



MINISTRY OF FINANCE

PUBLIC PRIVATE PARTNERSHIP DEPARTMENT

# Generic Template of Terms of Reference for a Feasibility Study Consultancy

*“Creating a shared vision for Economic Development”*

## TEMPLATE FOR TERMS OF REFERENCE OF A FEASIBILITY STUDY CONSULTANCY

### 1. Overview

The TORs should clearly outline the following:

- Project name
- Introduction
- Background
- Project Justification

#### 1.1 **Scope of work**

Describe in detail the proposed project

#### 1.2 **Overall Objective(s) of the Feasibility Study**

State the overall objective(s) of the feasibility study

#### 1.3 **Specific Objectives**

State specific objective(s) aimed at making a business case of the project

### 2.0 Business Case

The Consultant shall make a business case for the proposed development. A business case for a project is aimed at assisting the Government to:

- ✚ assess strategic fit, by defining the service need, and assuring alignment with government objectives.
- ✚ analyse options on how to achieve the need (including procurement options); and
- ✚ Validate and confirm assumptions through a formalised business case containing detailed evaluation of costs, benefits, risks and opportunities.

### 3.0 Components of the Feasibility study

The feasibility study will contain the following:

- i. A covering letter from the (your) institution
- ii. Executive Summary;
- iii. Introduction;
- iv. Project Background;
- v. Methodology to the Feasibility Study; and
- vi. The report should demonstrate affordability of the project and give an early indication of how value for money will be achieved through appropriate:

- + An Options Analysis;
- + Identifying Risks;
- + Stakeholder Analysis;
- + A PPP Assessment;
- + Project Due Diligence;
- + Value Assessment;
- + Economic Valuation;
- + Market Analysis;
- + Monitoring and Evaluation; and
- + PPP Procurement Plan.

## **4.0 Critical Determinants**

### **4.1 Options Analysis**

The consultant will undertake an options analysis to determine a suitable form of PPP applicable to the project. The consultant will also discuss the results of the assessments and considerations by giving indications on the appropriateness of the selected PPP approach to be adopted. The selected PPP approach will be determined by the ease of implementation, maximization of benefits to stakeholders and, the ability to control and manage risks.

### **4.2 Identifying Risks**

The consultant will;

- + Identify all material risks to project. It is important that all identified risks are specific and indisputably indicative (i.e not spelt out in broad terms like “market risk”) and are practical.
- + Categorize all identified risks into applicable areas, either Commercial, Financial, Construction, Political, etc.” develop a risk allocation table assigning risks at each project development phase and a risk allocation matrix, allocating the specific risks accordingly to the parties who will be responsible for managing those risks.

### **4.3 Stakeholder Analysis**

This component states the findings of the consultation process with the various stakeholders including but not limited to:

- + Users;
- + Developers;
- + Community participants;
- + Citizens likely to be affected;
- + Financiers; and
- + Any other relevant stakeholders.

#### **4.4 PPP Assessment**

The consultant shall undertake a PPP assessment to clearly demonstrate that the option selected offers better value for money than any alternatives. Key issues to be addressed in detail at this stage will be:

- + Does the project have potential to be procured as a PPP?
- + Which form of PPP provides the greatest potential for best value for money?

#### **4.5 Project Due Diligence**

The key objective is to look at the critical areas which must be investigated before the project is implemented in order to assess any potential risks and protect the organisations' interest as outlined below (state the issues that should be investigated under each category).

- i) Legal Aspects
- ii) Technical Aspects and Site Enablement
- iii) Social and Environmental Aspects (This section examines environmental considerations including details of any environment impact study conducted)

#### **4.6 Value Assessment**

##### **4.6.1 Financial Feasibility**

The consultant will be required to undertake a detailed financial analysis that will ensure that the proposed use of the properties or services will generate adequate revenue to justify the cost of construction, rehabilitation or technology plus a reasonable profit for the developer. Establish through financial forecasts and other business ratios the estimated revenue flows based on the cost of undertaking the project. The performance measurement or viability ratios and analyses will include:

- + Discounted Cash Flow
- + Cash Flow Projections
- + Internal Rate of Return
- + Sensitivity Analysis
- + Debt Service Coverage Ratio

- ✚ Discounted Payback Period.

#### **4.6.2 PPP Reference Model**

- i. Refining the PPP model (proposed project structure and sources of funding);
- ii. Cost and revenue assessment;
- iii. Payment mechanism; and
- iv. Risk Assessment – an independent risk assessment should be conducted with regards to the PPP reference model. All material risks must be identified, evaluated and consequently allocated to either the private sector or the institution. The risks should be incorporated into the risk adjusted financial model and show the following:
  - ✚ Assessment of financial feasibility and summary of key project indicators; and
  - ✚ Sensitivity Analysis

#### **4.7 Economic Valuation**

Conduct an economic and social cost benefit analysis, clearly illustrating:

- i. the identified economic benefits and costs;
- ii. the identified social benefits and costs; and
- iii. economic evaluation and sensitivity analysis.

#### **4.8 Market Analysis**

To establish a definite view of the potential effective demand for the infrastructure project and related services. The consultant shall determine.

- ✚ The potential size of the market;
- ✚ Description of the industry, market players and sources of revenue;
- ✚ The market segmentation to understand where to focus efforts and marketing activities, Market Assessment Willingness to Pay (scale for the service);
- ✚ The key barriers and constraints identified by local stakeholders to accessing related services including competition;
- ✚ The key barriers and constraints for the projects in terms of lack of adequate potential market;
- ✚ Anticipated future market potential; and
- ✚ Possible demand projections.

#### **4.9 Monitoring and Evaluation**

The Consultant shall propose the Project's monitoring system. This should give monitoring indicators and identification of key indicators and systems for

monitoring project progress, results, activities, assumptions, sustainability and impact. Assignment of responsibilities to the Client and other involved stakeholders.

#### **4.10 PPP Procurement Plan**

State the procurement plan (this will contain the preferred procurement mode). This section will synthesize the qualitative and quantitative case for proceeding with the PPP procurement route).

#### **5.0 Conclusion and Recommendations of the Feasibility Study**

This section details the key conclusions and recommendations of the study

#### **6.0 Presentation and Submission of the Feasibility Study Report**

State the form and manner in which the feasibility study report is to be presented. The report should include the relevant annexes.

#### **7.0 Terms of Payment**

Indicate that the terms and conditions of payment should be clearly stated by the consultant.

#### **8.0 Work Plan for the Study**

Indicate that the period for undertaking the task should be clearly indicated and as well as proposed work-plan. This should be within the your institution planned schedule.

#### **9.0 Company Profile**

Indicate the requirements that should be met by any bidding firm, and the documents that they need to submit along with the bid.

#### **10.0 Experts Profiles**

The list of key experts provided hereunder is indicative and the consultant may

include non-key additional experts that may be required to successfully complete the assignment. The tasks for each key expert shall be read in conjunction with the scope of work. The team should consist of at least minimum expertise in the field.

### **10.1 Team Leader**

The team leader will be responsible for the overall feasibility study. Shall be responsible for the overall supervision and coordination of the activities as well as for the management of the team. He/she will act as the primary contact for all communications, preparation and delivery of reports to the (your) institution. State the required qualifications for the team leader.

### **10.2 Other team**

The team should include expertise such as Infrastructure Finance Specialist, Physical Infrastructure and Land Development Specialist and other relevant expertise for the task.