Shaping the Business Scheme and Requirements

Poorly framed business scheme and requirements may not accurately reflect what is needed by the Contracting Authority:

- It is not focused on meeting public service need
- It is unclear and difficult to understand
- It is too loose and open ended, fail to set out those requirements that are not flexible
- It is too detailed and leaves no room for the private sector to innovate or suggest alternatives.

Alternatively, business scheme may not fit well with the market:

- It cannot be achieved by any means presently known (lack of viability)
- The market cannot deliver it in time (lack of capability)
- The required scale, level of service or roll out time cannot be achieved (lack of capacity)
- There is no market, or not enough market (lack of maturity)
- The solution is not in accordance to public sector policy (related law and regulations) or not aligned with the general direction the market is taking
- It involves the use of proprietary solutions
- It failed to attract sufficient interest for a competitive procurement.

The following items are important areas to remember:

- Keeping option open; avoid tendency to “zero in” on particular options, allowing private sector ample room for suggestions
- Considering business models: look at all the options for how the arrangement between the Government (represented by contracting agency) and private partner might work
- Consider the way market sub-sectors work and how it might affect the PPP project.

Market Sounding can Identify a Range of Options

The output from market sounding is not always a single best option, but it could be a range of possible options. These options can be weighted against each other to represent the best way forward, taking into consideration the Government’s strategic goals. On the other hand options could be presented in the RFP (Request For Proposal).

Factors to be considered in weighing options include:

- **Affordability**: indicative costs to the Contracting Authority.
- **Benefits**: the specific benefit (and disbenefits) that each option realizes.
- **Risks**: the difference that each option would make to the risks (type of risk, magnitude, allocation).

- **Viability**: how certain it is that each option can be achieved, especially on the issue of technology.
- **Market interest:** the level of interest that the option is likely to receive from the market.