

The Commercial Law Development Program *Presents* *Public-Private Partnership Webinar Series*



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PPP Business Case Development



Today's presenters



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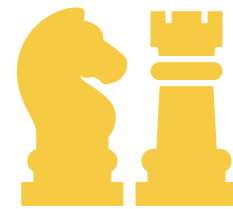


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Today's Agenda

- Understanding the Purpose and Key Elements of a Business Case
- Components of the Business Case
- Best Practices for Procurement



Important Questions to Ask

- What is the **purpose** of the project?
- What is the public **need**?
- Define the objectives by which project success will be **measured**
- **Why** are you considering a PPP?



Business Case in PPPs

- What is a business case?
- Why is a business case important?
- Where does a business case come up into the PPP lifecycle?



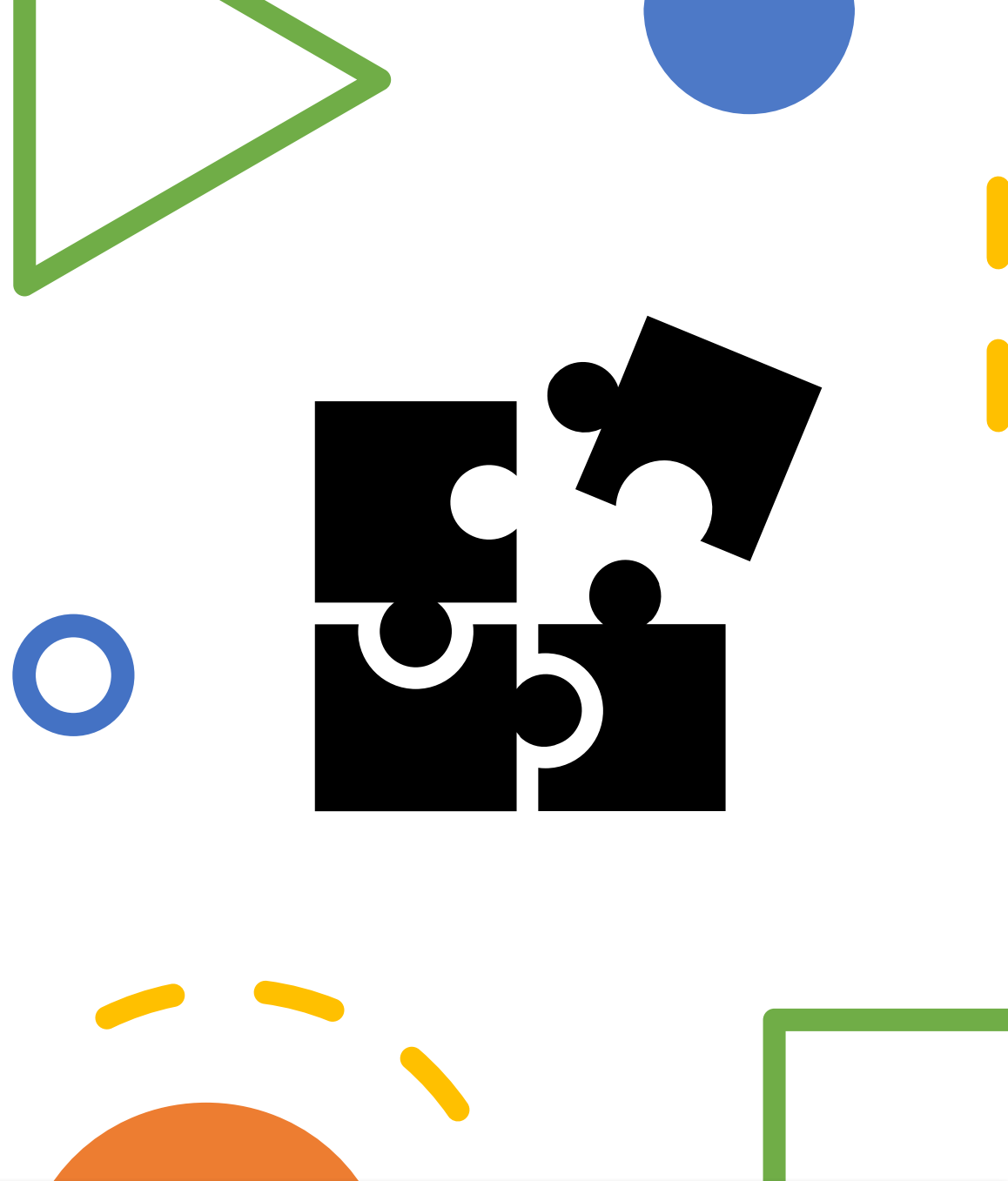
Purpose of a Business Case

- Provide **structured thinking** about scope/purpose of a project
- Maximize **public value**
- Ensure project is **commercially viable** & can be **successfully delivered**
- Define how project success is going to be **measured** (model for structuring deal and contract)



Components of a Business Case

- Strategic Case
- Economic Case
- Commercial Case
- Financial Case/Value for Money
- Management Case



Strategic Case

- Make the case for change & **demonstrate how** it provides strategic fit
- Setting **SMART** (Specific, Measurable, Achievable, Relevant, and Time constrained) goals
- What is the **public receptivity**?
- Understand and Question:
 - Business as usual (BAU)
 - Business needs
 - Potential scope
 - Benefits
 - Risks
 - Constraints
 - Dependencies



Economic Case

- Identify the proposal that delivers the **best public value** to society
 - May not be via PPP – Could be another delivery method
- Shortlist options
 - Identify & include a **realistic** and **achievable** “do minimum” that meets essential requirements
 - Include “Business as Usual” option
- Subject the options to **cost benefit analysis (CBA)**



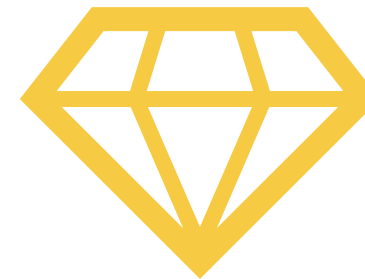
Commercial Case

- Demonstrate the preferred option that will result in a **viable procurement** and **well-structured** deal
- Understand the procurement strategy and route
 - **Who** makes the decision—is someone making a decision?
 - **What** decisions need to be made? **When**?
 - Do you use an RfP, RfQ, Letter of Intent, etc.?
 - What are evaluation **criteria**? Are they properly communicated to bidders?
 - Are they objective and non-political/non-subjective?
- Need to **attract** the private market place
- Is the rest of the regulatory regime something the private sector can work with?
- Should you consider unsolicited proposals?



Financial Case/Value for Money

- Demonstrate the **affordability** and **funding** of the preferred option
- Identify and resolve any **potential funding gaps** during the lifetime of the scheme
- Is debt or equity available? How much? At what cost?
- From **where** will funding come?
 - Project based finance
 - Tax increment financing
 - Grants / loans / bonds
 - Lease payments
 - Tax/energy/operations savings



Management Case

- Is the government prepared to **oversee** or **enter** into this long-term contractual relationship? Do they have the mechanisms in place to **meet their side of the agreement** for the life-cycle of the project?
- Is the government culture **compatible** with PPPs?
- Identify & involve key stakeholders **early** & **at all stages** of project
- Involve owner's senior leadership & get their commitment to the process
 - **PROJECT CHAMPION!**



Best Practices for Procurement

- Procurement plan should **enhance collaboration** with private sector
 - Focus on **qualifications** & **experience** not just on price
 - Encourage **early participation** of key trades in procurement process
 - Owner should meet with teams **before RfQ** to develop ideas
 - **Maximize** performance-based requirements & **minimize** specific design requirements



Best Practices for Procurement

- **Limit deliverables** required as part of bid package
 - Consider two-phase procurement:
 1. Short list based upon **qualifications**
 2. RfP with preliminary design & financial submittals
- Consider whether to attach draft contract to RfP or just a term sheet
- Consider how to protect bidders' proprietary information from public records disclosure obligations



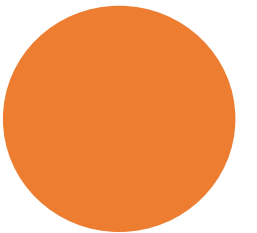
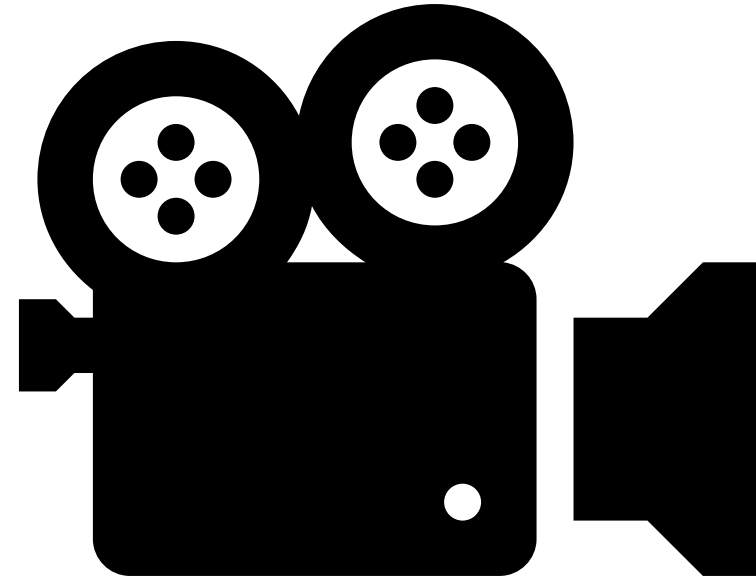
Best Practices for Procurement

- Evaluation committee should include most qualified people **from all areas impacted** by the project to evaluate technical aspects of bids, as well as price
- Limit procurement to 3-4 proposers to receive the RfP or to be short listed from the RfQ
- **Consider timing** of procurement schedule to give bidders **adequate response time**



Upcoming Webinars

- **Unsolicited Proposals**
- **Financial Modeling**
- **Life Cycle Costs**
- **Project Agreements**





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