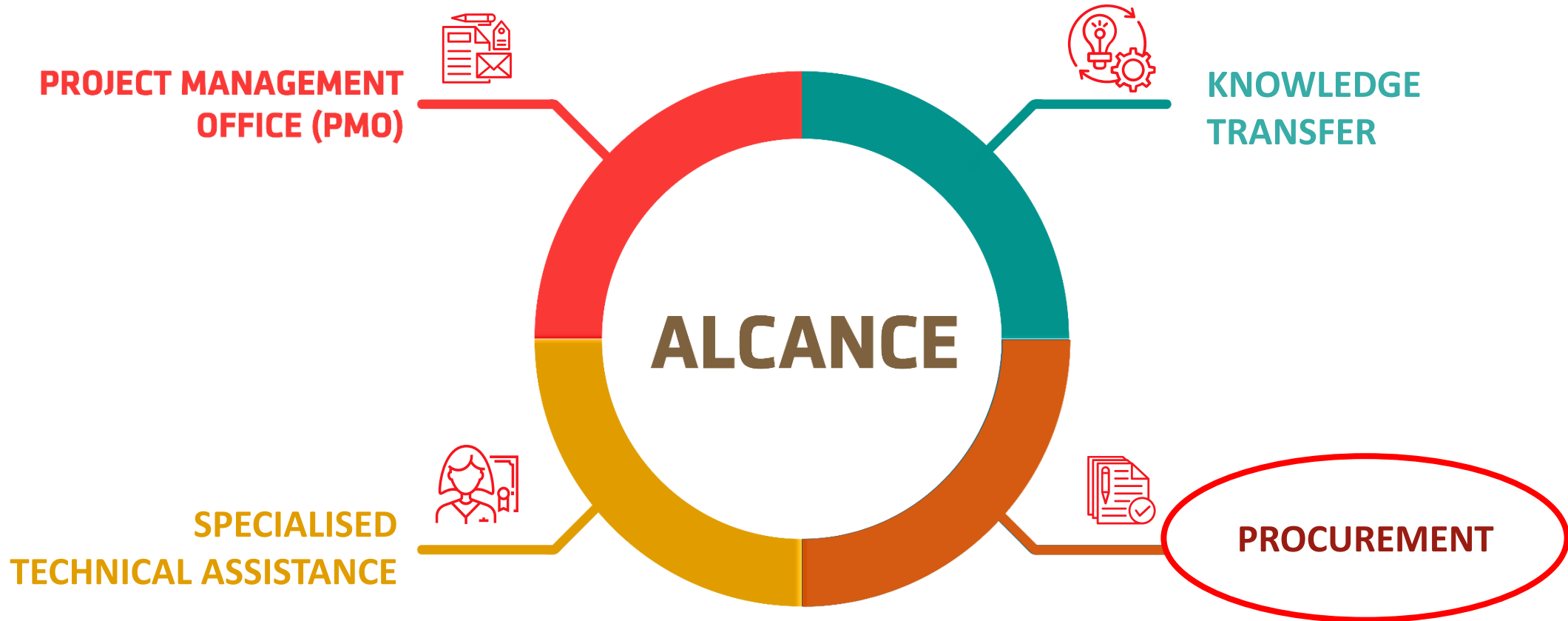


Department for
International Trade





STATE TO STATE CONTRACTING





STATE TO STATE CONTRACTING

CONTRACTING MODEL

Basis and evaluation criteria developed by the UK using international best practice.

Assessment carried out by UK specialists in each of the subjects included in the assessment criteria.

Litigation is considerably reduced, they develop meetings with unqualified bidders to inform them about the results of the evaluation.

CONTRACT MODEL

Collaborative spirit.

Flexible deadlines in the development of each stage - "fast track" implementation.

Preventive rather than reactive work.

NEC BENEFITS FOR PUBLIC MANAGEMENT

- ✓ **Contracts that are adapted to the particularities of the projects.**
- ✓ **Promotes the spirit of collaboration between Contractor and Employer.**
- ✓ **Involvement and permanent presence of the Contractor in the implementation of the projects.**
- ✓ **It encourages good management with an emphasis on communications, cooperation and programming from the beginning of the contractual term.**
- ✓ **Reduces the risks of project suspension and / or stoppage through proper project risk management.**
- ✓ **It fosters a culture of conflict prevention.**
- ✓ **Application of incentives to achieve the objectives.**

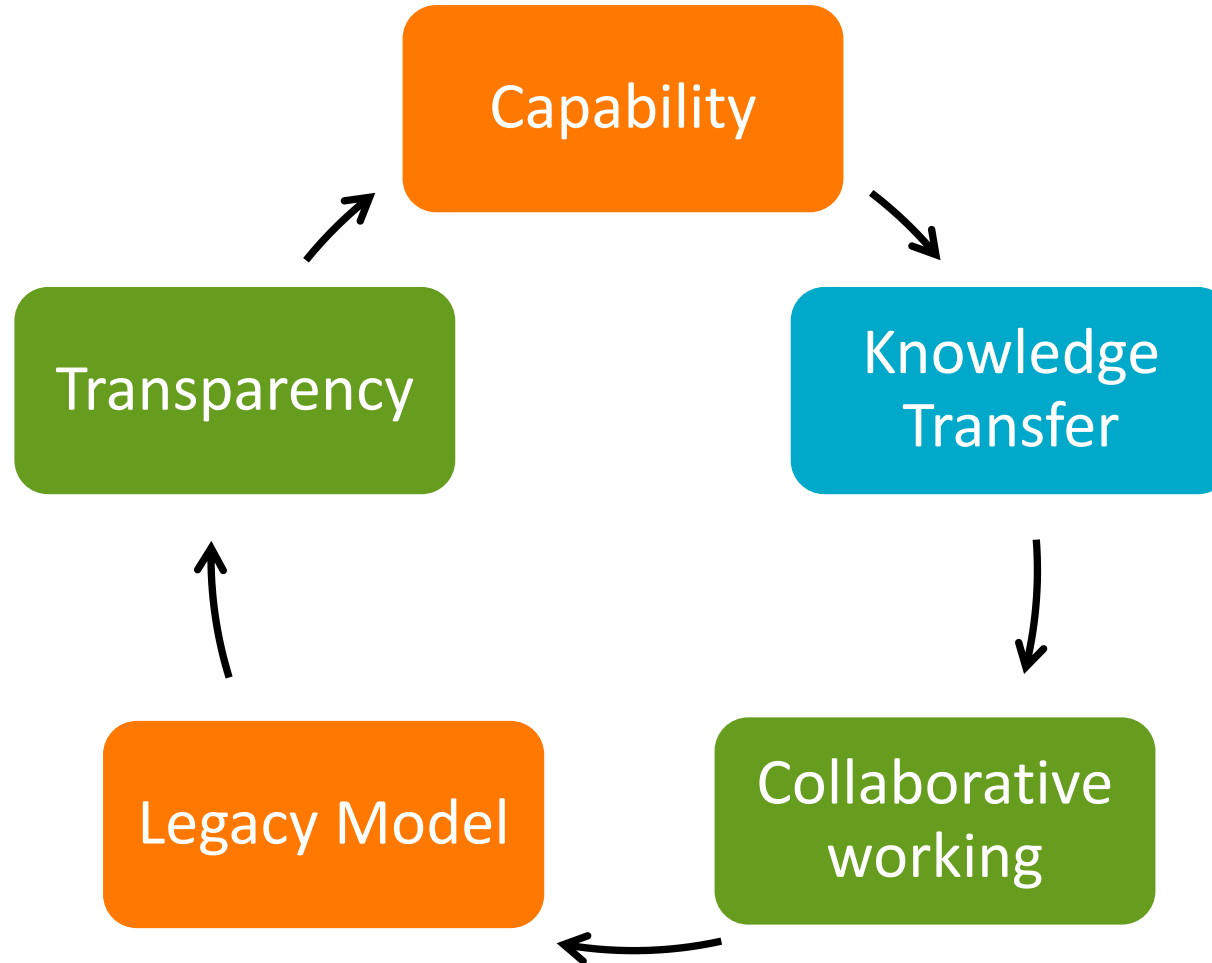


G2G Context





UK G2G Bid – Core Themes



The challenge



19 new
Venues &
AV

\$500m

18 months

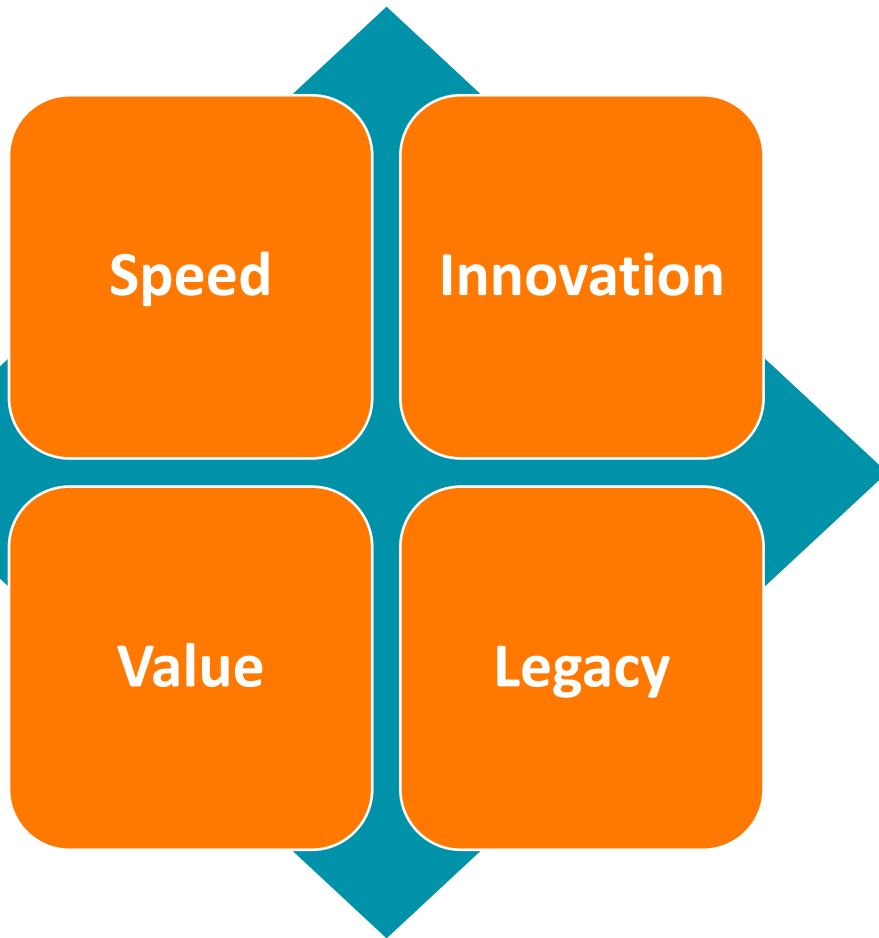
Immovable
deadline

Areas of Challenge

- Programme
- Design
- Organisation
- Market
- Budget
- History
- Bureaucracy
- Legal



Considerations



“New thinking”

“Collaboration”

“Focus on Delivery”

“Simplification”

“Partnerships”

“Flexibility”

“Tools”

“Innovation”

“Risk Share”



NEC – the right choice

Why

- Speed
- Simplicity
- Process
- Adaptability
- Design Maturity
- Change
- Resource
- Control
- Delivery Focus
- Collaboration
- Early Contractor Involvement

Basis

- Mutual Trust and Cooperation
- Flexibility
- Clarity
- Simplicity

Principles

- Supports collaborative working
- Good Management and Administration
- Risk share definition
- Process driven
- Programme is central
- Early Warning Process
- Progressive Contract Administration



Benefits of NEC approach

- Market **Response**
- Enabled **Innovation**
- **Early Contractor Involvement**
- **Collaborative team** working to meet objectives
- Dispute avoidance / **Risk share**
- Delivery **Focused Contract / NEC processes**

“Transition from prescriptive based to output based regime founded on principles”

Benefits - time

October 2017



March 2019



1086 apartments in the Athletes Village delivered in 18 months
All venues completed on time

Benefits - time



Aquatics Centre at Videna Sports Complex delivered in 15 months (international benchmark 24 months)



Benefits - quality



- Contract processes that support quality management
- NEC Supervisor

Benefits – reputation



- \$500m programme of complex infrastructure procured, designed and constructed in 20 month period within budget
- Peruvian Public Sector delivery reputation enhanced
- No disputes

Benefits – reputation



- Lasting Legacy
- World class venues delivered safely on time, on budget to host a highly successful games.
- Model for infrastructure delivery
- Confidence



Positive Lessons using NEC

- Engagement of supply chain
- Embracing NEC principles
- Improving the local context / External assurance bodies
- Incentivisation & Key Performance Indicators
- Speed against time
- Dispute Avoidance Board
- Commercial close out



“New ways of working are possible in an unlikely environment”



Challenges & Barriers

- Implementing the right team infrastructure
- Peruvian Law
- Maintaining NEC core principles
- Legal team vs contract administration
- Governance and Delegated Authority
- NEC Supervisor
- Reporting





“Behaviours won’t change overnight - traction comes with continued success”

works | services | supply

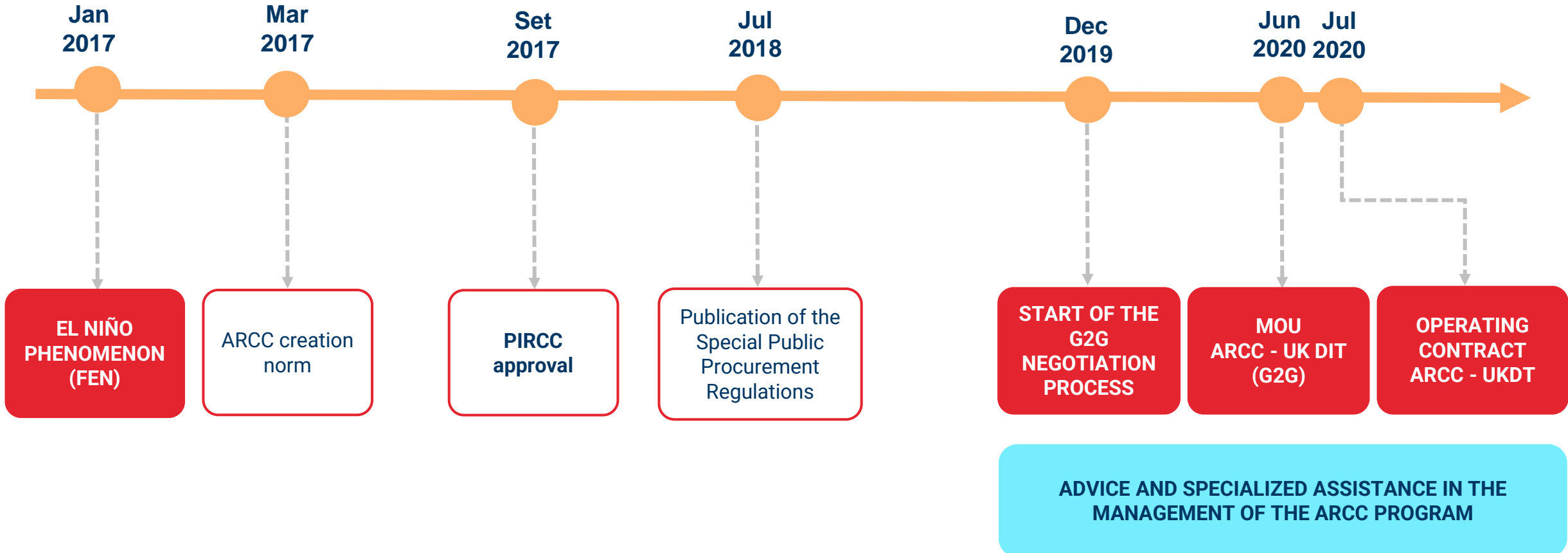
EL NIÑO PHENOMENON



COMPREHENSIVE RECONSTRUCTION PLAN WITH CHANGES

Components (edit)	No. of interventions	Amount (In millions S/)
 Reconstruction	11,509	18,505
 Prevention (Construction)	19 rivers, 5 streams and 7 drains	5,446
 Housing solutions	37,621	1,254
 Capacity building	-	450
Total amount		25,655

TIMELINE



ARCC PROGRAM



Region	Interventions
Tumbes	3 educational institutions 2 integrated solutions
Piura	29 educational institutions 5 health centres 5 integrated solutions
Lambayeque	5 educational institutions 1 health centres 6 integrated solutions
Cajamarca	2 educational institutions
La Libertad	8 educational institutions 1 health centre 6 integrated solutions
Ancash	24 educational institutions 7 health centres 3 integrated solutions
Lima	2 educational institutions 1 health centre 5 integrated solutions
Huancavelica	1 educational institution
Ica	2 integrated solutions



74 educational institutions
in 8 regions

15 health centres
in 5 regions

29 integrated solutions
in 7 regions
(Rivers, streams and drains)

PARTICULARITIES OF THE ARCC PROGRAM



Large number
of works

Different
sectors and
objects

Highly complex
and highly
specialised

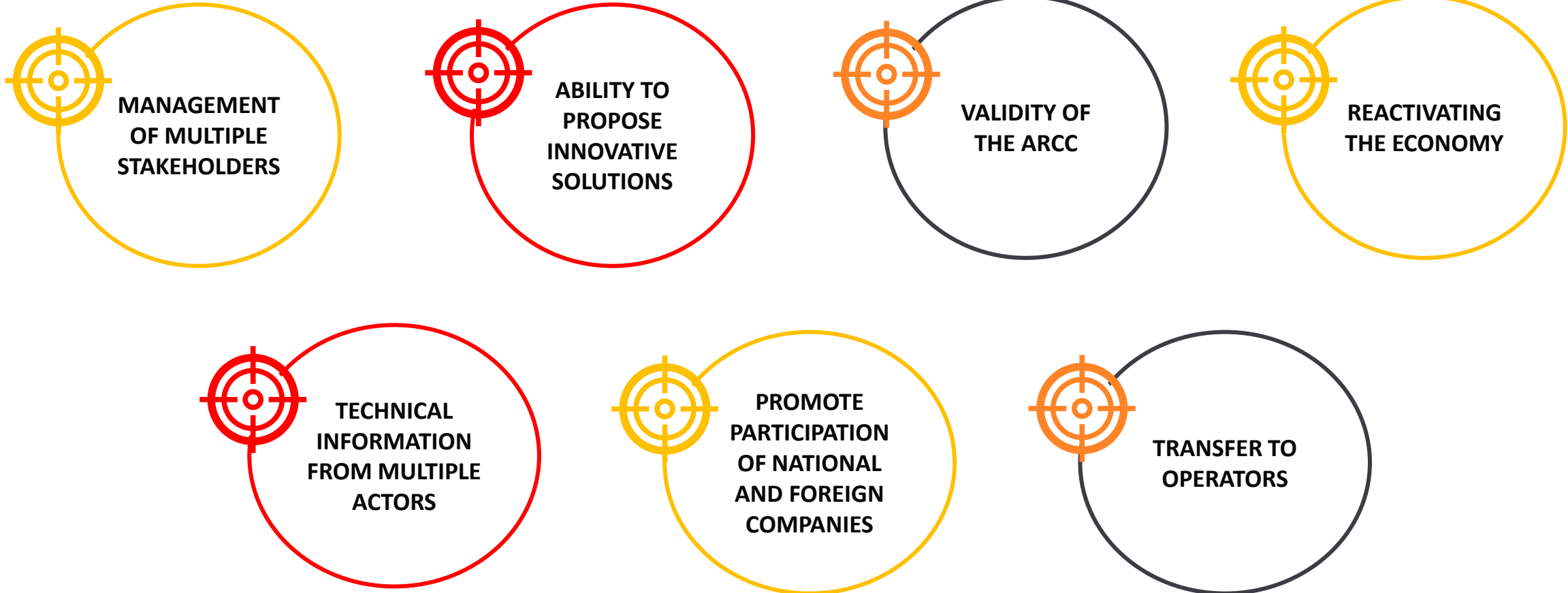
Various
locations

High social
impact

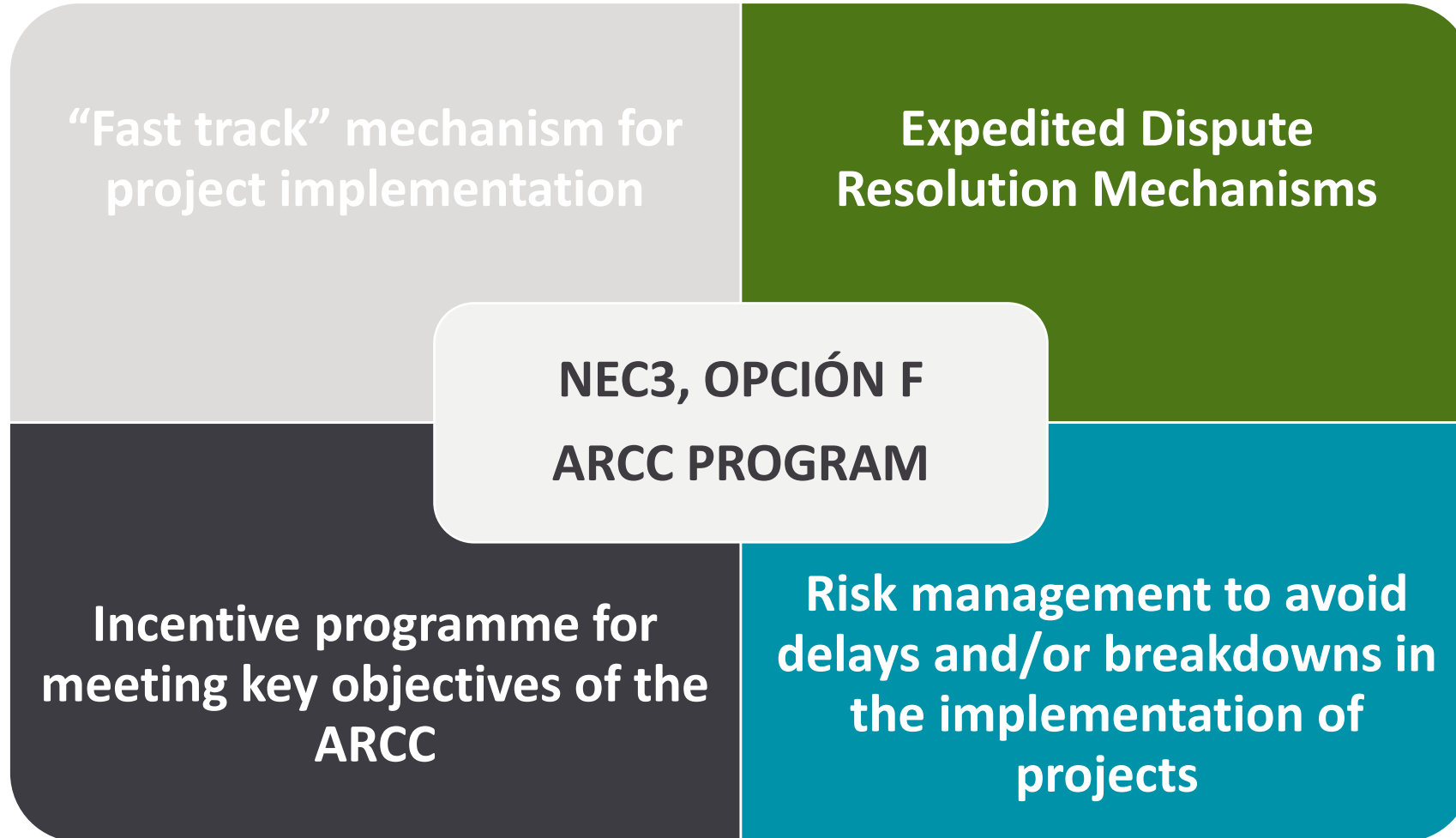
Transfer of
infrastructure
to operators



CHALLENGES IN THE ARCC PROGRAM



NEC CONTRACTS IN THE ARCC PROGRAM



NEC CONTRACTS IN THE ARCC PROGRAM



IMPROVEMENTS INCORPORATED INTO CONTRACTS NEC3, OPTION F

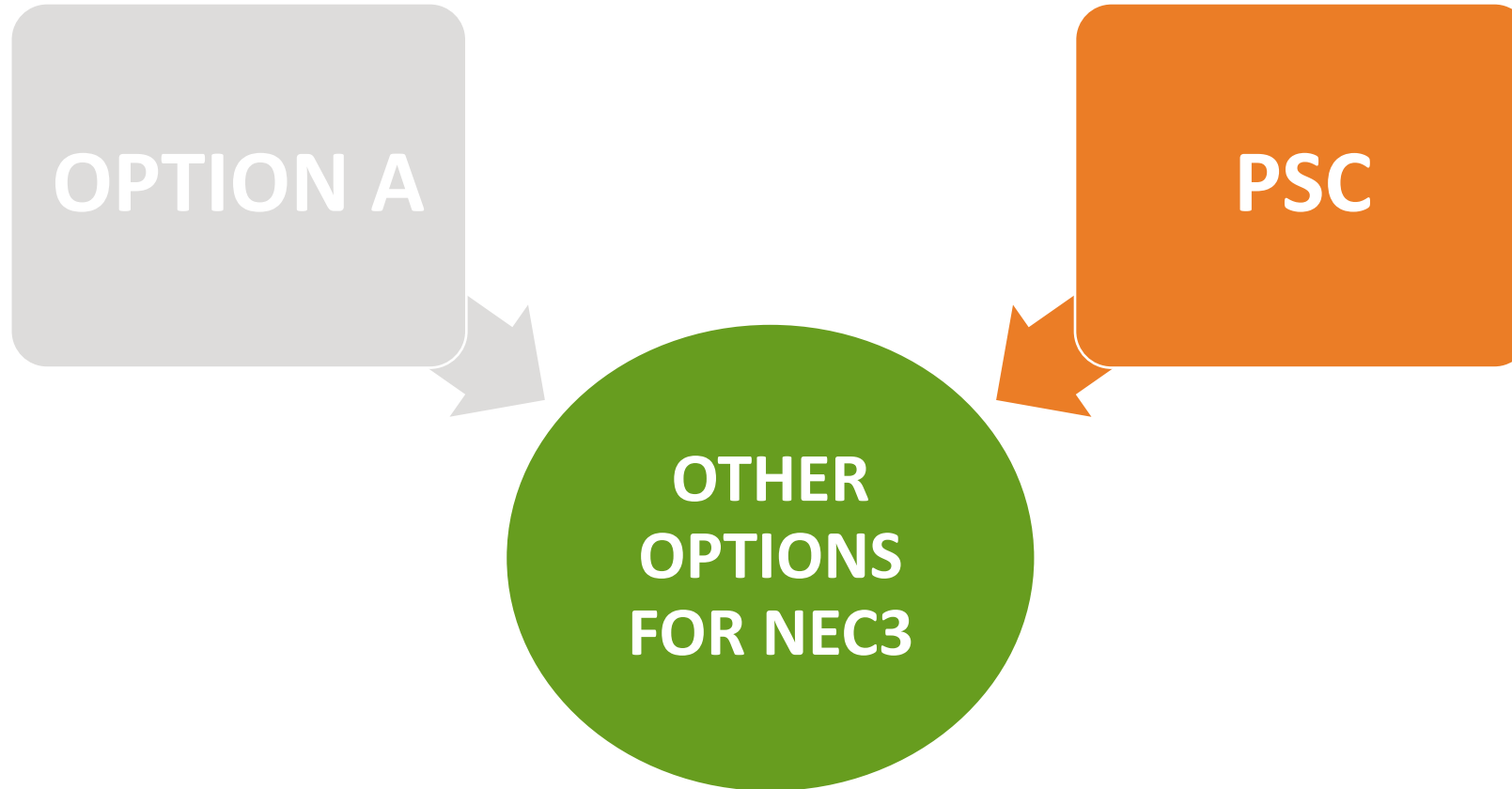
Maintain NEC principles in order to streamline project implementation

Maintain NEC principles in order to streamline project implementation

Clarify the concepts of "Defined Cost" and "Fee".

Developing the implementation of the **value for money** principle in subcontracting

NEC CONTRACTS IN THE ARCC PROGRAM



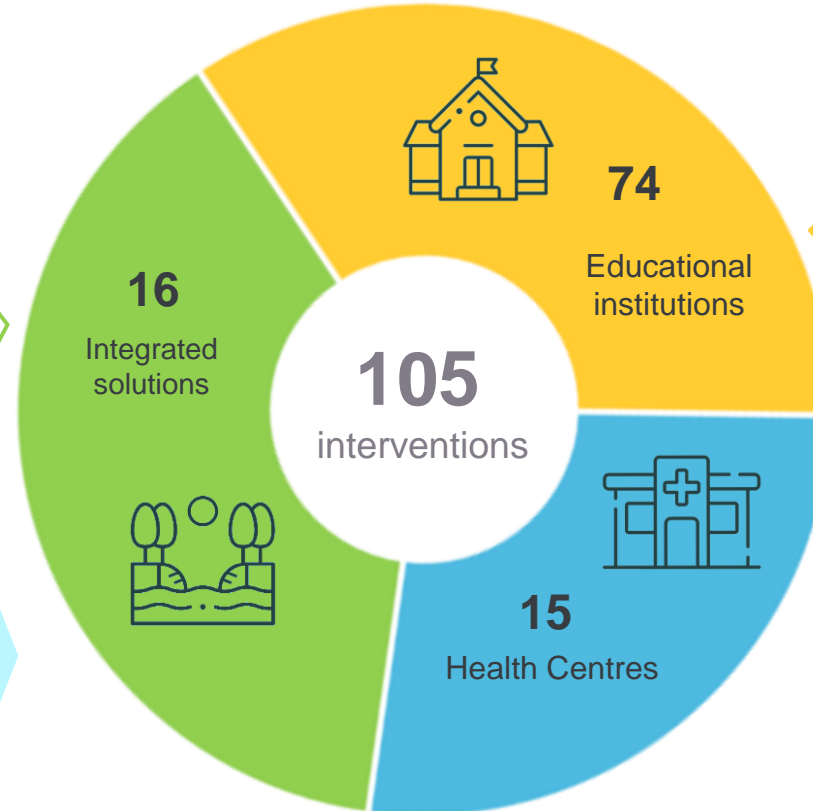
PROGRESS IN THE ARCC PROGRAM

From AUG 2020
to JUL 2021

26 CONTRACTS
SUBSCRIBED

TOTAL INVERSION
S / 6 BILLION

**10 CONTRACTS
SOLUTIONS
INTEGRAL**
FOR S / 3,991,289,699



**9 CONTRACTS
EDUCATION**
FOR S / 797,427,506

**7 CONTRACTS
HEALTH**
FOR S / 1,255,599,374

ACHIEVEMENT: 100% of Health and Education interventions have signed contracts, whose investment amounts to **more than 2 billion soles**.





Adapting NEC contracts for the Peruvian Market

- Using NEC contracts with local law. Administrative procurement law, the Civil Code and the CGR
- How flexibility of contracts helps with contract administration and reduces administration costs
- Incentivisation over penalisation – how NEC approach is effective in dispute avoidance



NEC vs Peruvian law

- Our LCE is not compatible with the NEC Contracts

We cannot employ it to interpret NEC Contracts or to understand the role of the players

- Spirit of mutual trust and collaboration – Is it good faith?
- And the Peruvian Civil Code is compatible? The case of penalties and others
- NEC Contracts and the CGR



Flexibility of Contracts

- NEC contracts are modular and flexible
- We have a Schedule of Options which must reflect the proper allocation of risk and management tools for the project
- What if we focus ourselves on resolving problems and manage the contracts instead of looking for a previously fixed recipe established in the contract?



Incentivisation vs penalisation

- Change paradigms rationally
- Is it all about KPIs?
- NEC Contracts give us all the opportunity to challenge ourselves and being benefited from it
- The road ahead: NEC 3, X 12 and the NEC 4 Alliance Contract

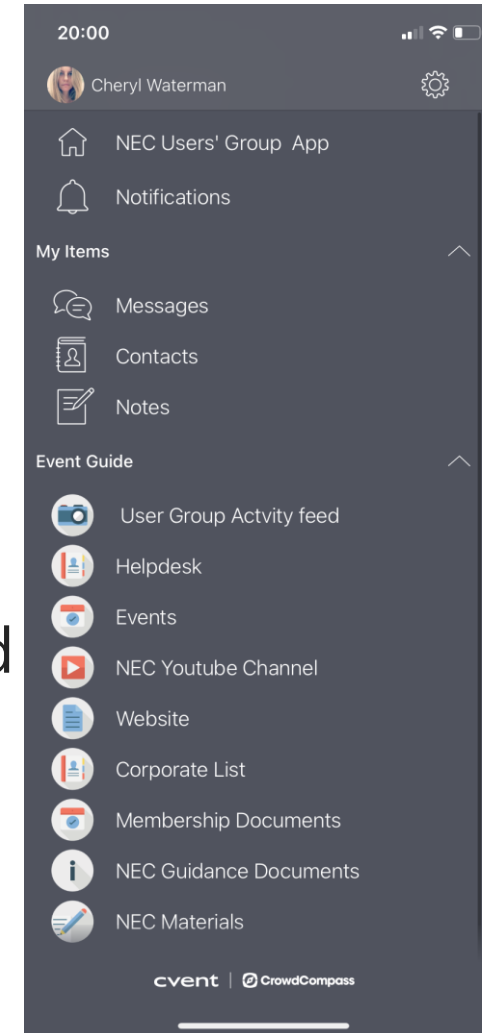
“Don’t expect different results if your habits are the same”

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Contact us

☎ +44 (0)20 7665 2446

✉ info@necontract.com

One Great George Street, London SW1P 3AA

• necontract.com