



Session 2: Designing the Project Choosing the Partner – A Private Sector Perspective

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Agenda

- PPP Projects in a new Environment
- Deciding to bid
- Forming the Consortium
- Considering Risk
- Dealing with the Public Sector
- Recommendations

PPP Projects in a New Economic Environment

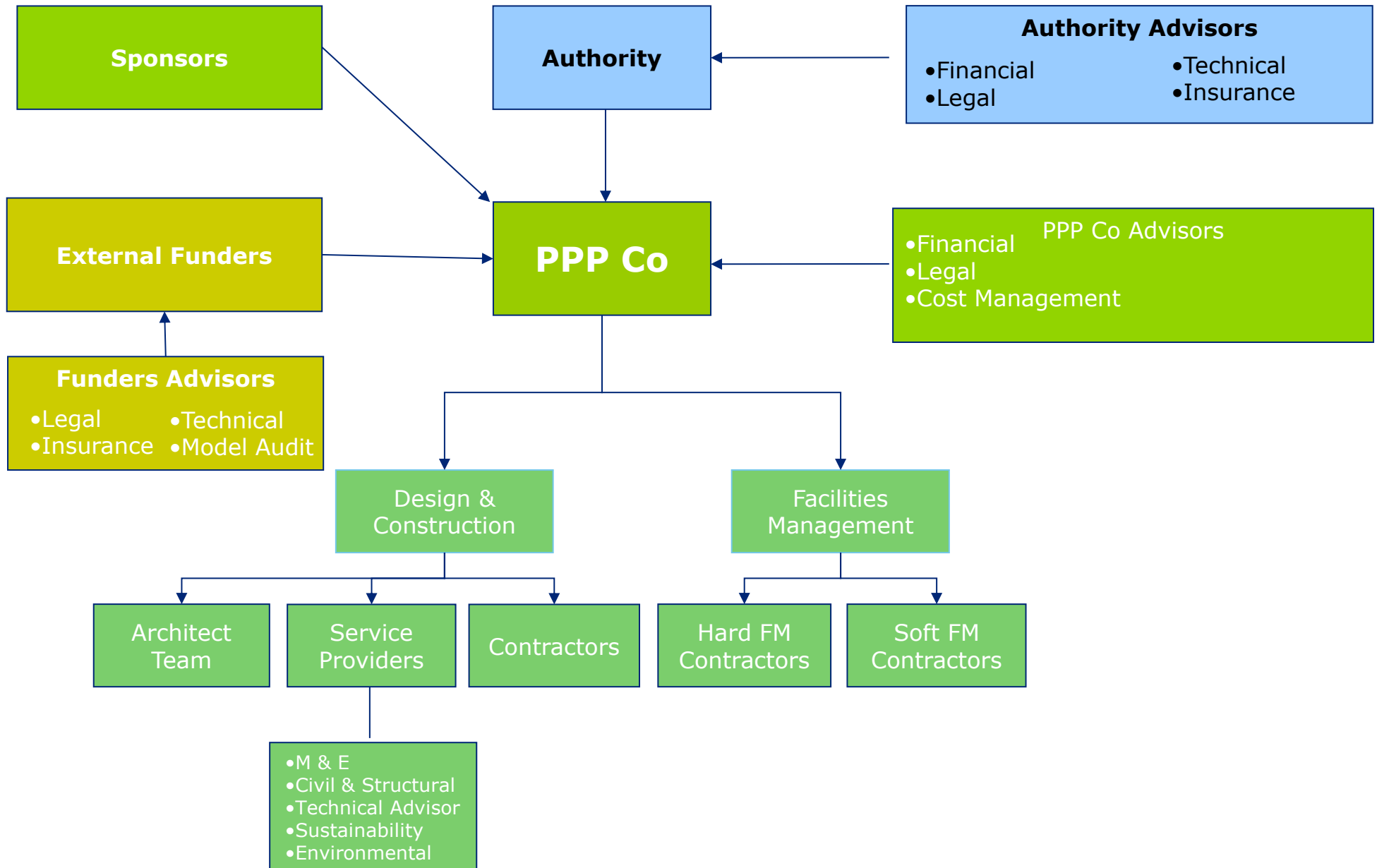
- Public Sector Budgets Reducing
- Infrastructure – defensive asset class
- Options Reduced – long term funding limited
- Increased costs of funds
- Banks significantly more selective
- Projects competing for Sponsors and Funders

Funding Risk with Banks – is this the best allocation of Risk?

Deciding to Bid

Location	Project	Competition
<ul style="list-style-type: none">• Country level risks<ul style="list-style-type: none">– Economic position– Political Risk • PPP Experience<ul style="list-style-type: none">– Number of deals closed– Policy framework– PPP Procurement agencies– Standardised Contracts • Availability of Finance<ul style="list-style-type: none">– Attitude of funders to Project/Country	<ul style="list-style-type: none">• Sector • Scale • Complexity<ul style="list-style-type: none">– Specialist skills required– Technology • PPP Structure Proposed • Risk Profile Proposed • Bid Costs • Tender Process<ul style="list-style-type: none">• Evaluation Criteria• Length of time	<ul style="list-style-type: none">• Barriers to Entry • Availability of Partners<ul style="list-style-type: none">• Strength• Experience• Capability• Interest in partnering • Likelihood of Qualification

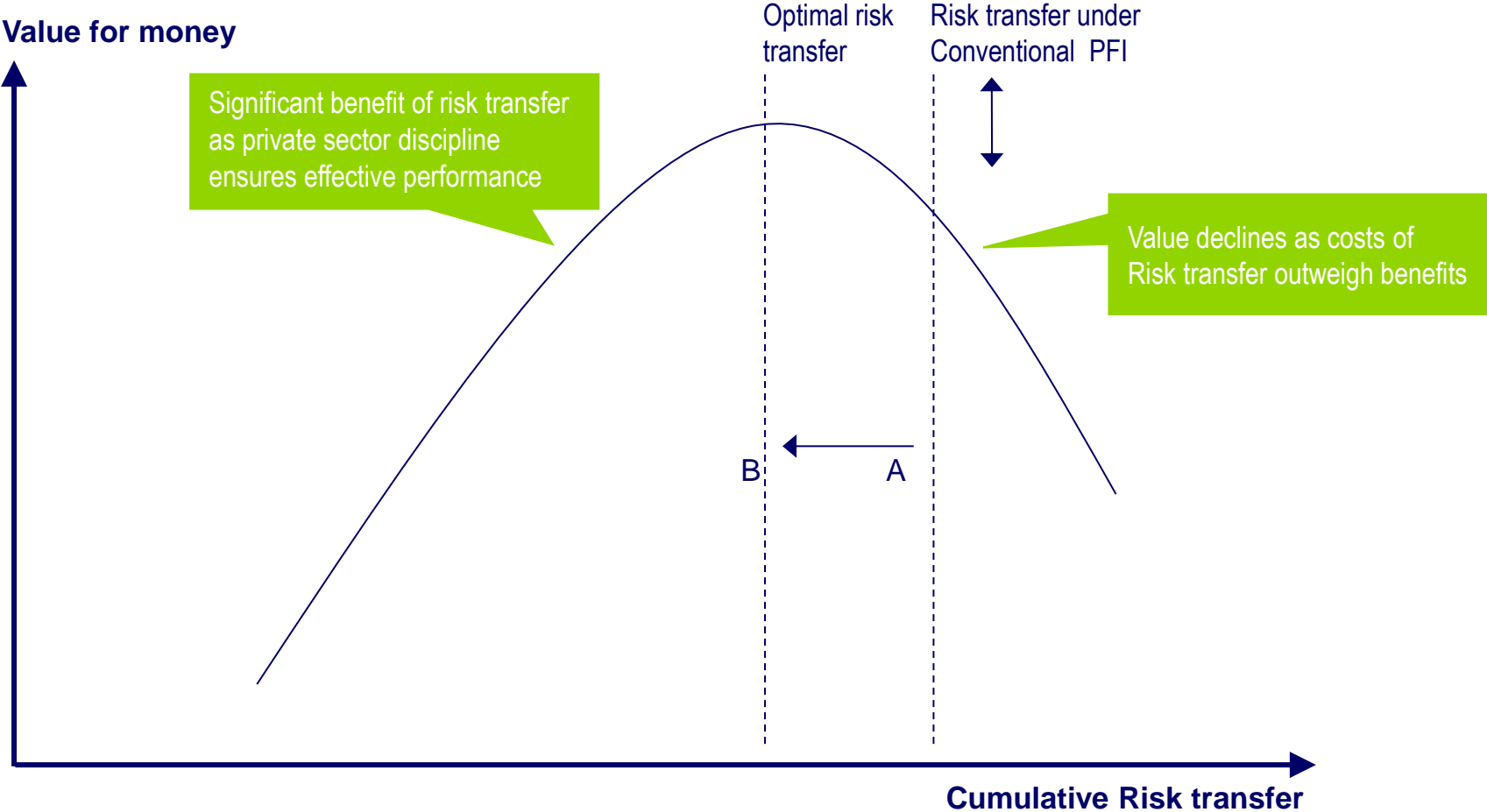
Forming the Consortium



Considering Risk

- Project Support in Public Sector
 - Is the project for essential infrastructure
- Procurement and Evaluation Procedures
- Allocation of project Risk
- Funding structures and delivery
- Risk Mitigation Potential
- Payment Mechanism
- Termination
 - Cause and effect
 - Compensation?
 - Sensitivity of Triggers
- Bid Costs

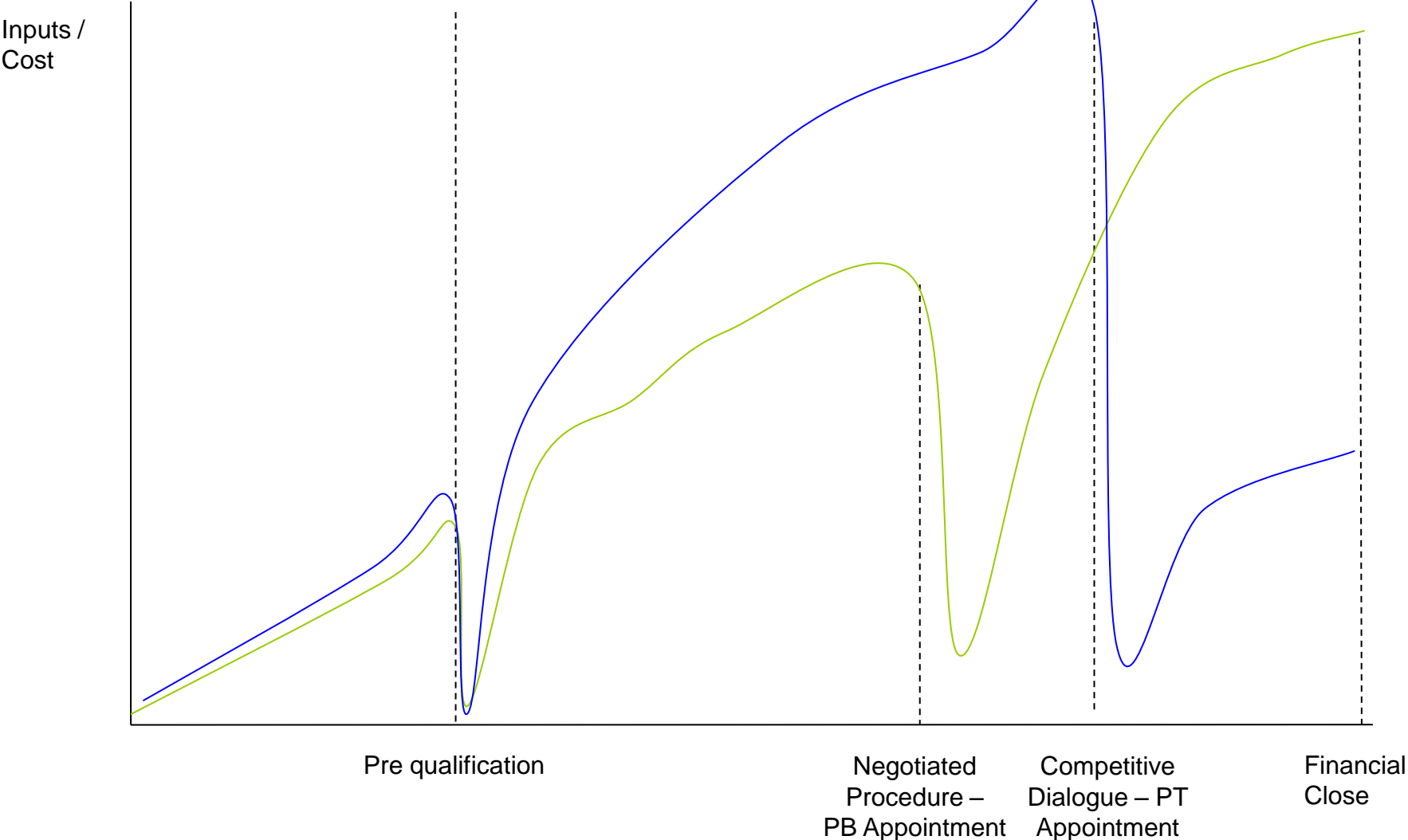
Considering Risk



Procurement Process Issues

- **Current Financial Crisis Issues**
 - Limited number of long term funders
 - Short Availability Periods
 - Market Flex
 - Preferred Bidder Funding Competitions
 - Public Sector Funding Solutions
- **Bidders Costs**
- **VFM/Affordability**
 - Impact of increased funding costs on VFM Analysis
 - Consider economic benefit of project (tax, employment)
- **Competitive landscape**
 - Consider the number of bidders shortlisted

Procurement Process Issues



Dealing with the Public Sector

- Partnership Approach?
- Level of real dialogue
- Flexibility
- Knowledge of current market conditions
- Impact of decisions on bidder costs

Recommendations

- Appropriate policies and procedures in place
- Avoid exceptional contractual terms
- Plenty of advance market sounding
- Maintain strong dialogue with bidders
- Recognise and address impact of current financial crisis
- Consider basis for testing VFM

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