

Feasibility Report Template

Minimum Parameters to be covered in the Feasibility Study Report

The Transaction Advisor shall ensure that the Feasibility Study Report shall, as a minimum, conform to the following outline:

INTRODUCTION

- Project Background: rationale and Genesis
- Project Objectives
- Approach and Methodology of the Feasibility Study
- Project's Conformance to Sector Diagnostics and Master Plans
- Demand Forecasting and User Projections
- Institutional Settings
- Scope of the Project

TECHNICAL AND COMMERCIAL SOLUTION OPTIONS ANALYSIS

This section needs to describe:

- Alternative Technical Solutions which have been considered to achieve the Project Objectives. Alternative Technical Solutions may be alternative engineering options
 - The evaluation of the Alternative Technical Solutions. This section needs to describe the technical, economic, financial, legal, social, environmental and other criteria which have been used to evaluate the alternative options, and to present the results of the evaluation, including an Economic Cost-Benefit Analysis. It is expected that the evaluation be carried out on the basis of high level capex and operating cost estimates
- Recommended Technical Solution. The Recommended Technical Solution should be described in more detail and an Outline Design provided. The description should include:
 - Proposed Output Specifications
 - Estimated CAPEX and OPEX Costs

PROJECT DUE DILIGENCE

The Study is expected to include a detailed Project Due Diligence on the basis of the Recommended Technical Solution covering the following:

- Legal Aspects
 - Use and user rights
 - Relevant financial laws and regulations
 - Relevant environmental and heritage laws, if applicable
 - Tax legislations
 - Labour legislations
 - Foreign exchange legislations
 - Competition legislation

- Building and fire codes, as applicable
- Zoning rights and land use regulations
- List of likely project agreements
- Dispute settlement mechanism and legal jurisdiction
- Site Enablement
 - Land requirements
 - Land valuation
 - Land availability and title deed endorsements
 - Resettlement needs, if applicable
 - Relocation of utilities
- Economic and Social Cost Benefit Analysis (ESCBA)
 - Identified economic Benefits
 - Identified economic costs
 - Economic evaluation and sensitivity analysis
 - Assessment of social benefits and costs
 - Gender, youth and other social concerns
- Identified Environmental and disaster risk concerns
 - Environmental Impact Assessment (EIA) and social risk assessment
 - Climate and disaster risk vulnerability assessment
 - Preliminary Environmental & Social Impact Assessment (PESIA) report
- Financing, funding and revenue implications
 - Project financing needs – up front and recurring as driven by capex requirements
 - Project financing sources – indication of financing sources (private sector bank debt, multilateral debt, public sector debt, project bonds, grants (indicate source), developer equity, other (specify))
 - Project funding needs – assessment of annual funding requirements to cover O&M, debt service and other recurring costs
 - Revenue requirements – assessment of revenue requirements to cover the Project's Funding Needs
 - Revenue sources – identified revenue sources – users, public sector service payments, combination, other
- Affordability analysis:
 - For public sector service payments compare against budget allocation and evaluate availability. Determine need for viability gap Funding and quantify. For user pays evaluate ability and willingness to pay of users

PROCUREMENT OPTIONS AND PPP STRUCTURE ANALYSIS

This section should present an evaluation of the alternative options for procuring the project, including the preferred PPP option. The section should cover:

- Description of alternative procurement and PPP options considered and justification therefor. Options must include traditional public sector procurement. For each option set out:
 - The anticipated key roles and responsibilities of the private sector
 - The key risk allocation under each option
- Description of and justification for the evaluation criteria used in evaluating alternative procurement options to include, inter alia:
 - Value for money assessment. The value for money assessment is expected to examine both the choice between traditional public sector and PPP procurement, as well as alternative risk allocations between the alternative PPP options. The report should present clearly how the Public Sector Comparator Model, the Risk Adjusted Public Sector Comparator Model, the PPP Reference Model and the Risk Adjusted PPP Reference Model have been developed and populated with data

- Affordability
- Assessment of Fiscal Impact
- Assessment of impact on Public Sector Borrowing including any contingent liabilities
- Private sector feedback based on a Preliminary Market Sounding amongst potential operators, developers and financiers
- Presentation of the results of the Evaluation
- Detailed description of the preferred Procurement Option and PPP Structure, including:
 - Key Risk Allocation
 - Outline Payment Mechanism
- Indicative Financing Structure

FINANCIAL MODELING

The Feasibility Study is expected to be supported by detailed and comprehensive Financial Modeling. In particular, the financial model is expected to:

- Support the Economic Cost Benefit Analysis of the Project and Alternative Technical Solutions
- Support the determination of revenue requirements to meet Project Funding needs
- Support the determination of necessary tariff levels for user pays projects
- Support the evaluation of affordability for both user pays and public sector pays models including fiscal and public sector borrowing impact
- Support in determining the Project's Financing requirements and the evaluation of alternative financing structures and sources
- Support in the evaluation of alternative procurement options and PPP options, including Value for Money analysis

And in the implementation phase of the Project:

- Support in the detailed design of the Payment Mechanism
- Act as a shadow Bid Model and assist in evaluating bids and their robustness

The Report should include a description of the Financial Model and key outputs in support of the various analyses and conclusions throughout the Report.

PROJECT RISK MATRIX

The report shall include a Project Risk Matrix (PRM) that quantifies the liabilities associated with the recommended project configuration, and proposes how the same shall be managed and the funding requirements. This information shall be of interest to the DMO in their review of the FCCL assumed in the proposed project structure. On a minimum, the PRM shall contain the following information:

- Risk and its description
- Expert's estimate of the probability that the risk will be realized, together with the rationale/assumption
- Expert's estimate of the impact of the risk as a percentage of the base
- The base or amount
- Most likely timing of the risk event
- Cost of the risk in NPV terms
- Risk distribution between public and private parties in terms of percentage of costs borne
- Distribution of cost of the risk between parties in terms of NPV amount
- Mitigation of risk

PPP PROJECT AGREEMENTS TERMS SHEETS

Include here the key heads of terms which will form the basis for a PPP contractual structure in due course.

- Project Implementation Schedule