This is a new section of the Public-Private Partnership Resource Center website and is currently in draft form. Your feedback is welcome: If you would like to comment on the content of this section of the website or if you have suggestions for links or materials that could be included please contact us at ppp@worldbank.org.

Photo Credit
Overpass at night

Planning for Implementation of CVC

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On this page: *Find how Commercial Value Capture (CVC) can be delivered and how to plan for its implementation. Find more below, visit the Guidelines on Innovative Revenues for Infrastructure section or check the Content Outline.*

If it is assessed that CVC has commercial potential and is likely to be commercially feasible, the next step will involve planning the implementation of CVC. It should be noted that this section is not a substitute for the overall implementation arrangement of the project but only focuses on how the CVC component of the project can be delivered under the project's implementation arrangement.

To plan for implementation of CVC, this would involve:

Identify business model/commercial structure for CVC by matching the complexity of the commercial structure with the capabilities of the government entity, i.e., do not over-stretch or over-complicate plans.

- Consider if CVC can be delivered under the existing implementation arrangement of the project or if a new entity or structure needs to be set up, for example:
  - If the project will be procured through PPP, can the identified commercial opportunity be added as part of the concession agreement?
  - If the Project Owner is an SOE mainly responsible for delivering core services, should a new entity be set up to manage CVC (e.g. a wholly-owned subsidiary or JV) or should a dedicated team within the existing publicly owned company deliver CVC?
- Consider which commercial structure will be used for CVC. The commercial structure will need to clearly define how the government will share commercial risks and rewards such as revenue sharing, profit sharing, or guaranteed revenue, for example:
  - If CVC is delivered as part of a PPP contract, how will risk be allocated? Will the government share in the commercial risks and rewards through profit or revenue sharing? Or will the government allocate all commercial risks and rewards of CVC to the private sector and accept fixed benefit sharing?
  - Can the government capture the commercial revenue through a publicly owned company, for example, in the form of rental fees, advertising fees, naming rights fees, digital revenue and platform fees?
- Consider and plan the procurement process, for example:
  - If the project will be procured through PPP, the Project Owner will need to include CVC in the Request for Proposal (RFP) or tender documents. CVC should be included as one of the bid parameters and evaluation criteria. The Project Owner should also include commercial experience as one of the bidder's qualification criteria and require bidders to submit a business plan for CVC as part of the technical proposal.

    - Conduct Q&A sessions during the bidding stage to receive feedback on RFP and bid terms.
    - Reflect the commercial structure and risk allocation of the CVC element in the draft contract which will be negotiated with the preferred bidder.

Identify stakeholders involved and assess the complexity of stakeholder arrangement.

- Project Owners should identify and assess the stakeholders involved to assess if CVC will be implementable. Some CVC opportunities involve complex stakeholder arrangements. For example, recycling plastic waste to pave roads (see Worked Example 5 in Annex 1) involves many stakeholders (such as local government to agree to provide plastic waste for use in making the road, the private sector to provide the technology, communities and households to sort plastic waste and central/local government to agree to pave some of their roads with this recycled material). Thought should also be given to next steps, as replicating the model to a larger scale will require significant coordination to organize and engage stakeholders.
- Some CVC opportunities do not require significant involvement of external stakeholders and may be easier to implement. For example, for advertising fees, if a public transit company can set up a wholly owned subsidiary dedicated to overseeing the advertising business in its transit assets, the stakeholder arrangement should be more straightforward than those described above.

Assess internal capacity to deliver or manage CVC and identify support required

- Further to reviewing institutional capacity in Step 1, at this stage Project Owners should identify specific capacity required to implement the CVC opportunity and assess if external support is required to implement the opportunity. In addition to the expertise required to prepare a feasibility study, it is also important to have a team with expertise in the bidding and implementation stages - e.g. evaluating commercial proposal, negotiating contractual terms managing contract during construction and operation and maintenance (O&M).
- Project Owners should consider having a dedicated team to manage non-core commercial activities.. The dedicated team would have a clear mandate to deliver and grow non-core services and should have access to necessary technical expertise either in-house or by engaging consultants.

Assess overall ease of implementation

- CVC opportunities should enhance the likelihood of project implementation and avoid making a project significantly more complex. Project Owners should assess the feasibility of project implementation. A more complex commercial structure or additional stakeholders will require more staffing and budget for implementation.

Related Content

- **How innovative revenues for infrastructure can fundamentally reshape infrastructure funding**

Additional Resources

- Climate-Smart PPPs
- Finance Structures for PPP

The Guidelines on Innovative Revenues for Infrastructure (IRI) is intended to be a living document and will be reviewed at regular intervals. They have not been prepared with any specific transaction in mind and are meant to serve only as general guidance. It is therefore critical that the Guidelines be reviewed and adapted for specific transactions.

To find more, visit the Innovative Revenues for Infrastructure section and the Content Outline, or Download the Full Report. For feedback on the content of this section of the website or suggestions for links or materials that could be included, please contact the Public-Private Partnership Resource Center at ppp@worldbank.org.

