UNITED ARAB EMIRATES
MINISTRY OF FINANCE

Manual on PPP projects, management and execution

Contents

PPP PROJECTS MANUAL

INTRODUCTION

This chapter contains a set of terms mentioned in this manual and provides their definitions:

1. If the terms are not presented exactly as they are in the glossary, they should be understood in their usual sense.
2. For efficient searching of specific definitions, please remove the definite article "the" from the term if applicable.
3. The terms mentioned in the glossary are interpreted as follows:

a) The singular includes the plural, and the plural includes the singular.

b) The masculine includes the feminine, and the feminine includes the masculine.

I. GLOSSARY

TERM	DEFINITION
The state	The United Arab Emirates.
The government	The United Arab Emirates government.
The ministry	The ministry of finance.
The minister	The minister of state for financial affairs.
General budget committee	The cabinet committee that is responsible for proposing the general procedures of the federal financial policy, studying financial policies and legislation and their impact on the economy to ensure the financial stability of the state, and submitting recommendations thereon to the council of ministers.
Grievances committee	The committee in the ministry of finance responsible for deciding on grievances received regarding bidding procedures for partnership projects with the private sector.
PPP section	The PPP section working within the ministry of finance.
Concerned federal entity	A ministry, government entity, or public authority concerned with a PPP project that is subject to the provisions of the law.
Due diligence	A thorough examination, which includes the review and verification of all relevant information and facts.
Expression of interest (EOI)	A private sector company's response to an invitation to tender, expressing an interest in bidding.
EBITDA (Earnings before interest, taxes, depreciation and amortization)	A financial metric that measures a company's operating performance by adjusting its net income prior to the effects of interest/ financial expenses/ lease, taxes, depreciation, and amortization.
Feasibility study	A comprehensive study that estimates the viability of the PPP. It takes into consideration but is not limited to, financial, technical, legal, economic, environmental, and sustainability aspects of the project.
Financial study	A component of a feasibility study that involves preparing financial data and analysis to forecast the expected cashflows throughout the life cycle of the project.

TERM	DEFINITION
GDP (gross domestic product)	The monetary value of all the goods and services produced within a country's borders in a specific period of time.
Project internal rate of return (IRR)	The discount rate at which the net present value of all cash flows (positive and negative) from a project or investment equals zero. It is used to evaluate the attractiveness of a project or investment (in general, if the IRR exceeds the cost of capital/project hurdle rate[1]/project financing cost, it adds value).
Invitation to tender (ITT)	An announcement issued by a concerned federal entity before the bidding phase for a PPP, used to attract private sector participation and gauge market interest in the project.
The law	Federal law no. (12) of 2023, regulating the partnership between the federal public sector and the private sector.
The manual	The main reference issued by the ministry of finance that includes all guidelines on the governance and procedures of public private partnerships.
NPV (net present value)	The difference between the present value of the future cash inflows generated by the proposed projects and the present value of the cash outflows. The present value of future cashflows is calculated using the cost of capital or a minimum desired rate of return as the discount rate.
Project team	The team formed by members of a concerned federal entity to develop PPP project feasibility studies and procurement documents.
Proposal/bid	The documents submitted to a concerned federal entity in response to a request for proposals (RFP) for a PPP project.
Public private partnership	A partnership agreement between the public sector and the private sector for a project.
PPP plan	A sector-specific plan identifying the objectives of PPP projects within the sector, the list of PPP Projects within the sector, and the timeline for their implementation.
Request for proposals (RFP)	A tender document that a concerned federal entity issues to bidders, requesting their submission.
Request for qualifications (RFQ)	A tender document issued to potential bidders to evaluate their capabilities and/or qualifications in relation to bidding for a PPP project.
Sector PPP team	A team formed by key federal entities' staff members in a particular sector.
Statement of qualifications (SOQ)	A statement submitted to the concerned federal entity in response to an RFQ for a PPP project.
Tender	The procedures carried out by a governmental entity that includes requests and approvals of proposals for a specific project.
Value for money (VfM)	Incremental value generated/ money that the government would save if a project was implemented through a PPP as compared to traditional procurement.

1. Minimum Project ROI is the lowest rate of return on investment that a project must achieve in order to be commercially viable from an investor's perspective.

II. PREFACE

Public private partnerships (PPPs) can diversify the mechanisms for developing strategic infrastructure projects and improve the quality of services. At the same time, PPPs give the government authority to supervise and evaluate quality and efficiency during the implementation of these projects.

The government strives to benefit society, the state, the private sector, and the local/national economy through strategic PPP development projects. It is also aware that implementing these projects can be challenging and complicated.

The issuance of this manual is a first step in successfully developing major strategic projects and supporting the national economy. This manual serves as an open invitation to the private sector to make a positive contribution to the state's efforts.

The ministry prepared this manual to document the general guidelines and procedures relating to partnership contracts between federal entities and the private sector. These guidelines and procedures are in line with the provisions of federal law no. (12) of 2023, which regulates PPPs.

This manual presents a high-level framework for the life-cycle of PPPs. However, a federal entity may perform more specialized and in-depth research and studies regarding financial, technical, and legal issues, including the legislative environment. The federal entity should also coordinate closely with the ministry, which assumes many responsibilities throughout the PPP project life cycle.

III. AIMS OF THIS MANUAL

This manual clarifies governance and procedures to follow when designing and implementing a PPP project. It summarizes the guidelines and processes that federal entities and potential private sector partners should follow when aiming to engage in a PPP project. This ensures clarity and consistency between stakeholders.

A. In relation to the ministry

This manual:

— Provides clear guidelines on the ministry's involvement throughout the PPP process and its interactions with other key stakeholders.

B. In relation to the concerned federal entity

This manual:

— Provides a clear process for conducting and implementing PPP contracts.

— Documents and unifies the mechanisms, standards, and terms for executing PPP projects.

— Clarifies the principles for monitoring, managing, and implementing PPP contracts.

C. In relation to the private sector

This manual:

— Clarifies private sector partners' rights and liabilities under a PPP contract.

— Provides guidance on the bidding and tendering process for potential private sector partners.

IV. RELATED RESPONSIBILITIES

A. Its application

This guide is dedicated to partnership projects between federal entities and the private sector.

B. Its implementation

— The provisions in this manual apply from the date specified in the cabinet resolution.

— The provisions apply to all processes relating to PPP contracts outlined in this manual.

— The relevant department in the federal entity will follow the procedures in this manual when planning or implementing a project under a PPP.

— In the case of a conflict between the provisions in this manual or the implementation of the PPP contract and any other applicable law, the provisions of the federal law will prevail. The contract may be completed only after obtaining a formal exception or resolving the conflict.

— Should any aspect of the manual be ambiguous or require further interpretation, it is advisable to consult the ministry for authoritative guidance.

— The internal audit regulatory units in each federal entity and state audit institution or equivalent will be responsible for ensuring that federal entities apply the guidelines and principles in this manual. They will monitor any infringements or breaches and recommend internal controls and monitoring systems for the implementation of PPP projects.

— Any PPP project started before the date of release of this manual should follow the previous manual. All new, planned, amended, renewed, or extended PPP projects evaluated or procured post the date of the release of this manual should follow this manual as per the law article (32).

C. Updates

The ministry will be responsible for regularly reviewing, updating, and amending the guidelines in this manual. Suggestions for updates or amendments can also be made by federal entities. If an amendment is approved, the ministry will commit to:

— Consider additional modifications.

— Update the relevant procedures.

— Provide clear information to all federal entities about the updates.

— Address any questions or inquiries about amending or updating the manual.

D. Training

To ensure the effective implementation of this manual, it is recommended that federal entities provide training for employees, either annually or when an updated version is released, whichever comes first.

Training can be provided via workshops to enhance understanding of the PPP project process.

PPP OVERVIEW

I. OVERVIEW OF PPP

A public-private partnership is a collaborative arrangement between the public and private sectors to develop infrastructure projects and improve the quality of services being provided to the public. In a PPP, the public sector partners with a private sector partner to jointly plan, finance, construct, and/or operate/maintain an asset or service.

The private sector partner brings in their expertise, resources, and capital to the project, while the public sector partner provides oversight and regulatory support. PPPs are commonly used to deliver infrastructure and public services. The structure of a PPP can vary, but the key characteristics include:

A Financing

PPPs often involve the private sector partner providing financing for the project, in addition to design, construction, and operation.

B Risk sharing

PPPs involve the sharing of risks between the public and private partners. Both parties assume risks which are in line with their ability and appetite.

C Long-term commitment

PPPs are typically long-term agreements, often lasting several decades. However, the duration can vary according to the risk-return profile of the selected projects.

D Innovation

PPPs often involve the private sector in bringing new ideas, technology, and best practices to a project.

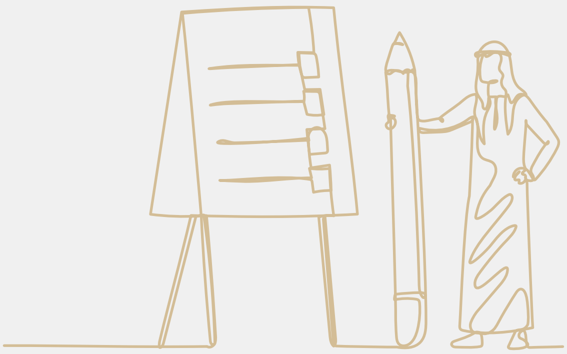
E Performance-based approach

PPPs often follow performance-based contracts, with payment tied to the achievement of specific performance targets.

F Focus on the end user

PPPs have a strong focus on the end user, with the goal of providing improved services or infrastructure to the public.

II. PPP TYPES AND MODELS



A. Types of PPPs

There are many variations and types of PPP agreements which depend on the nature of the project.

For any project, an appropriate PPP model can be identified and considered by answering three questions:

1. What is the type of the project?

Greenfield: A project to develop infrastructure on previously undeveloped land or build new infrastructure such as a highway, airport, hospital, or school. A greenfield project typically involves major capital expenditure (CAPEX) because all the necessary infrastructure must be built.

Brownfield: A project to rehabilitate existing infrastructure or to add new infrastructure. This can include upgrading or renovating an existing highway, airport, hospital, or school or adding new buildings or facilities to an existing site. Brownfield projects involve less CAPEX because the existing infrastructure can be reused or re purposed. A brownfield project can also be a service that is currently provided by the government and needs quality and efficiency improvements.

2. What are the functions of the private partner?

Nine main functions are central to defining which PPP model to follow. These functions are typically assigned during the feasibility study and laid out in the contracting model. The following are the private partner's functions:

Design (D): Includes creating a detailed project plan, outlining the project's scope, and identifying key project milestones.

Build (B): When PPPs are used for new infrastructure assets, the private partner is typically required to build the asset and install all equipment.

Rehabilitate (R): When a PPP involves an existing asset, the private partner may be responsible for rehabilitating or expanding the asset.

Finance (F): When a PPP includes building or rehabilitating an asset, the private partner is typically also required to finance all or part of the capital and operational expenditures.

Maintain (M): Entails maintaining the infrastructure to a specified standard throughout the duration of the contract.

Own (O): The private partner owns an asset throughout the duration of the contract.

Transfer (T): Involves transferring the asset or the operations & maintenance of a particular project.

Lease (L): In some cases, the private partner leases assets to the public entity for the duration of the contract.

Operate (Op): A private partner's operating responsibilities to a PPP can vary widely depending on the nature of the underlying asset and associated service. For example, a private partner could be responsible for:

- Operating an asset and providing a bulk service to a government off taker; for example, a bulk water treatment plant.
- Operating an asset and providing services directly to users; for example, a water distribution system.
- Providing support services, with the government agency retaining responsibility for delivering the public service to users; for example, a school building that includes janitorial service.

3. How is the private partner paid?

User pays PPP: The private partner provides a service to users and generates revenue by charging users for that service (according to the partnership contract).

Government pays PPP: The government is the sole source of revenue for the private partner. Government payments can depend on the asset or service meeting contractually defined performance standards.

Hybrid payments PPP: In certain cases, particularly when the revenues collected from end users are insufficient to cover the private partner costs and desired profits, a combination of the previously mentioned payment methods is utilized.

B. Models of PPPs

PPP projects can take a variety of forms in terms of construction, operation, and financial and legal structures. This means that projects can be tailored to fit specific needs and meet desired outcomes. The following are the most common PPP models:

Table 1: PPP models, based on the above functions

Model	Private partner roles									Description
	D Design	B Build	R Rehabilitate	Op Operate	M Maintain	O Own	L Lease	T Transfer	F Finance	
MANAGEMENT CONTRACT				X	X					Typically, the private partner assumes specific responsibilities for a service.
LEASE CONTRACT				X	X			X	X	The government leases infrastructure that the private partner operates and maintains. (Transfer of assets is optional).
BOT		X		X				X	X	These models are defined by the private partner building and operating the asset for the length of the contract. Private sector roles are defined in the nomenclature.
BOOT		X		X		X		X	X	
BOLT		X		X			X	X	X	
BOO		X		X		X			X	
DBM	X	X			X					These models are defined by the private partner designing and developing the project, typically without private financing. Private partner roles are described in the nomenclature.
DBOM	X	X		X	X					
DBO	X	X		X						
DBFOMT	X	X		X	X			X	X	These models are defined by the private partner designing and developing the project, including private financing. Private partner roles are described in the nomenclature.
DBFMT	X	X			X			X	X	
ROT			X	X				X	X	These models are defined by the rehabilitation of an existing asset. Private partner roles are described in the nomenclature.
ROO			X	X		X			X	

Note: "X" marks the private partner role.

C. Exempted contracts

The guidelines outlined in this manual do not apply to the following contracts and scenarios:

Outsourcing contracts: An outsourcing contract is a legal agreement between an entity and an external service provider ("outsourcer") in which the outsourcer agrees to perform certain tasks or provide certain services to the government. These tasks or services are typically ones the government would otherwise perform itself but chooses to outsource to save money, improve efficiency, or focus on core competencies.

Outsourcing contracts can cover a wide range of services, including manufacturing, IT support, customer service, and research and development. They can be long-term or short-term agreements and often include specific terms and conditions for performance, payment, and dispute resolution — **there is no risk sharing for these types of contracts.**

Partnership contracts concluded before the entry into force of Law in 2023: Represents any feasibility study initiated for a PPP project or any ongoing contract that was issued before the law and the manual came into force. The exemption doesn't apply to the renewal, amendment, or extension of a project agreement as per article (32) of the law.

Projects whose value is less than the defined threshold: Represents any project valued below AED 150 million, as stated in chapter 4 section 1 of this manual.

Procurement contracts related to national security: Represents contract related to defence equipment and technology, cybersecurity solutions, intelligence and surveillance systems, critical infrastructure, emergency services and supplies, and research and development.

Federal entities, sectors, and projects that are excluded by cabinet decision: Represents any project or category of projects that have been officially excluded by the cabinet.

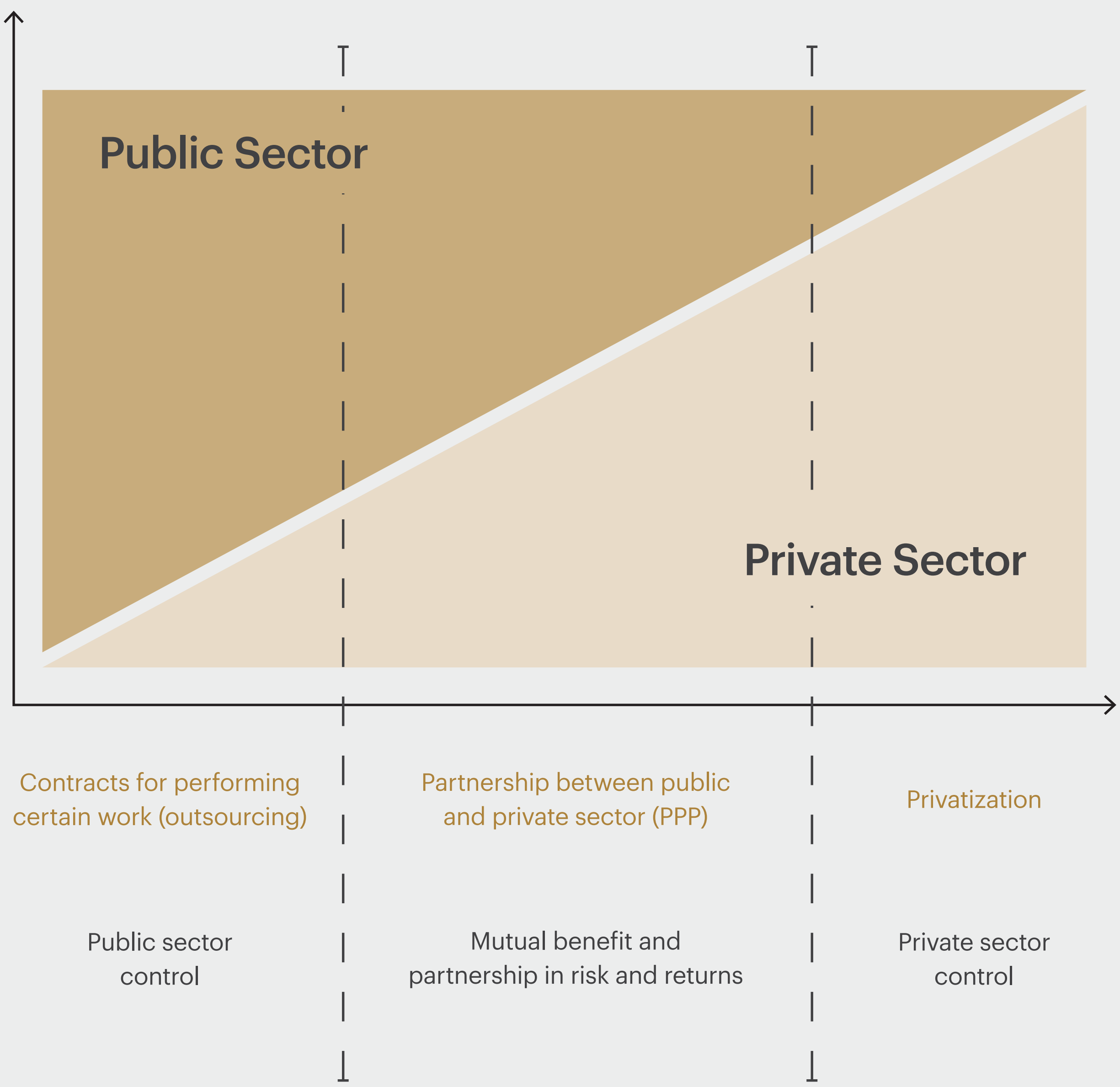
Privatization: Refers to full ownership of assets and services by the private partner. The following table highlights the main differences between PPP projects and privatization — there is full transfer of risk in privatization.

Table 2: Conditions of ownership of an asset under privatization versus a PPP

Under Privatization	Under a PPP
The private partner owns the asset.	Typically, the legal owner of the asset is the government. Ownership can be transferred to the private partner for the duration of the contract only.
There is no strict contract, but authorizations and conditions are regulated for the respective market sector.	The contract details the rights and obligations of each party.
The time to operate the asset is unlimited.	Time is limited by the contract.
Privatization does not involve strict alignment of objectives as the government is usually not involved in the output specification of the privatized entity.	The government specifies, in detail, the quantity and quality of the service it requires.

Differentiating between outsourcing, privatization, and a PPP

PPP projects are the middle ground between privatization and outsourcing. The following highlights each player's level of participation in different types of projects.



PPP GOVERNANCE

I. OVERVIEW

A well-defined governance structure with clear roles and responsibilities for stakeholders and their interactions is essential for enhancing transparency, promoting accountability, and ensuring that private sector involvement provides the maximum benefits to society.

The organization for economic cooperation and development recommends following three principles for the public governance of PPPs:

— Establish a clear, predictable, and legitimate institutional framework supported by competent and well-resourced authorities.

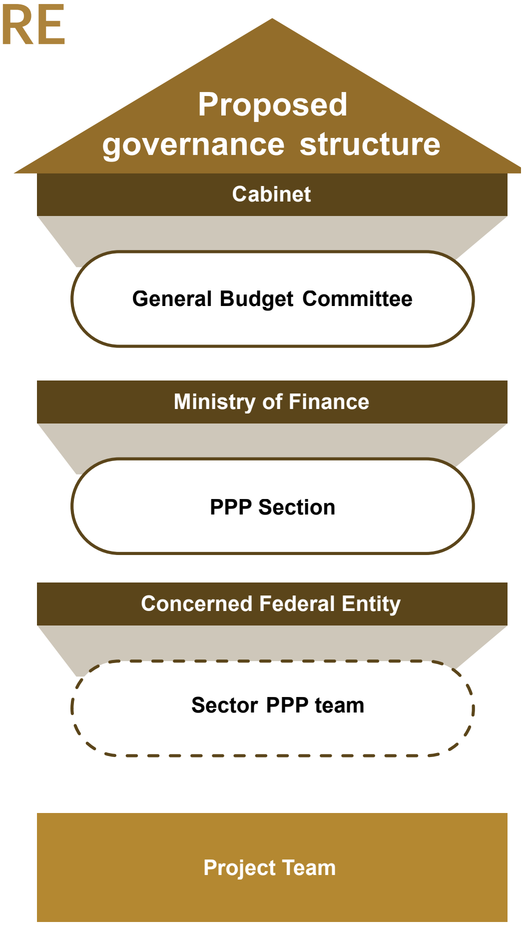
— Ground the selection of public private partnerships in value for money.

— Use the budgetary process transparently to minimize fiscal risks and ensure the integrity of the procurement process.

II. GOVERNANCE STRUCTURE

The governance structure in this manual covers only federal and federal–local projects. It aligns with federal law no. (12) of 2023, which regulates partnerships between the federal public sector and the private sector.

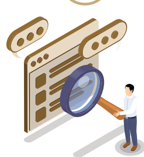
The state adopts a central governance model for its federal and federal–local projects. In each project, the stakeholders are the cabinet, the general budget committee, the ministry, the PPP section working under the ministry, the concerned federal entity and the project team.



III. INSTITUTIONAL ROLES AND RESPONSIBILITIES

Each entity is assigned multiple roles and responsibilities throughout the PPP project life cycle.

Table 1: Roles and responsibilities

	Policy-making and strategy development	1  Project identification	2  Project screening	3  Project appraisal	4  Tendering & partner selection	5  Contract management
Cabinet	I	I	C	C	C	I
General Budget Committee	C	C	C	C	C	I
The Ministry (PPP section)	A R	C	C	C	C	C
Concerned Federal Entity	I	A R	A R	A R	A R	A R
Project Team				R	R	
Private Sector	I				I	

LEGEND: **I** Informed **C** Consulted **A** Accountable **R** Responsible

A. Cabinet

The cabinet:

- Decides on the final approval or rejection of the PPP plan.
- Decides on the final approval or rejection of the feasibility study of PPP projects.
- Decides on the final approval or rejection of the selected bidder(s).
- Grants additional incentives or exemptions to concerned federal entities and private sector players.

B. General budget committee

The general budget committee:

- Decides on the approval or rejection of the PPP plan, including budget allocation if required.
- Decides on the approval or rejection of the feasibility study, only in case additional budget is required.
- Decides on the approval or rejection of selected bidder(s), only in case additional budget is required.

C. Ministry

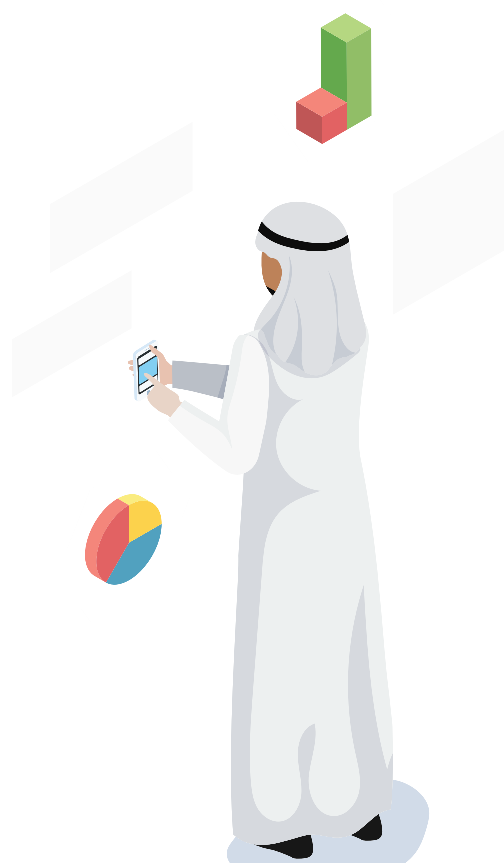
The ministry:

- Prepares, issues, and amends manuals and all forms and documents related to PPP projects.
- Suggests updates to the legislation regulating PPP projects in accordance with international best practices.
- Works to provide the appropriate environment to attract the private sector to participate in PPP projects and overcome difficulties that may hinder the success of PPP projects.
- Acts as an intermediary between the concerned federal entity, general budget committee and cabinet.
- Assists federal entities offering PPP projects in accordance with the law, if necessary, and encourages them to consider all projects for PPP.
- Assigns a point of contact to give project teams guidance, relevant tools and templates, and to ensure the guidelines are being followed.
- Proposes PPP projects to concerned federal entities to enable them to list potential PPP projects.
- Reviews project prioritization.
- Reviews pre-feasibility studies and overall PPP plan.
- Studies and evaluates offers and feasibility studies submitted by the federal entities and the private sector and determines the feasibility of offering them as PPP projects.
- Directs concerned federal entities with regard to the mechanism for preparing feasibility studies and other studies related to evaluating PPP projects.
- Advises concerned federal entities in relation to offering and implementing PPP projects.
- Develops a data record for PPP projects.
- Periodically measures the success of PPP projects and submits reports to the general budget committee.
- Acts as a knowledge center, collating and disseminating information about PPPs, thus ensuring that knowledge is shared across federal entities and made available to the public.
- Prioritizes the concerned federal entity to start rolling out PPP plans development.

D. Concerned federal entities

The concerned federal entities:

- Identify potential PPP projects and assess them against various criteria.
- Prioritize PPP projects and develop pre-feasibility studies.
- Set up a project team, including members from the relevant federal entity, that will be responsible for developing project's feasibility studies and procurement documents.
- Suggest PPP projects and prepare all necessary studies to evaluate financial, economic, technical, and social feasibility, risks, and effects. This is done in accordance with the requirements of this manual. (These analyses should be performed by the project team and reviewed by the concerned federal entity).
- Prepare the initial budget for the PPP project in cooperation with the project team and in accordance with the manuals and forms related to preparing budgets issued by the ministry.
- Define technical specifications and requirements for PPP projects.
- Coordinate with the ministry to formulate the structure of PPP projects, including determining partnership methods, the PPP parties' contributions to projects, and the distribution of the resulting shares and financial returns.
- Suggest fees for services related to PPP projects.
- Support project teams in preparing tender documents and requests for proposals (RFPs) for projects.
- Recommend qualified bidders to the ministry.
- Fulfil their obligations under project agreements and exercise the rights contained within.
- Coordinate with other government and concerned federal entities to ensure that the outputs align with their plans.
- Supervise private sector partners' implementation of PPP projects that fall within their competence without prejudicing the mandates of other supervisory bodies.
- Work to overcome the difficulties that prevent PPP projects from achieving the desired goals in coordination with competent authorities.
- Prepare quarterly reports for each of their proposed PPP projects and submit them to the ministry.



E. Project teams

The project teams:

- Develop feasibility studies (including technical, legal, and financial studies).
- Coordinate and manage the tender process for PPP projects and partner selection.
- Prepare initial budgets for projects in coordination with the concerned federal entity.
- Prepare offer documents, RFPs, and project agreements and share them with relevant parties.
- Evaluate and open offers according to the evaluation procedures and criteria specified in the tender documents and this manual.
- Ensure the principles of transparency, fair competition, and equal projects are applied in accordance with the provisions of the law and this manual.

F. Private sector

The private sector partners:

- Submit expressions of interest (EoIs), qualification documents, and bids.
- Implement projects as per PPP contract terms.
- Propose potential PPP projects as unsolicited proposals.
- Raise capital for the projects as per the PPP contract terms.

PPP PROJECT IMPLEMENTATION AND EXECUTION MANUAL

PPP PROJECT IMPLEMENTATION AND EXECUTION

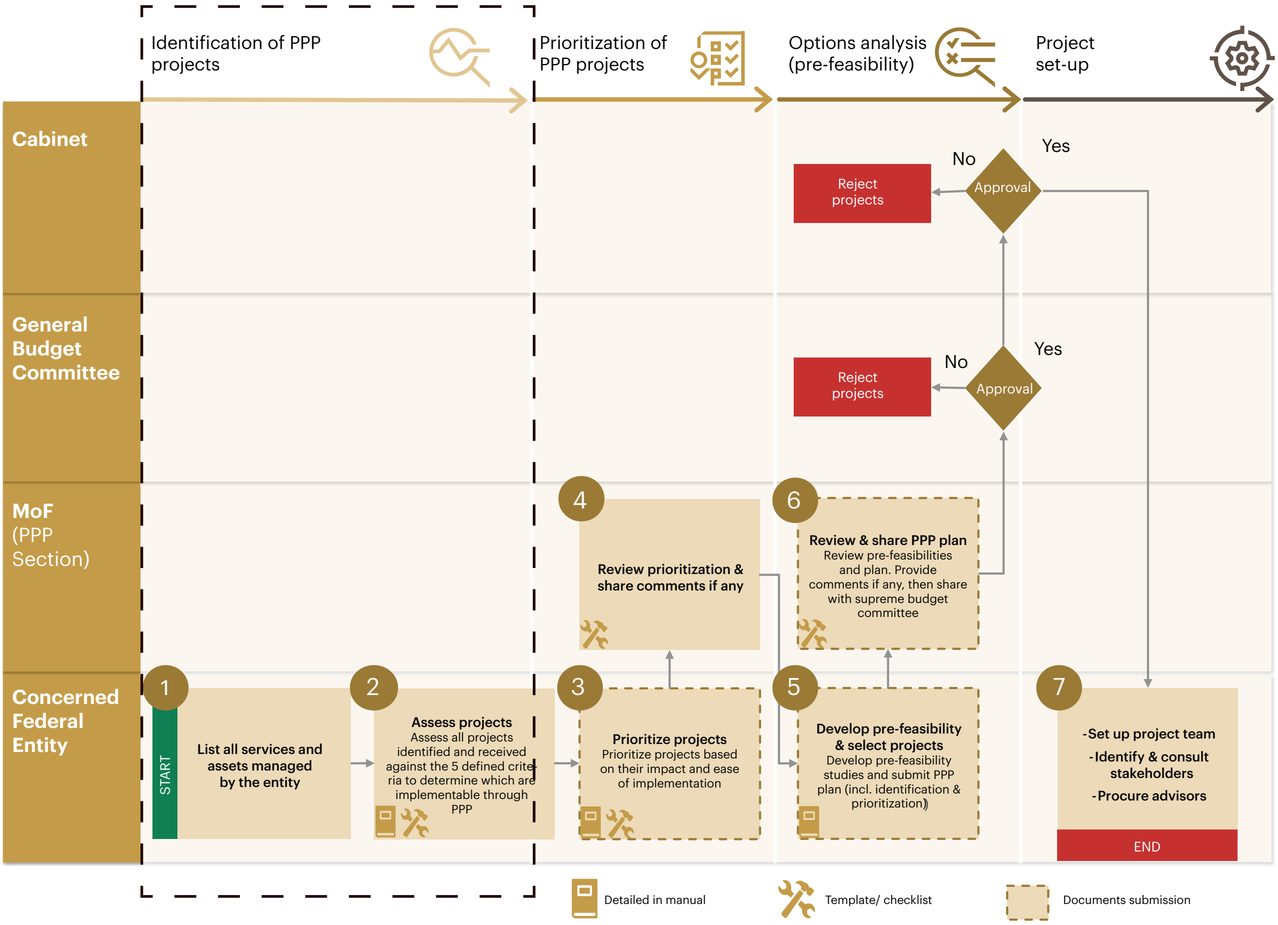
Every concerned federal entity must follow the following process to implement PPP projects.

The decisions needed by the general budget committee and the cabinet which are required for the PPP plan, the feasibility study, and the partner selection, can be taken during the pre-scheduled budget committee meetings. Some exceptions apply depending on the urgency of the project and at the request of the concerned federal entity.

In alignment with the process outlined below, a federal entity is required to formulate a strategic plan to utilize PPPs. Should an entity already possess such a plan yet wishes to pursue a new, unplanned opportunity, it may proceed directly to step (5) of the process. At this juncture, the entity's focus would be to develop a pre-feasibility study, as specified in section 2b of this chapter, and subsequently secure approval in accordance with the established procedure.

If there is no existing plan, and the concerned federal entity intends to pursue an opportunity, it must seek an exception from the ministry.

I. IDENTIFICATION OF PROJECTS



A. Identification of PPP

Owner	Time to develop	Supporting tool	Reviewer	Time to review	Supporting tool	Approver
Concerned Federal Entity	1 month	P01. Project Identification & Prioritization Template	The Ministry	After next step	R01a. Prioritization checklist	N/A

STEPS TO FOLLOW

1. To identify projects for PPP, a concerned federal entity must list and assess all public facilities and assets it manages, the public services it provides, the activities it performs, and its current and future capital projects.

2. The ministry and potential private sector partners may also identify PPP projects and suggest them to the concerned federal entity. Any project proposed by the ministry must be added to the list. Potential private sector partners may submit an unsolicited proposal for a PPP (see section b for more details).

3. The concerned federal entity assesses all potential projects to determine whether a function may be assigned to the private sector through a PPP. The assessment should be based on the project assessment criteria.

4. Once the concerned federal entity has selected projects that meet all five project assessment criteria, it can move to the project screening phase.

Project assessment criteria

1. The project is not related to the creation of policies or regulations, nor an internal support service.

2. The project benefits the public by improving citizens' safety, health, financial standing, knowledge and/or overall lifestyle.

3. The private sector has greater human resources and knowledge to implement the project compared to the government.

4. Risks can be partially or fully transferred from the concerned federal entity to private sector partners (e.g. construction, financial, legal, and environmental risks).

5. The project value (CAPEX and OPEX) is significant and greater than the minimum value required (see the deep dive on the next page).

Criterion 5 deep dive

To avoid the risk of sinking resources into the analysis and structuring of a non-lucrative PPP project, the government must determine whether the value of the project meets the following threshold[1]:

Total CAPEX + Total OPEX:

> 150 million AED

Note:

Projects below this threshold can also be procured as PPPs if they demonstrate the potential to achieve significant value for money savings. Moreover, the ministry reserves the right to instruct governmental entities to evaluate projects below this threshold for PPP suitability at its discretion.

B. Unsolicited proposals

What is an unsolicited proposal?

An unsolicited proposal refers to a feasibility study on a potential PPP that is prepared by a potential private sector partner and submitted directly to a federal entity for consideration.

Who can propose or receive unsolicited proposals?

The following conditions must be met before a potential private sector partner may submit an unsolicited proposal to a federal entity:

— The decision to submit the proposal must not be based on the request, participation, supervision, or guidance of a government entity.

— The party submitting the proposal must not be a government entity or a government employee, or an advisor appointed to provide advisory services in relation to infrastructure or public service projects.

Unsolicited proposal process:

— The private sector drafts and submits the project proposal, including initial feasibility details, to the concerned federal entity or the ministry. The level of details included should be equal to the level of details of the pre-feasibility study as described in this manual (Chapter 4b), in addition to information about the bidder, their experience, and their qualifications.

— The concerned federal entity should notify the ministry as soon as they receive an unsolicited proposal.

— The concerned federal entity examines the proposal to verify if the project is already in the plan and if it has been submitted to the appropriate entity. Based on this, the concerned federal entity either approves the proposal for further review, redirects it to the appropriate entity or rejects it.

— If the proposal is approved, it undergoes a secondary review by the concerned federal entity to check if the project aligns with overall strategic goals and whether it provides sufficient value for money and impact. Based on this review, the project may be approved to advance or rejected.

[1] The threshold has been decided based on:
The assessment of benchmarked countries
The implicit costs of a PPP project (feasibility studies, structuring and management of the tender process), which usually cost around 10.5 million dirhams, and should not account for more than 7% of the total capital expenditure of the project

- Once the project is approved in the secondary review, the private sector is notified to develop a full feasibility study, adhering to the guidelines specified in the manual (as detailed in chapter 3).
- The completed feasibility study is evaluated by the concerned federal entity against the assessment criteria established in the manual. Depending on the evaluation, the project team may receive comments for adjustment or modification.
- The ministry reviews the adjusted feasibility study and comments if necessary and checks it against the templates shared with this manual.
- The ministry then submits key inputs to the cabinet for final decision.
- If the study meets the required standards and is approved by the cabinet, the project moves to the tendering phase, otherwise it is dropped.

Should a rejection occur at any stage of the process, the concerned federal entity is obligated to formally notify the prospective private partner of this decision within ten business days.

- **Partial reimbursement of study fees:** Recognizing the effort and resources expended in preparing the proposal, the proponent may be partially reimbursed for the costs associated with conducting feasibility studies and other preparatory work. This reimbursement is not a full refund but covers a portion of the expenses to acknowledge the proponent's investment in identifying and outlining the PPP opportunity.

Tendering phase and proponent reward

If the project is approved, it will go through the exact same tendering process described in chapter 4. The only modification required to ensure the proponent is rewarded will be in step 11 during bid evaluation and partner selection, during which, and at the discretion of the concerned federal entity with the approval of the ministry, the proponent can be incentivized by any or a mix of the following options:

- **Best offer matching:** If another party submits a more competitive proposal during the bidding process, the original proponent may be given the opportunity to match the best offer. This ensures that the proponent who initially identified the opportunity and conducted preliminary studies has a fair chance to undertake the project, provided they can meet or exceed the terms of the best subsequent bid.
- **Bid scoring bonus:** As an incentive for their initial work in proposing the project, proponents may receive a bonus in the bid scoring process. This bonus does not guarantee selection but provides a competitive edge by recognizing the value of the proponent's original contribution to the project concept.

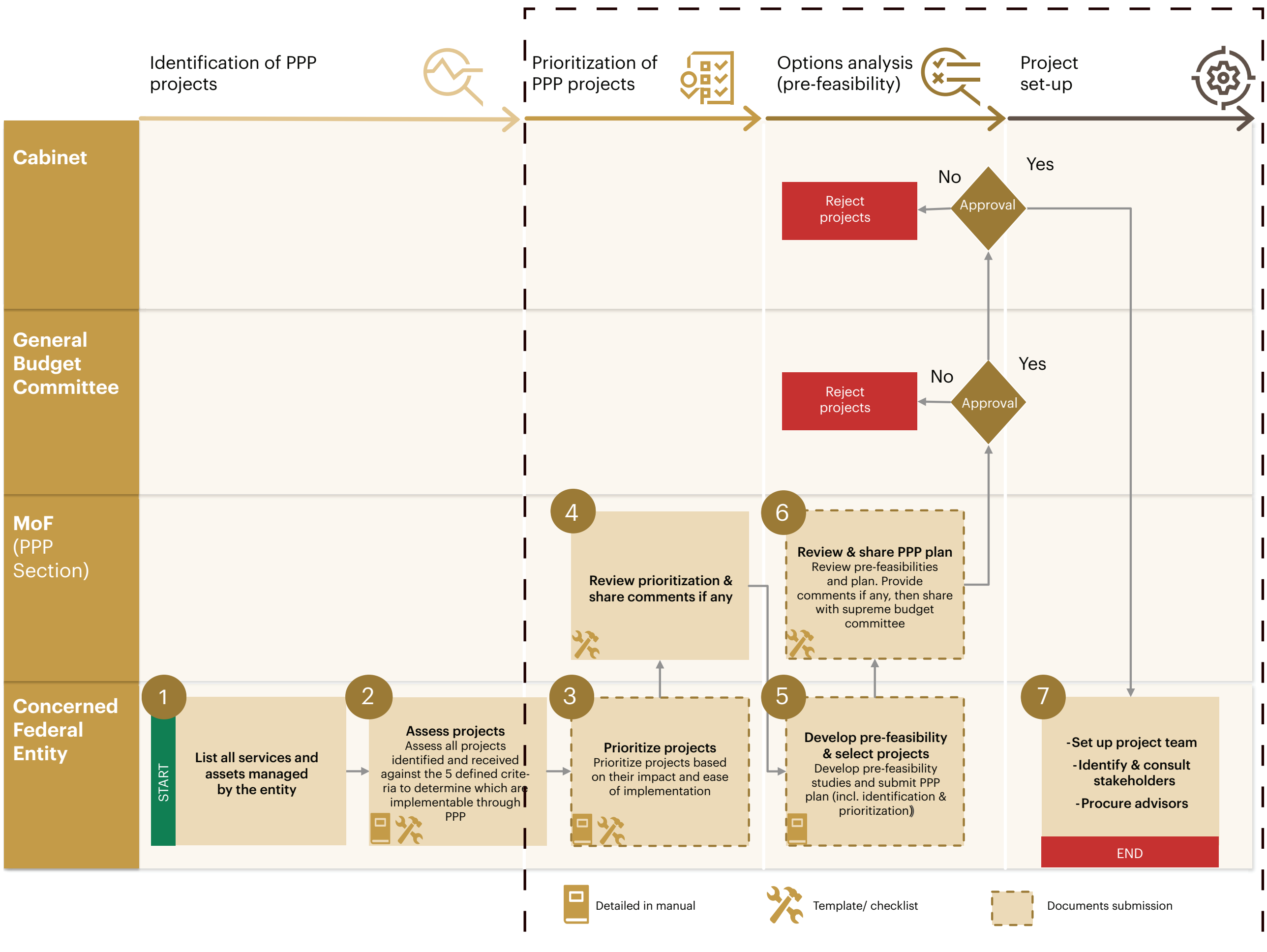
To maintain fairness and transparency, the concerned federal entity must notify the bidders through the RFP that the opportunity originated from an unsolicited proposal.

The project proponent is automatically qualified to the RFP stage.

To protect confidential information, intellectual property rights, trade secrets, and exclusive rights in unsolicited PPP proposals, a Federal Entity should have to follow two crucial measures:

1. **The private party can request non-disclosure agreements (NDAs):** The federal entity should require all internal and external stakeholders involved in the review and negotiation process to sign NDAs before any proposal details are shared. These agreements should be legally vetted to ensure enforceability and should clearly outline what constitutes confidential information, the duration of the confidentiality obligation, and the consequences of breaches.
2. **If the proposal contains potentially patentable ideas or proprietary technology, the private partner can request intellectual property (IP) rights agreements:** The federal entity should work with legal experts to draft IP agreements that clearly define the ownership, use, and licensing of IP. These agreements should address how IP rights are handled during and after the evaluation of the proposal, and in the case of project award or rejection.

II. PROJECT SCREENING



A. Prioritization of PPP projects

Owner	Time to develop	Supporting tool	Reviewer	Time to review	Supporting tool	Approver
Concerned Federal Entity	1 month	P02. Feasibility Study Template	The Ministry	2 weeks	R01a. Prioritization checklist	N/A

STEPS TO FOLLOW

1. The concerned federal entity must use the general assessment factors to score each potential project. These factors are split into two main categories: project impact and ease of implementation. They can be either qualitative or quantitative.

2. The concerned federal entity may suggest up to five additional assessment factors or sub-factors to account for the varying characteristics of different projects.

3. Once assessment factors for a potential project are identified, the concerned federal entity should assign weights to each, depending on their importance.

4. After weighted scores are attributed to the assessment factors, the concerned federal entity will choose, according to the prioritization output, the projects that will qualify for the pre-feasibility phase.

5. The ministry will then review the prioritization exercise using the checklist shared with this manual, making sure it has been carried properly.

General assessment factors

PROJECT IMPACT

1. Project Value
2. Fiscal Impact
3. Social impact
4. Alignment with sector's objectives
5. Efficiency and quality improvement

EASE OF IMPLEMENTATION

1. Capacity and qualification of the concerned federal entity's human resources
2. International success
3. Readiness of the regulatory environment
4. Market capacity
5. Data availability

Table 4: Examples of factors considered in prioritizing projects

Factor	Metric	Unit	Assessment method	Weight	Weight rationale
Project value	CAPEX and OPEX, for the 5 first years	Quantifiable (AED)	High-level estimation of CAPEX and OPEX	**10%**	Entity to provide weight rationale
Fiscal impact	Financial impact on government budget	Low Medium High	High-level estimation	**10%**	Entity to provide weight rationale
Social impact	Beneficiaries reached	Quantifiable (#)	High-level estimation	**10%**	Entity to provide weight rationale

Factor	Metric	Unit	Assessment method	Weight	Weight rationale
Efficiency and quality improvement	N/A	Low Medium High	High-level estimation	**10%**	Entity to provide weight rationale
Alignment with sector's objectives	N/A	Low Medium High	Comparing with objectives	**10%**	Entity to provide weight rationale
Capacity and qualification of the concerned federal entity's human resources	N/A	Low Medium High	High-level estimation	**10%**	Entity to provide weight rationale
International success	N/A	Low Medium High	High-level estimation	**10%**	Entity to provide weight rationale
Readiness of the regulatory environment	N/A	Low Medium High	High-level estimation	**10%**	Entity to provide weight rationale
Market capacity	Number of potential private partners operating in the region	Low Medium High	High-level research	**10%**	Entity to provide weight rationale
Data availability	N/A	Low Medium High	High-level estimation	**10%**	Entity to provide weight rationale

Table 5: Final assessment for prioritization exercise

Project	Project value (AED)	Social impact score	Fiscal impact Score	Total score	Rank
First project	5 bn	High	High	100	**#1**
Second project	0.5 bn	Medium	Medium	67	**#3**
Third project	2 bn	High	Medium	80	**#2**

B. Options analysis (pre-feasibility)

Owner	Time to develop	Supporting tool	Reviewer	Time to review	Supporting tool	Approver
Concerned Federal Entity	1 - 2 month	N/A	The Ministry	1 month	R01b. Pre-Feasibility Checklist	General budget committee Cabinet

STEPS TO FOLLOW

1. The concerned federal entity must subsequently develop a pre-feasibility study, according to the sections described below, for each project that passes the prioritization step.

2. The concerned federal entity shall submit the PPP plan (including the project identification, prioritization and pre–feasibility study) to the ministry.

3. In addition to the PPP plan, the concerned federal entity should submit a high-level implementation plan for selected projects and the initial budget for developing the feasibility studies.

4. The ministry evaluates each pre-feasibility study based on the checklist shared with the manual.

5. The ministry should share the plan with the checklists and templates with the general budget committee and then cabinet for approval.

PRE-FEASIBILITY STUDY SECTIONS:

MARKET ASSESSMENT

High level assessment of the market which should include:

- **Market size:** to determine demand for the asset or service linked to the project.
- **Comparable projects:** to identify similar local projects, if any, or international projects.
- **Initial potential players identification:** to identify potential private partners that might execute the project.

ANALYSIS OF THE CURRENT SITUATION

Baseline analysis detailing the current state of the asset or service provided by the government entity. This step is mainly for brownfield projects.

The report should include high-level details on the services or assets currently being delivered by the public sector, including:

- The types of assets and services delivered and the beneficiaries.
- The process for delivering the services.
- The performance of the services and the key operational gaps in efficiency.
- A breakdown of the capital cost, project implementation costs, operating costs and revenues of the assets and services.

TECHNICAL FEASIBILITY

The viability of a project must be determined at an early stage. Technical feasibility studies enable the concerned federal entity to justify the viability of the project from technological, environmental, social, and market perspectives. Technical feasibility studies should be conducted for infrastructure projects.

At this point, the concerned federal entity does not need to decide on the mode of implementation for the project.

The technical feasibility should include:

- Preliminary findings on the optimal technical option to execute the project.
- Costs associated with each potential option and service (maintenance) levels expected for each option.
- The impact of each option on the environment and society.

FINANCIAL FEASIBILITY

An initial financial analysis must be conducted to determine whether the project is financially worthwhile and to develop an initial view on which implementation methodology is best (the optimal PPP model). The analysis includes:

- The potential PPP models through which the project can be implemented (BOT, ROT, etc.).
- The public sector case financials to assess the costs on the government, assuming the project is completed by the public entity.
- The financials (income & cashflow statements) for all identified PPP models and other possible non-PPP implementation models (typically outsourcing).
- The value for money for each model.

LEGAL DUE DILIGENCE

An initial legal analysis must be conducted to ensure the project is legally viable. This analysis should identify:

— Whether the project complies with PPP and procurement laws.

— Whether the project complies with land ownership laws.

— Any legislative amendments required if the applicable laws are in conflict with international practices.

— The possibility of transferring or terminating existing contracts related to the project.

ECONOMIC ANALYSIS

A preliminary assessment to determine the potential impacts of the project on the economy. The analysis should take into account both direct and indirect economic impacts as well as the project's contribution to Gross Domestic Product (GDP).

Direct economic impacts refer to the changes in revenues and costs for the government. Indirect economic impacts, on the other hand, refer to the changes in employment and consumer spending that result from the project.

SOCIAL AND ENVIRONMENTAL ANALYSIS

An initial impact assessment to determine the effects of a project on the environment and on the society. This will help inform decision-making about whether to proceed with the project.

The analysis should consider potential risks associated with these impacts. This could include risks related to environmental degradation, such as through pollution or habitat destruction, and social impacts, such as the risk of conflict with local communities, limited access to usual roads, or any other negative effects on citizens.

The assessment should also consider potential opportunities, such as job creation or social and environmental gains such as improved access to clean water or the restoration of natural habitats.

The analysis should be comprehensive and include high level recommendations for developing measures to mitigate any negative impacts and maximise potential benefits.

IMPLEMENTATION AND PROJECT MANAGEMENT

A description of the project's implementation plan, including a schedule, budget, and resource requirements.

C. Project set-up

Owner	Time to develop	Supporting tool	Reviewer	Time to review	Supporting tool	Approver
Concerned Federal Entity	1 month	N/A	N/A	N/A	N/A	N/A

Overview

In between identifying the project and conducting feasibility studies, it is useful to carry out the following activities:

Stakeholder consultations

Interactions between stakeholders and the parties involved in a PPP project play an important role in its life cycle. The concerned federal entity should identify the vital stakeholder groups early in the process to enable communication. This is essential for aiding their understanding of the process; gaining social, business, and political support for the project; attracting potential investors; and reducing project-related risks. It also assists with recording their needs, concerns, worries, and interests.

Stakeholders are split into two categories:

Internal: These are public sector officers and employees linked, directly or indirectly, to the project cycle.

External: These are banks, investment funds, government and multilateral funders, public service users, media, other government agencies (that is, the municipality or government, or the federal government), regulatory agencies and legislators, and non-governmental organizations (NGOs).

Lack of communication or poor communication can feed false rumours that cause concerns that can undermine a project's success.

Therefore, it is important to develop an effective communication plan. Typically, the plan will:

— Identify all groups that should receive communications.

— Explain the main concepts to be communicated, drawing on the basic elements of the project, such as its outcomes, the needs it will meet, and the people it will serve.

— Nominate the media used to reach the identified groups.

— Outline the main characteristics of the communication pieces, preferably tailoring them to each group identified.

Hiring advisors

When setting up the project, it is crucial to identify the capabilities needed. If the concerned federal entity doesn't have sufficient internal capacity to perform the full appraisal, it should hire advisors.

Advisors can aid in carrying out feasibility studies, structuring the project, and managing the bid documentation, bid process, and post-award contract.

Typically, advisors are required in four areas:

— Technical: for carrying out technical feasibility studies.
— Financial: for undertaking financial feasibility studies.
— Legal: for drafting and vetting contractual documents.
— Environmental and social: for assessing the impact of the project on the environment and on citizens lives.

Project team set-up

The concerned federal entity will set up a project team for each approved pre feasibility study. The team will help to streamline all project-related activities. It will be responsible for developing the feasibility studies for identified projects, tendering, and private partner selection.

Each project team will comprise:

— A team leader nominated by the concerned federal entity.
— Representatives of the concerned federal entity.
— Representatives of other related public stakeholder entities - if needed.

The Ministry will follow up with and support the project team while ensuring adherence to the PPP manual by federal entities.

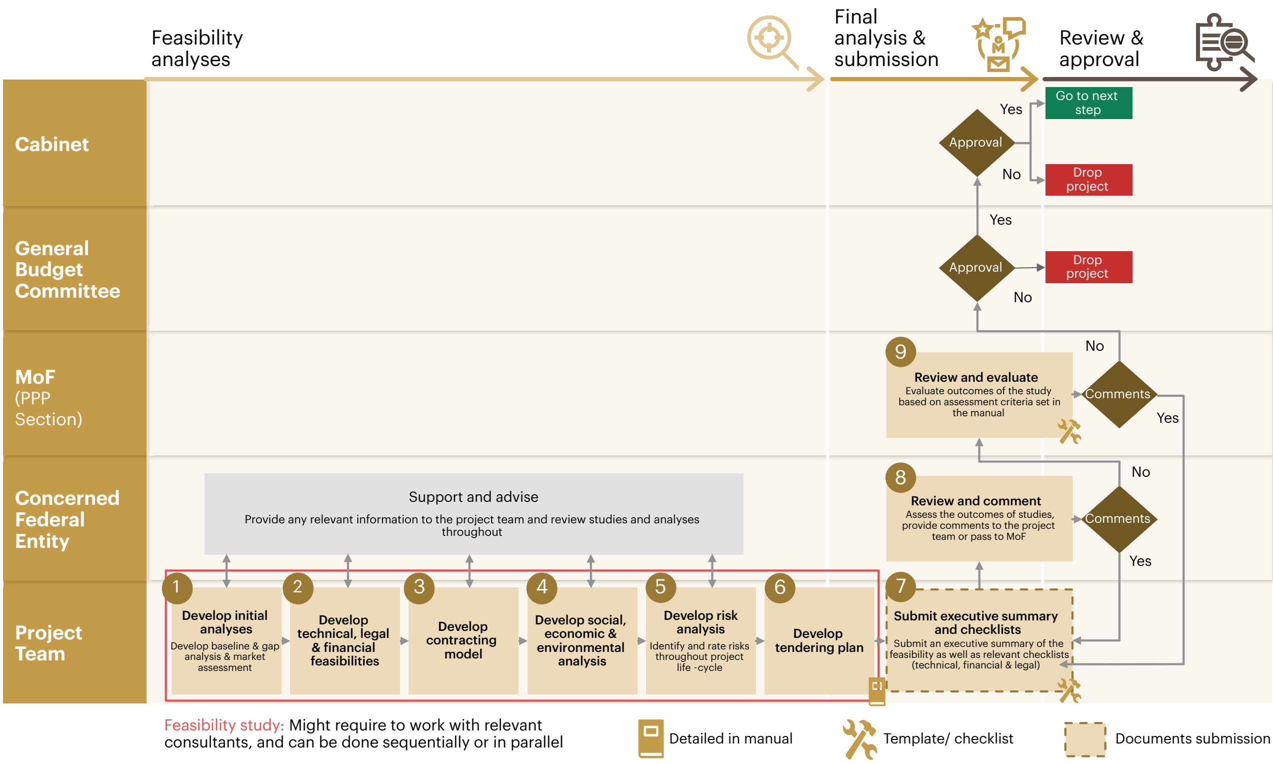
Members of the project team will be named by the entities they represent. If possible, the project team will include individuals specializing in:

— Technical affairs related to the sector or the PPP project.
— Commercial and financial affairs.
— Project management.
— Legal and regulatory affairs.
— Engineering/ Information Technology and construction affairs (for infrastructure projects only).

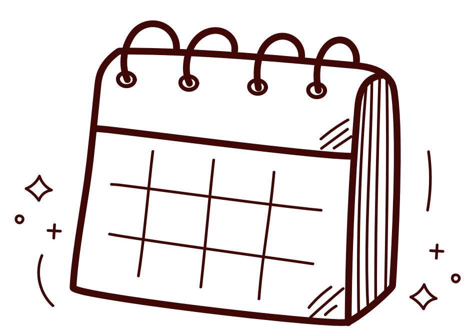
The team should be supported by a designated point of contact from the ministry. This representative will provide guidance, share relevant tools and templates, and ensure all parties follow the guidelines in this manual.

III. PROJECT APPRAISAL

Appraising PPP projects is aimed at evaluating the technical, legal, and financial aspects of the project to ensure that it is feasible and can be successfully executed. The study will also assess the benefits and risks for both the government and the private partner to ensure that the partnership is mutually beneficial. All the studies needed for this analysis are detailed below in this section.



It is important to note that most of the studies are typically conducted in parallel, with the total period for the development of the feasibility study being around six months.



A. Initial analysis

Owner	Time to develop	Supporting tool	Reviewer	Time to review	Supporting tool	Approver
Project Team	2 weeks	N/A	Concerned Federal Entity The Ministry	At the end, with all studies	R02. Feasibility Study Checklist	At the end, with all studies

Overview and objectives

In order to gain a comprehensive understanding of the market and the current situation surrounding the project, it is essential to conduct four key analyses. Including a current state assessment, a market assessment, a gap analysis, and an analysis of procurement alternatives.

Current state assessment

This assessment is aimed at understanding the current situation and conditions relating to the project. It should include assessments of:

— **Infrastructure (if applicable):** to evaluate existing infrastructure, such as roads, utilities, and transport networks impacted by or required for the project.

— **Services delivered and beneficiaries (if applicable):** to identify the types of services already being delivered by the public sector and the beneficiaries of those services.

— **Current delivery model (if applicable):** to identify the current process for delivering the services by the public sector.

— **Operational performance (if applicable):** to evaluate the performance of the services provided by the public sector and identify the major gaps in operational efficiency.

— **Financial performance:** to break down the services' operating costs and revenues.

For brownfield PPP projects, the project team must submit a detailed transition plan for existing employees, assets, and processes.

Market sounding

The main objective of the exercise is to identify all potential partners that possess the capability and interest to carry out the project, and to engage in meetings and discussions with them to gain their insights and feedback on the project.

— The first step in the exercise is to compile an exhaustive list of potential partners that may be interested and capable of undertaking the project.

— The second step is to prepare a document that outlines the project scope, including high level technical and financial aspects, as well as a potential risk sharing matrix and a questionnaire to the potential partners, which typically includes questions around:

- **Potential partner overview:** to understand the potential partner's experience, footprint, and services provided.
- **Potential partner interests:** to gauge the potential partner's interest in potentially pursuing the opportunity and identify key preferences.
- **Readiness assessment:** to assess the potential partner's readiness and capacity to engage in the required scope of work for this opportunity.
- **Technical overview:** to understand the potential partner's technical expertise and capabilities.
- **Financial overview:** To identify the potential partner's payment preferences, key cost buckets, and receive high-level cost estimation.
- **Concerns & key considerations:** To identify any potential obstacles and critical factors for project success.

— The project team will then conduct meetings with a select group of potential private partners and through the questionnaire the project team will gather essential insights to confirm market appetite and refine feasibility studies, thereby ensuring a robust and competitive tendering process. Market sounding is instrumental in any PPP transaction, as it not only gauges interest, capabilities, and financial benchmarks but also sharpens the project scope and identifies the optimal delivery model based on stakeholder feedback. This step also serves to cultivate preliminary interest among potential investors and partners, effectively functioning as an early marketing initiative.

— Finally, the project team should combine all findings and key insights into one document.

Gap analysis

The results of the updated current state and market assessments should be used to develop a more accurate gap analysis.
This would fill potential gaps with precise numbers, replacing assumptions in the pre-feasibility study.

To evaluate the gap, determine the concerned federal entity's goals in relation to the project. Then, assess its current performance in relation to those goals. This will reveal discrepancies or disparities between the two. Based on the results, formulate a plan to close the gap, which entails identifying the steps needed to enhance performance and achieve the goals.

Procurement alternatives

This analysis should:

— Evaluate suitable alternative methods of procurement (outsourcing, direct procurement, alternative PPP models, etc.), considering the economic and social impacts of each. The project team should analyze and clearly articulate the negative and positive effects of each.

— Review PPP methods to identify one that is appropriate for the project and justify the choice. Additionally, develop a risk allocation matrix, outlining the expected distribution of risks between the concerned federal entity and the private sector. This matrix will ensure the project team identifies the most suitable and favourable PPP model for the project.

B. Technical feasibility

Owner	Time to develop	Supporting tool	Reviewer	Time to review	Supporting tool	Approver
Project Team	2 - 4 months	N/A	Concerned Federal Entity The Ministry	At the end, with all studies	R02. Feasibility Study Checklist	At the end, with all studies

Overview and objectives

The technical specifications should have enough detail to precisely characterize the infrastructure design for the project. This information should provide all the technical details necessary to accurately define the design. It should include the following:

Options development

— List several options for completing the project, including their respective costs. All development options generated from the technical feasibility study must rest on the premise of delivering a quality service that is cost-effective, energy-efficient, environmentally friendly, and commercially and economically viable.

Technical design and engineering

— A high-level technical design must be developed for the project. It must include necessary engineering and architectural plans, and an assessment of the availability and suitability of materials, equipment, and technologies to be used.

Operational analysis

— This must include an evaluation of the operational requirements for the project, including staffing and training needs, maintenance, and potential risks and challenges.

Estimation of project costs

— Estimate the total costs incurred to build, renovate, and/or rehabilitate an asset or provide a service, including operations and maintenance costs.

Inputs for bidding documents

— Provide inputs for the bidding documents (mainly the RFQ and the RFP) such as qualifications criteria, eligibility criteria, and performance security.

Approvals and clearances

— Depending on the type of project, approvals and clearances may be needed. These fall under two categories:

1. Administrative approvals: These will be at the prerogative of the public entity.

2. Regulatory approvals and clearances from boards, agencies, and/or authorities: The public entity or the private partner can obtain these, depending on the stage of the project development process.

C. Legal due diligence

Owner	Time to develop	Supporting tool	Reviewer	Time to review	Supporting tool	Approver
Project Team	2 - 4 months	N/A	Concerned Federal Entity The Ministry	At the end, with all studies	R02. Feasibility Study Checklist	At the end, with all studies

Overview and objectives

The project team must examine legal issues thoroughly in all aspects of the project. Detailed due diligence will ensure compliance with all legal requirements. The legal analysis aims to:

— Thoroughly assess the legal framework and regulations for the PPP project.

— Help manage risks by identifying and addressing risks and challenges in technical and financial evaluations.

— Prevent major issues in project development and implementation by considering requirements at different stages of the PPP process.

Development of the study

The due diligence process should ensure that the project complies with both domestic and international legal requirements, hence the legal aspects of the project must be analyzed. The due diligence should consist of at least the following three key steps:

1. The first step includes the analysis of applicable legal framework. This involves identifying and evaluating relevant laws and regulations that may impact the project, including:

    — Enabling PPP legislation, focusing on project requirements such as minimum capital value and maximum contract duration.

    — Public procurement law, specifically searching for general contract and procurement guidelines.

    — Foreign investment, property, and labour legislation.

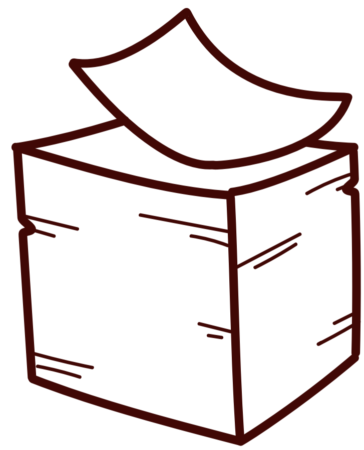
    — Land use planning and environmental legislation.

    — Sector-specific legislation (For example, penal and correctional facilities legislation may prohibit private sector participation in penal and correctional facility projects).

    — Dispute resolution and intellectual property law.

    — Legislation regarding the transfer of ownership, or control of public assets, or delivery of public services to third parties.

    — Legal treatment of project revenue sources.



2. The second step involves evaluating the legal readiness of the procuring authority. This includes ensuring that the concerned federal entity and other relevant institutions have the legal authority to initiate the project or grant approval.

3. The third step is a comprehensive legal analysis of key project issues. Large infrastructure projects often have unique and significant legal implications, requiring assessment of:

    — Financial aspects of the project.

    — Commercial viability, including project bankability.

    — Use of land and existing assets.

    — Potential ownership claims on the land.

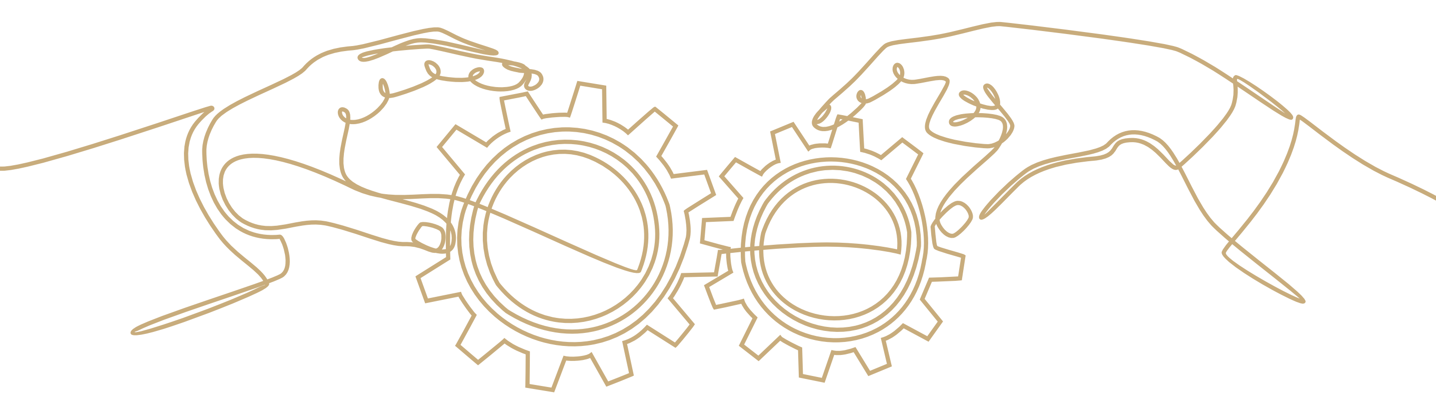
    — Rights of other users (e.g. state oil company with pipes under the land or a road under electricity transmission wires).

    — Employment and transfer of employees.

    — Tax and accounting issues in the financial models.

Table 6: Examples of legal matters that may need to be covered

Category	Example
Financials	— Due diligence of the selected type of public support or guarantees, where needed. — Approval process for public support and authorities involved. — Legal restrictions and limitations for charging private sector end-users, if applicable. — Legal ability to develop collateral businesses (e.g. advertising, retail, and leisure).
Land and property assets	— The type of rights that can be assigned to the private sector. — The country-specific issues surrounding land availability (this can take the form of right of way or clearance for transportation projects and/or site ownership for facilities). — Rules regarding ownership of assets. — Responsibility for relocating people living in the right of way.
Employment	— Consequences for public sector employees if existing assets are to be taken over by the private sector.
Taxation and accountancy	— The regime applicable to the project. — The regime applicable to imports (when significant equipment is included in project CAPEX). — Provision of tax exemptions and potential tax benefits for foreign direct investment.
Environmental	— Environmental clearances that may be required by law for the particular site or project type. — Environmental exemptions applicable to the site and/or project.



D. Financial feasibility

Owner	Time to develop	Supporting tool	Reviewer	Time to review	Supporting tool	Approver
Project Team	2 - 4 months	N/A	Concerned Federal Entity The Ministry	At the end, with all studies	R02. Feasibility Study Checklist	At the end, with all studies

Overview and objectives

The main aim of assessing the financial feasibility of a PPP project is to ensure that implementation using a PPP structure is financially viable for both the government and the private sector partners. This is accomplished by conducting a thorough financial analysis, including forecasting the project's revenue and expenses, and evaluating the risks and potential returns.

The analysis also considers factors such as the availability of finance in the prevailing economic and market capital. Ultimately, the goal is to establish a financially viable partnership that benefits the public and private sectors, while also meeting the objectives of the project.

Financial case development

To fully assess a project's feasibility, a financial analysis should be conducted for four cases:

1. The baseline case (brownfield projects): This includes a comprehensive financial analysis of the current and projected status of the project if it was executed solely by the government. This baseline analysis would use current and historical financial inputs and assume no improvement in quality or increase in supply.

2. The public sector case: This includes assessing a project's costs and revenues if it were managed and executed by the public sector while still achieving the same level of coverage and/or public impact as a PPP project. It serves as a benchmark for evaluating the PPP financial case and proposals.

The PPP case:

3. Government: Financial implications of implementing the proposed project through a PPP model. This analysis will consider the costs and revenues the government will assume and collect through the project. It will be used to evaluate VfM.

4. Private sector partner: This focuses on financial analysis relating to the private sector partner involved in the proposed PPP project. It will provide a thorough understanding of the financial implications of the project for the private sector partner, including costs and revenues. It will aid the government entity in evaluating the project's overall financial viability and the partner's capability to fulfil its related financial obligations. It will also help ensure that the PPP aligns with the partner's financial goals and objectives which are usually a high Profit margin and Internal Rate of Return (IRR).

After the project team has performed the four financial analyses (refer to the following pages for details), it can calculate the project's VfM.

To do so, the project team:

— Determines the cash flows for the public sector case for the duration of the contract.

— Determines the government's cash flows, if they were to execute the PPP, for the duration of the contract.

— Discounts the cash flows using the weighted average cost of capital (WACC) as the discount rate. As shown in the formulas below, the WACC for the private sector is different than the one for the government.

The project team should also create sensitivity analyses using as target variables the private partner's profit margin, IRR, and/or government's VfM.

The impact of risks, as described in section G below, should also be considered when computing cashflows and VFM.

$$\text{VfM} = \underset{\text{(PPP–GOVT.)}}{\text{NPV}} - \underset{\text{(Public sector case)}}{\text{NPV}}$$

Private sector

$$\underset{\text{(Private sector)}}{\text{WACC}} = \text{Cost of equity} \times \text{\% Equity} + \underbrace{\boxed{\text{Cost of debt} \times \text{\% Debt}}}_{\text{Multiply by (1-tax rate) if any}}$$

Government

$$\underset{\text{(Government)}}{\text{WACC}} = \text{Cost of debt}$$

Since it's not possible to determine the Government's capital structure, the Government WACC should be considered = cost of raising debt

How to develop the four financial analyses described above

1. Include inputs and assumptions

1 For the baseline case

The project team collects all relevant data related to the delivery of the service (if available), including:

- Current and historical costs.
- Current and historical demand.
- Current and historical revenues.

2 For the public sector case

The project team should:

- **For brownfield projects:**
  - Define the target demand and quality (equal to PPP targets).
  - Use the same inputs ratio as the baseline analysis.
- **For greenfield projects:**
  - Reference and make use of any similar projects completed by the entity in question or by another country or countries.

3 4 For the PPP case for the private sector and the government

The inputs will be largely driven by assumptions based on two main factors:

- **Target demand/outcome** for the project service.
- **Comparable projects** and expert inputs.

2. Analyze costs

1 2 3 4 For all four cases

Costs leveraged from inputs should cover all costs to be incurred and include:

- **CAPEX** (land, property, equipment, and other capitalized costs).
- **OPEX** (employee-related costs, utilities, rent, consumables, maintenance, overheads, and any other relevant operating costs).
- **Other costs** (including taxes, depreciation, and financing).

Importantly, in addition to the costs in the PPP case, the government might have to make payments to the private sector.

3. Analyze revenues

1 For the baseline case

Current and historical revenues should be leveraged from inputs and include the total revenue from carrying the current service, with as much detail as possible.

2 For the public sector case

Revenues should be deduced from inputs and should include the total revenue from carrying the project if it were to remain under government management.

3 For the PPP case for the government

Revenues should be deduced from inputs and assumptions and should include the total revenue from carrying the project if it were to be transferred to the private sector.

4 For the PPP case for the private sector

The private sector partner usually has two main sources of revenue, depending on the PPP model:

- Payments from the government to the partner for developing the asset or carrying the service.
- Beneficiaries' payments, which the partner might receive directly from beneficiaries depending on the type of project.

4. Set growth assumptions

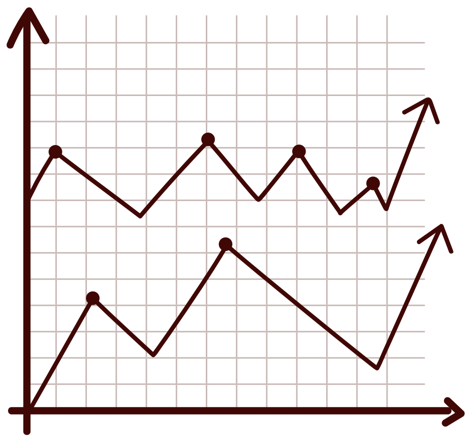
1 2 3 4 For all four cases

To forecast the inputs and assumptions for the duration of the contract, growth assumptions on must be made, mainly in relation to:

- **The country's inflation rate:** This is usually used for forecasting the majority of costs.
- **The historical demand growth rate:** This is usually used for forecasting inputs correlated with the outputs provided.

The project team can determine other types of growth, if necessary.

5. Develop financial statements



1 2 3 4 **For all four cases**

Build the following financial statements for analysis:

- **The income statement:** This details the revenues and costs over the forecast period, with net income deducted.
- **The cashflow statement:** This includes any type of cash adjustments used to determine free cash flow, which is needed for the final analysis (NPV calculations).

Source of financing

The private sector thoroughly examines the financing possibilities of PPP projects, which involve a large amount of capital. In the case of greenfield projects, where no cashflow will be generated during the development stage, the private sector is unlikely to solely fund the project's capital expenditure through equity.

There are conventional and non-conventional ways to finance a PPP project, as shown in the diagram below. Only conventional ways will be explained in this manual.

CONVENTIONAL		NON-CONVENTIONAL
EQUITY	1	MEZZANINE DEBT
DEBT	2	CAPITAL MARKETS BORROWINGS
GRANT	3	DERIVATIVE PRODUCTS

1. EQUITY

The private partner manages the equity arrangements for a public private partnership project, which is typically provided by consortium members of the private sector.

Other parties such as contractors, development partners, or the public entity may also contribute equity. In the event of project losses, equity investors bear the first loss and lenders are only affected if the equity investment is lost. Due to the higher risk involved, equity investors require a higher return on their investment compared to debt providers.

The diagram shown illustrates the typical sources of equity.

TYPICAL SOURCES OF EQUITY

Owners /Stake-holders contribution	IPOs/ equity funds
Retained profits	In kind contribution

Equity investors are interested in the project's IRR, Equity IRR & payback period

2. DEBT

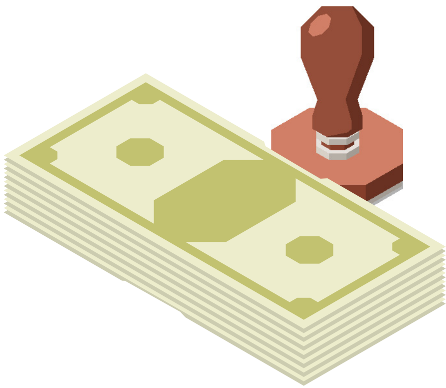
In a public private partnership project, the private partner is responsible for managing the debt arrangements. This includes raising funds from various sources such as banks, development partners, government agencies, and issuing bonds. The majority of the debt is typically provided as "senior debt" by lenders. As senior lenders do not have access to the sponsors' financial information, they need to ensure that the project generates enough cash flow to repay the debt. Additionally, they must be given priority over other creditors in terms of access to the project's assets.

TYPICAL SOURCES OF DEBT

Development Banks (i.e., EDB or World Bank)	Commercial Banks
Issuance of bonds	Bilateral funds (AFESD)

3. GRANT

The government may offer financial assistance (or in some cases non-financial), in the form of an upfront grant, to projects that are deemed to be socially or economically beneficial but may not be financially feasible without such support. These grants are intended to help improve the financial viability of the project by providing funding for the initial capital expenditure. This can help reduce the overall financial risk of the project, making it more attractive to potential investors and ultimately increasing the likelihood of its successful completion. In addition, these grants can also help to stimulate economic growth and development by supporting projects that have the potential to create jobs, improve infrastructure, and promote innovation.



E. The contracting model

Owner	Time to develop	Supporting tool	Reviewer	Time to review	Supporting tool	Approver
Project Team	2 - 4 months	N/A	Concerned Federal Entity The Ministry	At the end, with all studies	R02. Feasibility Study Checklist	At the end, with all studies

Overview and objectives

The contracting model sets the scope of the project and details the obligations between the private and public sector players. The project team must develop it in conjunction with consultants as it is the basis for the final contract between the concerned federal entity and the private partner. At a minimum, it should include the sections described below. If necessary, other sections can be added, depending on the project's needs.

1. Scope of the project and the contract, including contract duration, implementation, and mechanism
   The length and scope of the contract in a PPP project can depend on the type of PPP being used. It should have been chosen by the end of the pre-feasibility stage. The contracting model should clearly define the specific objectives and deliverables that the private partner is contracted to complete.

   A PPP project can often take several years to implement and go through multiple tendering phases. The contracting model should include a detailed implementation plan that outlines specific steps and timelines for each phase. This can include the roll-out of the project in different stages, such as the design, construction, and operation of the infrastructure or service.

   It's important to note that the project team should identify the content of each wave of the implementation, such as when implementation will start. This will ensure that all stakeholders are aware of the project's progress and the way it will be executed. This level of detail in the contracting model will help ensure that the project is implemented effectively and efficiently and that the private partner is meeting its obligations under the contract.

2. Governance – financial, administrative, and technical monitoring and oversight of the contract

   Governance in a PPP project refers to the mechanisms and processes put in place to ensure that the contract between the public and private partners is executed effectively and efficiently. This includes monitoring and oversight of the financial, administrative, and technical aspects of the project.

   Financial governance involves monitoring and oversight of the private partner's financial performance, including revenue and expenditure. This can include regular financial reporting and audits, ensuring that the private partner is meeting its financial obligations under the contract.

   Administrative governance involves monitoring and oversight of administrative aspects such as procurement, human resources, and risk management. This can include ensuring that the private partner is meeting its obligations in terms of compliance with laws and regulations, and that it has adequate systems and processes in place to manage the project effectively.

   Technical governance involves monitoring and oversight of the technical aspects, such as design, construction, and operation. This can include ensuring that the private partner is meeting its technical obligations under the contract and that the infrastructure or service is being delivered to the required standard. Technical governance can also include regular inspections and audits to ensure that the private partner is in compliance with the contract.

3. Key performance indicators (KPIs) and scoring to evaluate the private partner's performance

KPIs deep dive

Set KPIs

Setting up the KPIs involves:

1. Identifying the strategic objectives that the project is trying to achieve.
2. Defining one or more KPIs for each objective.
3. Detailing each KPI (including reporting frequency, unit of measurement, calculation methodology, source of data, weight of total score, and KPI criticality).

Score the private sector

Assign each KPI a score based on the company's performance compared to the expected performance (see the example of a service expected to take two hours).

	Poor	Good	Excellent
Points	1	3	5
Performance	>3 hours	2–3 hours	<2 hours

Apply bonuses/penalties

1. After assigning a score to each KPI, add up the individual scores to find the total score.
2. Depending on how this score compares to the target scores set in the contracting model, penalties or bonuses may be applied to the private sector partner.
3. Individual KPIs with high criticality may also have penalties or bonuses assigned to them.

4. Ownership of the project and its assets, and the process for handover and change of ownership

In PPP projects, ownership of the project and its assets is typically treated as a shared responsibility between the public and private sectors. The private sector partner is typically responsible for designing, building, financing, and operating the project, while the public sector retains ownership of the assets and is responsible for setting the project's overall objectives and regulations.

The process for handover and change of ownership in PPP projects varies depending on the specific project and country, but it generally involves the following steps:

— **Construction:** The private sector partner designs and builds the project according to the terms of the PPP contract.

— **Commissioning:** Once construction is complete, the project is commissioned and handed over to the private sector partner for operation and maintenance.

— **Operating phase:** The private sector partner operates and maintains the project for a specified period, as agreed upon in the PPP contract.

— **Handover:** At the end of the operating phase, the private sector partner hands the project back to the public sector.

— **Transfer of ownership:** Once the project has been handed over, the public sector takes ownership of the assets and assumes responsibility for their operation and maintenance.

It is important to note that the handover process should be well defined and regulated in the contract with specific milestones and procedures to ensure a smooth transition. Also, the transfer of ownership should be done in a way that the assets are still in good condition and able to be used for their intended purpose by the public sector.

5. Financial rules and obligations between the parties, including the revenue and payment mechanism (if any)

The financial rules and obligations between the public and private sector partners are typically outlined in the PPP agreement. They can include:

— **Revenue and payment mechanism.** This can include the private sector partner's payment structure, such as a fixed fee, performance-based payments, or a combination of both. It can also include details of revenue-sharing arrangements between the parties.

— **Financing.** The PPP agreement will typically outline the project's financing arrangements, including sources of funding and parties' responsibilities in relation to financing.

6. Rules and processes concerning contract suspension, modification, or termination

An overview of the following rules should be included in the contracting model:

— **Suspension:** Provisions for the suspension of the contract, such as if one party is in breach of their obligations or if there are unforeseen circumstances that make it impossible to continue with the project.

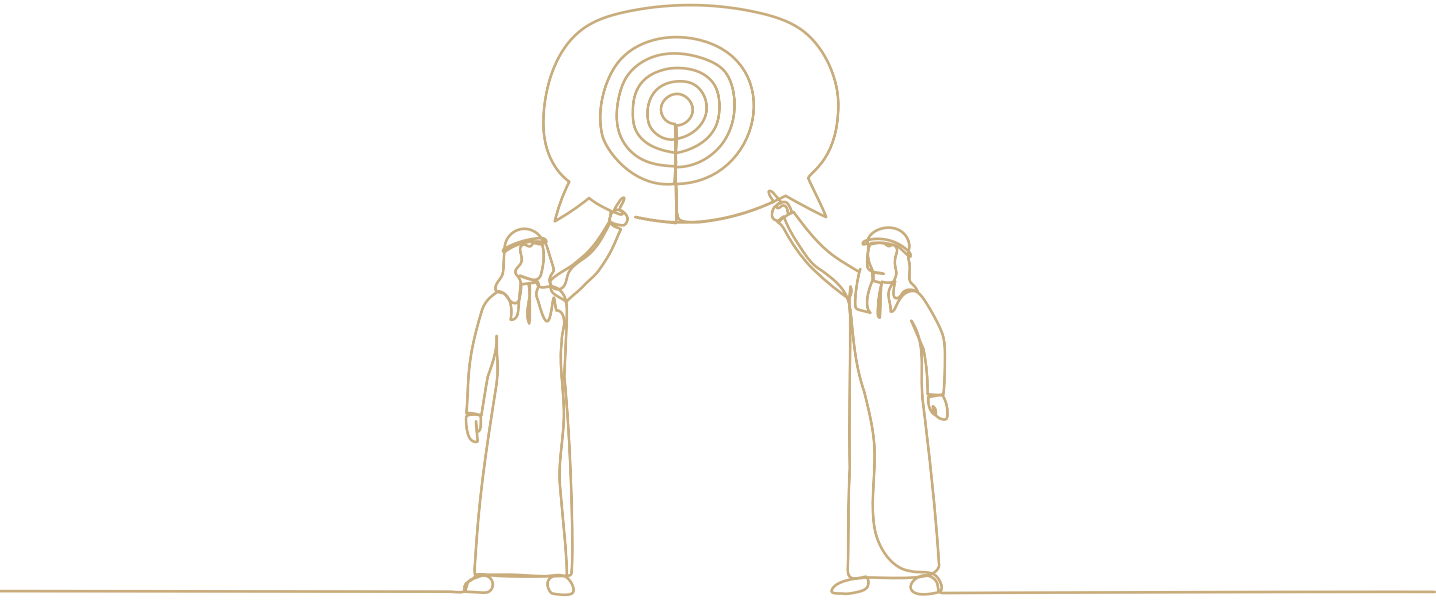
— **Modification:** Provisions for the modification of the contract, such as to reflect changes in circumstances or to improve the project's performance.

— **Termination:** Provisions for termination of the contract, such as if one party is in material breach of their obligations or if the project is no longer economically viable.

— **Notice:** Provisions for notice specifying the amount of time that a party must give before suspending, modifying, or terminating the contract and the means of giving notice.

— **Justification:** Provisions for justification specifying the reasons a party can use to suspend, modify, or terminate the contract and the process the parties must follow to consider the justification.

— **Compensation:** Provisions for compensation specifying the amount of money a party may claim in the case of suspension, modification, or termination of the contract and the process of claiming such compensation.



F. Social, economic, and environmental analysis

Owner	Time to develop	Supporting tool	Reviewer	Time to review	Supporting tool	Approver
Project Team	2 - 4 months	N/A	Concerned Federal Entity The Ministry	At the end, with all studies	R02. Feasibility Study Checklist	At the end, with all studies

Social impact analysis

Overview and objectives

Social impact analysis aims to identify and analyze the impact of the project on the lives of people living and working in the area of influence. The goal is to mitigate any adverse impacts and fully consider them in the decision-making process. Conducting a social impact analysis can significantly lower the overall risks associated with a project by decreasing opposition, increasing support, and providing a deeper understanding of the costs and benefits of the project.

Process to follow:

The process of analyzing social impacts is regulated in many countries as part of the appraisal of infrastructure projects. However, the project team must follow any legal or regulatory rules applicable to the UAE. The typical process involves:

1. Identification of people residing and/or working within a project's area of influence, including mapping of communities and their social, economic, and cultural connection with the site where the project will be implemented and listing of social issues to be considered.

2. Establishment of a social baseline that indicates the status of the issues before the implementation of the project.

3. Estimation of the impacts of the project in the communities identified within the area of influence by comparing the issues with and without the project.

4. Identification of mitigation strategies for adverse impacts identified in previous steps and development of a social action plan. This includes recommendations and a basic estimation of costs and an implementation timeline.

Economic impact analysis

The economic analysis determines the impact of the project on the economy. It typically includes:

— **Direct impacts:** The immediate and direct effects of the project on the economy, such as reduction of time, faster delivery of services, job creation, increased economic activity, and improved infrastructure.

— **Indirect impacts:** The secondary or knock-on effects of the project on the economy, such as on suppliers and other local businesses.

— **Induced impacts:** The economic effects that result from the increased income and spending of project employees and other direct beneficiaries.

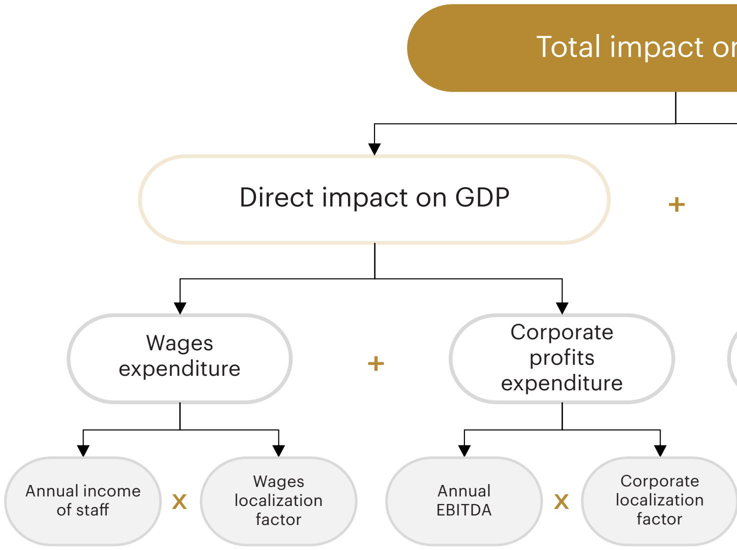
— **Fiscal impacts:** The effect on public finances, including government revenues and expenses, such as the tax revenues it will generate and project-related costs.

— **Quantitative analysis (GDP impact calculation).** See the example below:

Few examples on potential Social Impacts to consider:

1. Displacement and resettlement of residents and loss of livelihoods.
2. Changes in demographic status and social cohesion.
3. Loss of cultural heritage or sacred sites.
4. Loss of access to resources and services.
5. Changes in community health and well-being.
6. Changes in community economic conditions.
7. Impact on community safety and security.
8. Changes in community perceptions of the project and its developers.

**GDP impact calculation –
Example of a PPP contract for a service**



Environmental impact analysis

Overview and objectives

PPP projects can have both positive and negative environmental impacts from construction and operation and may also have secondary impacts beyond the immediate project area and people associated with it. These impacts and the corresponding formal approval process can cause delays in PPP projects. Mitigation strategies for environmental risks imposed by approving agencies can also affect project costs and investment returns. A comprehensive assessment of environmental issues in the appraisal phase is important to ensure they are addressed and incorporated into project decisions, and to anticipate, avoid, minimize, or offset any adverse effects. Additionally, some financial institutions have their own environmental standards that may differ from the formal approval process, so it's good practice to understand and include these in the appraisal process to ensure the project is eligible for financing.

Process to follow:

The environmental feasibility analysis is a crucial step in a PPP project, as it aims to assess whether any specific aspect of the project may make environmental approvals difficult to obtain. To approach this question adequately, four steps are necessary:

1. Identification of all legal and regulatory aspects relevant to obtaining the environmental approvals. This includes analyzing the institutional environment of the country where the approvals will be conducted, determining which agency is responsible for approval, and understanding the process, including any levels of approval.

2. Thorough due diligence effort to identify, describe, and quantify the environmental impacts of the project. This is often referred to as an environmental impact assessment and should be a formal report that addresses the project's environmental impact from a comprehensive perspective, including a full description of the area to be influenced by the project, an analysis of the project's environmental impact on the area, and a description of the physical and biological aspects of the area after the construction and operation of the infrastructure.

3. Definition of a strategy to mitigate the specific effects of the project. This should focus on the most significant environmental effects and mechanisms to minimize them, such as changes to the design of the infrastructure or output specification, and measures to compensate for inevitable environmental consequences.

4. Obtaining, wherever possible, the environmental permits and final approvals needed for construction of the infrastructure. It should be recognized that in many cases it may not be possible to obtain the final environmental approvals during the appraisal phase.

G. Risk analysis

Owner	Time to develop	Supporting tool	Reviewer	Time to review	Supporting tool	Approver
Project Team	2 - 4 months	N/A	Concerned Federal Entity The Ministry	At the end, with all studies	R02. Feasibility Study Checklist	At the end, with all studies

Approaches to managing risk

Parties in a PPP project jointly bear and manage the risks. Each party manages the risks it is more experienced in handling. The following steps optimize the allocation of responsibilities:

1. **Identify risks**

   The project team should identify the types of risks that may arise during the project's life cycle. It should do so for all types of risks faced by the stakeholders, mainly the concerned federal entity, the private sector player, and the ministry.

   Table 7 lists some common risks encountered during PPP projects. However, each project is different and will, therefore, encounter different types of risks.

1 Identify risks

2 Evaluate risks

3 Mitigate risks and allocate responsibility

Table 7: Common risks that arise during PPP projects

EXAMPLES OF RISKS		
Financing	**Hiring**	**Inflation**
Cultural change	**Compliance**	**Demand fluctuation**
Construction	**Bankruptcy**	**Operational costs**
Change in law	**Data privacy**	**Political risks**
Environmental risks	**Social risks**	**Force majeure**

2. Evaluation of risks

The project team should assess the potential impacts of the identified risks, which are typically based on historical data and expert opinion.

To judge each risk, the project team should estimate its size or impact and the probability that it will occur.

3. Mitigation and allocation of identified risks

Some risks might require developing one of three types of mitigation strategies: avoid the risk completely, transfer the risk from one entity to another; monitor the risk and act when required. The main risks associated with PPP projects and their mitigation measures are detailed in the appendix.

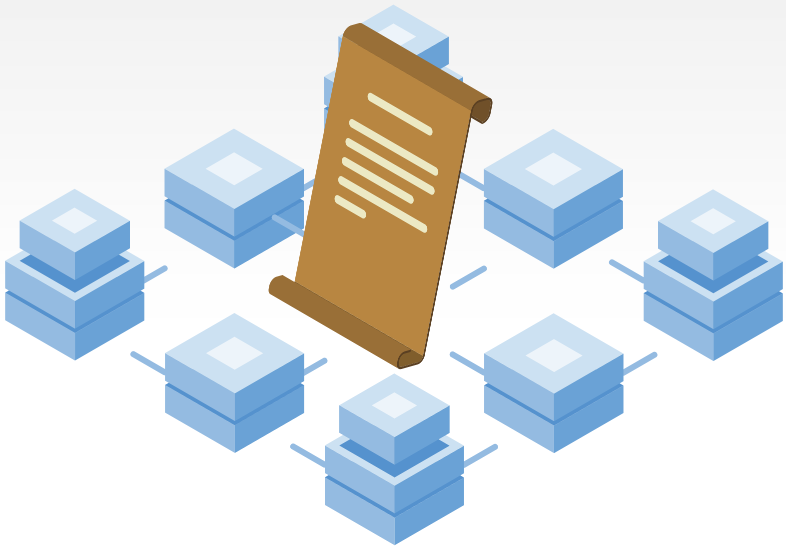


Table 8: Example of how to develop a risk assessment

Likelihood		Impact		
Classification	**Occurrence**	**Classification**	**Financial**	
Very Likely	• Almost certain to occur (>60%) and has occurred multiple times in similar circumstances	Very High	> AED 100M direct loss	**Other potential impact specific to the project itself (i.e., impact on number of inspections carried in the case of fire safety inspections)**
Likely	• Strong possibility to occur (30-60%) under regular project circumstances	High	AED 10M – 100M direct loss	
Possible	• Expected to occur (10-30%) and singular events have been recorded	Moderate	AED 1M – 10M direct loss	
Unlikely	• Will occur only under exceptional circumstances (1-10%) with low probability	Low	AED 0.1M – 1M direct loss	
Very unlikely	• Event is not foreseen to occur (<1%), and no similar events have been recorded	Very low	<AED 0.1M direct loss	

H. Tendering plan

Owner	Time to develop	Supporting tool	Reviewer	Time to review	Supporting tool	Approver
Project Team	2 weeks	N/A	Concerned Federal Entity The Ministry	At the end, with all studies	R02. Feasibility Study Checklist	At the end, with all studies

The tendering plan structures the tendering process and details each step of that process. It should include the following sections:

Introductory section

1. A summary of the PPP project, including the need for the project, its objectives and how they are achieved, technical elements, the contracting model, and details of the risk allocation.

2. A summary of the expected market for the PPP project, including whether the target market is local or international, the advertising and marketing program, and any other steps to be implemented according to the approved tendering plan to attract investors and engage concerned bodies.

Tendering Preparation

1. The necessary preparations for tendering, including the number of employees and their roles, organizational structure, and any outsourced advisory services.

2. Steps and schedule for the tendering process, including the number of requests for clarification, the schedule of activities, and responsibilities at each phase.

3. Detailed procedures and mechanisms for tendering and the tendering method, grounds, and budget.

4. Description of the provisions for communicating with the private sector, qualified investors, or bidders to enable them to submit their proposals and documents.

Other sections

1. Details of established evaluation procedures and standards.

2. Tendering risks and how to reduce or mitigate them.

3. The established method for adding comments and amendments to the tender documents, and the suggestions bidders are permitted to submit in relation to alternative technical concepts that might improve the PPP project.

4. Expected budget for the tendering procedures.

5. Draft tender documents, including notices, general and special provisions for the tendering process, the draft PPP project contract, and any other documents attached to the tender documents.

6. A statement about whether the tendering plan and tender documents contain any change to the data and information in the business case documents or the approval decision, and the actions and measures taken with respect to the change.

I. Final analysis and submission

Owner	Time to develop	Supporting tool	Reviewer	Time to review	Supporting tool	Approver
Project Team	1 week	P02. Feasibility Study Template	Concerned Federal Entity The Ministry	1 month	R02. Feasibility Study Checklist	General Budget committee Cabinet

STEPS TO FOLLOW

1. The project team compiles all analyses detailed throughout this section in one document, then shares it with the concerned federal entity, including the template provided.
2. The concerned federal entity conducts a detailed review of the study and asks for any clarifications and/or amendments, if any, otherwise it shares it with the ministry.
3. The ministry reviews the study according to the checklist provided and shares comments and suggestions to the concerned federal entity, if any.
4. If there is an impact on the budget, the ministry first shares the study with the general budget committee for initial approval and then with the cabinet for a final decision.
5. If there is no impact on the budget, the ministry shares the study directly with the cabinet for a final decision.

The final document should include:

— Project overview and strategic objectives
— Current status of the asset or service
— Procurement alternatives, including VFM and pros and cons of each
— PPP models that are applicable and the reasons for choosing one of them
— Technical due diligence
— Legal due diligence
— Financial due diligence
— Social, economic, and environmental impact analyses
— Potential risks of the project
— Tendering plan

As part of the final deliverable, the project team must fill out and submit the templates provided.

IV. TENDERING AND PARTNER SELECTION

The process as shown in the figure below outlines the comprehensive tendering process that must be adhered to for all PPP tenders, as mandated by law. This process corresponds to the "two-phased method," which is the recommended approach for all projects. Nonetheless, there are two alternative methods that can also be applied:

1. The urgent procurement method: as per the law, the offering may be through the urgent procedure method, which consists of one stage - without a qualification procedure. It can be applied in any of the cases stipulated in the law Article (15) clause 1.b.

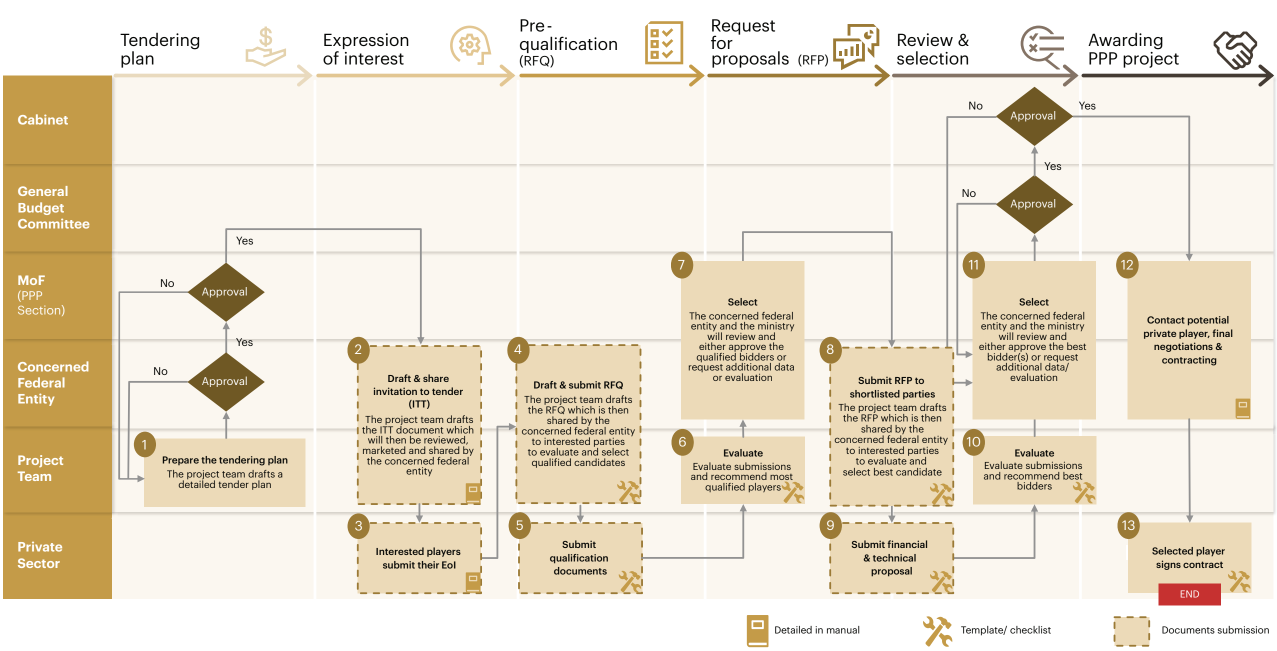
— If the concerned federal entity opts for the urgent procurement method, it must seek formal authorization from the ministry. This request should include comprehensive documentation or explanations justifying the urgency or the absence of potential partners. The ministry is required to provide an official response within 20 days of receiving the request, after which the procurement process may commence.

— In this case the procurement process starts from step 8 of the describes process defined below.

2. The direct appointment method: The offering may be through the direct appointment method, where the concerned federal entity negotiates directly with one or more potential partners. This method is used only in the cases stipulated in the law article (15) clause 1.c.

— In this case the concerned federal entity directly starts negotiations with the potential private partner after which the process starts from step 10 of the described process defined process.

— Should the concerned federal entity choose to proceed with the urgent procurement Method or the direct appointment method, it is required to submit an official request to the ministry, accompanied by all relevant documentation and explanations that substantiate the request, aligning with the stipulations outlined in article (15) clause 1.b. or 1.c. of the law respectively. The ministry is obligated to issue an official response within a 20 days period following the receipt of this request, and upon receiving this approval, the entity may then initiate the procurement process.



A. Invitation to tender and expression of interest

Owner	Time to develop	Supporting tool	Reviewer	Time to review	Supporting tool	Approver
Project Team	1 week	N/A	Concerned Federal Entity	1 week	N/A	N/A

Overview

An invitation to tender (ITT) for a PPP is a marketing document issued by the concerned federal entity, calling for expressions of interest (EoIs) from potential private partners to partner with the government on a certain project. This process contributes significantly towards attracting better private sector participation in the bid process for the project. It is useful to discuss the project with prospective bidders and understand their initial thinking and concerns in participating in the procurement process, before they submit their bids.

The EoI phase does not qualify or disqualify any potential bidder.

STEPS TO FOLLOW

1. The project team develops the ITT document, which should include the sections detailed below:

    — A summary of the project and its potential schedule.

    — A brief about the objectives and scope of the work and the expected deliverables.

    — Instructions on the nature of the job, submission requirements, bid processing fees (if any), and the submission method and deadline.

    — Information about acceptable formats for EoI submissions.

2. The concerned federal entity oversees the marketing campaign, including sharing the ITT with the public and answering questions from interested private sector partners.

3. Interested potential private sector partners submit an EoI by an advertised deadline.

To ensure transparency and fair competition, the ITT should be heavily marketed to reach as many potential players as possible and ensure participation. This includes sharing through all relevant websites and social media platforms.

B. Pre-qualification

Owner	Time to develop	Supporting tool	Reviewer	Time to review	Supporting tool	Approver
Project Team	2 weeks	RQ1_RFQ Template	Concerned Federal Entity	2 weeks	RQ1_RFQ Template_ Guidance	Concerned Federal Entity

Interested parties will have two weeks to submit a statement of qualifications (SOQ) once an RFQ is shared.

With this manual, an RFQ template has been issued detailing how to develop the RFQ, which includes and defines bidding rules such as selection criteria and expectations from bidders.

Overview

The pre-qualification phase begins with the concerned federal entity issuing an RFQ to interested private partners. The private partners then submit an SOQ. This part of the PPP procurement process:

— Verifies that the private partners have the technical and financial qualifications to implement the project effectively and to meet its entire obligation under the contract.

— Avoids wasting time in the final bid submission phase by excluding inappropriate parties.

— Filters participants to produce a small number of high-quality final offers, which will reduce costs and effort in the assessment phase.

Relevant documents

1. Request for qualification

Government > **Bidders**

A tender document issued to potential bidders, requesting detailed information about their qualifications and capabilities, and reasons why they should be considered for a project.

2. Statement of qualification

Bidders > **Government**

A written statement submitted to a Federal Entity in response to an RFQ.

STEPS TO FOLLOW

1. The project team drafts an RFQ based on the template provided with this manual.
2. The concerned federal entity reviews the RFQ and shares it with the potential private sector partners that have expressed their interest through the submission of an EoI.
3. The potential private sector partners submit an SOQ with detailed responses to points included in the RFQ.
4. The project team studies and evaluates the SOQs based on criteria defined in the RFQ.
5. The project team recommends the best potential bidders to the concerned federal entity and the ministry for approval.
6. The project team contacts bidders and informs them of whether they are qualified or not.

Discussions can be carried out between the potential private partners and the Concerned Federal entity throughout the process, at the request of either party. *The contact number of a member of the concerned Federal Entity working team will be included in the RFQ to enable this line of communication*

C. Request for proposals

Owner	Time to develop	Supporting tool	Reviewer	Time to review	Supporting tool	Approver
Project Team	1-6 months	RPO_Project Data and Procedures Template	Concerned Federal Entity The Ministry	1 month	RPO_Project Data and Procedures_ Guidance	General budget committee Cabinet

The interested parties have one to six months to submit a bid once an RFP is shared. This is decided by the contracting authority in their procurement plans and should be related to the complexity of transaction

With this manual, an RFP template has been issued detailing how to develop the RFP, which includes and defines bidding rules such as selection criteria and expectations from bidders

STEPS TO FOLLOW

1. The project team develops an RFP template based on the template shared in this manual.
2. The concerned federal entity reviews the RFP and shares it with qualified potential private partners.
3. Qualified potential private partners create proposals (technical and financial) based on criteria specified in the RFP and submit them to the concerned federal entity.
4. The project team reviews and evaluates the proposals according to the RFP criteria and recommends the best bidder to the concerned federal entity.
5. The concerned federal entity creates a summary of the best bids and selected bidder and presents it to the ministry for review.
6. If there is an impact on the budget, the ministry first shares the summary to the general budget committee for initial approval and then with the cabinet for a final decision.
7. If there is no impact on the budget, the ministry shares the summary directly with the cabinet for a final decision.

Overview

An RFP is sent to qualified bidders to gather information that will help the concerned federal entity assess which bidders are most qualified to carry out the project.

Discussions can be carried out between potential private partners and the concerned federal entity throughout the process, at the request of either party. The contact number of a member of the concerned federal entity working team will be included in the RFP to enable this line of communication.

If the project team is unable to agree on the project terms with best rated bidder (according to evaluation results), then it has the right to stop the discussion with the best bidder and move on to negotiate the project terms and the project agreement with the following bidders in descending order on the list of best bids.

The proposal for a project shall be submitted either by a single partner from the private sector or from a coalition of several potential private sector partners.

In the event that the offer is from a consortium of partners, the offer must be submitted in the name of the alliance, and it is prohibited for any of the members of the alliance to submit offers individually, whether directly or through another alliance, or to submit the offer from a company in which one of the members of the alliance owns the majority of its capital or has control over its management, unless the terms of the tender stipulate otherwise or with the approval of the concerned federal entity.

In coordination with the ministry, the concerned federal entity may cancel or amend the offering or project procedures at any time before awarding the project, only after providing a clear explanation to all bidders.

Bidders don't have the right to claim compensation for the cancellation or modification of the bid or project.

To ensure transparency and fair competition, the evaluation criteria should be clearly stated in the issued RFP and these criteria should be objective, measurable, and relevant to the project's needs.

In step four and before submission to the ministry, the concerned federal entity can, at its own discretion and after all negotiations with bidders suggest a best and final ("BAFO") submission if it not satisfied with bids, in this case the following should be followed:

1. **Formal BAFO request:** The project team should Issue a formal call for best and final offers to shortlisted bidders, clearly indicating the deadline for submissions and detailing any revisions or additional information required since the initial bids.
2. **Detailed BAFO criteria:** The project team should specify the criteria for evaluating the BAFOs, ensuring they align with the initial tender requirements.
3. **Stable fundamental terms:** The BAFO request should not change the fundamental terms and conditions of the original project tender, maintaining consistency and fairness in the bidding process.
4. **Emphasis on finality:** The project team should clearly communicate to bidders that the BAFO represents their last chance to alter their proposals, reinforcing the finality of this submission in the procurement process.
5. **Strict confidentiality:** The project team should uphold the confidentiality of BAFO submissions, preventing the disclosure of any bidder's offer to competitors, thus maintaining the integrity of the competitive process.
6. **After BAFOs are received, reviewed, and scored:** the process continues from step 5.

Relevant documents

1. Request for proposal

Government ▶ **Bidders**

— A tender document issued to bidders by the concerned federal entity requesting proposals in relation to a PPP project. The RFP enables the concerned federal entity to gather detailed information from qualified bidders to help determine which bidder is best suited — technically and financially — for the project.

2. Proposal

Bidders ▶ **Government**

— Documents submitted by bidders to the concerned federal entity in response to an RFP for a PPP Project (A proposal template is usually included in the RFP).

Responsibilities of the project team & concerned federal entity in review and selection

1. PROPOSAL OPENING

— Receives all technical and financial proposals.

— Ensures all expected proposals and related documents have been received. Records the names and number of documents, and the date and time they were received.

— Invites bidders to attend the proposal opening event, if required by the approved tendering plan and the RFP.

2. TECHNICAL PROPOSAL EVALUATION

— Prepares a checklist of the documents, data, and other information that must be provided in the technical proposals, based on the requirements of the RFP.

— Receives and reviews technical proposals and confirms their completeness based on the requirements of the RFP.

— Prepares a report identifying whether each proposal is complete or incomplete, and identifies the missing items based on the checklist.

3. FINANCIAL PROPOSAL EVALUATION

— Evaluates complete financial proposals.

— Carries out a detailed assessment of the strengths and weaknesses of the financial proposals, according to the evaluation criteria, and identifies any required clarifications.

— Classifies the evaluated financial proposals as either successful or unsuccessful. If the approved tendering plan and RFP contain other classifications, the proposals are classified accordingly.

— Prepares an evaluation and classification report.

— Clarifies information contained in the proposals based on the approved process and schedule.

— Updates the evaluation report, identifying any changes to the classification of proposals.

Specialized committees may be created at the discretion of the project team to help with the evaluation process, if needed. These might include a financial proposal evaluation committee, a technical proposal evaluation committee or a proposal opening committee.

D. Awarding a PPP project

Owner	Time to develop	Supporting tool	Reviewer	Time to review	Supporting tool	Approver
Project Team	1 month	PA1_Project Agreement Template	Concerned Federal Entity The Ministry	2 weeks	PA1_Project Agreement Template	General budget committee Cabinet

Post contract award and prior to financial close, a Project company (SPV) must be created by the private sector partner(s)

Steps to follow

The PPP project agreement is drafted by the project team and reviewed by the concerned federal entity and by the ministry and awarded to the selected bidder. The project team informs all bidders of the result of the selection process.

The preferred partner should be announced 20 days after all proposals are reviewed and evaluated.

Some provisions of the project agreement:
(please refer to the project agreement template issued with this manual to have the detailed provisions)

Technical requirements, performance requirements, environmental & social requirements, performance guarantee, insurance requirements, time requirements, reporting obligations, monitoring provisions, financial structure provisions and regulations, payments mechanisms, force majeure definition and impact, dispute resolution procedures, termination provisions, compensation for termination, relief from termination, extension, renewal, amendment, stalled projects etc...

All these rules and provisions, such as those regulating change of control, exceptional circumstances, termination of contract, arrangement of mortgages on assets, etc... are unique to each project and should be detailed in the project agreement as agreed between both parties and with the help of the template provided.

When negotiations are required, the concerned federal entity should:

1. Form a negotiations team composed of the project team and additional advisors, if required. Team members should be experienced in the expected negotiation subjects and the PPP project details.

2. Request that the preferred bidder and the reserve bidder(s), if necessary, extend their guarantees to cover the matters agreed upon during the negotiations.

3. Determine the place, date, and time for final negotiations and set a detailed schedule for such negotiations, taking into consideration the requirements of the bid guarantee.

4. Communicate with the preferred bidder with respect to the details and requirements of the final negotiations.

5. Formulate and document the negotiation strategy, including identifying each negotiation point as being of high, medium, or low importance, and determining the preferred position of the negotiation team on each point.

6. Document negotiations with the bidder and the final position reached on each point.

7. Send a copy of the record of the final negotiation positions to the bidder for signing.

Appealing against tender procedures

As per article 20 of the law, grievance requests may be made due to:

A. Violation of the offering documents or procedures to the provisions hereof, this manual, or other relevant laws.

B. Violation of partner selection procedures to the provisions of the law, this manual, or other relevant laws in a way that affects transparency and fair competition between bidders.

C. Proving the existence of bribery, illegal commissions, bid tampering, fraud or abuse of power with the aim of illegally influencing the bidding procedures and to the extent that such acts have an actual impact on the results of the bid award, without prejudice to the provision of any other relevant law.

The committee is formed within the ministry of finance to decide on grievances related to the tendering procedures of PPP bids. One or more members from the concerned federal entity involved in the grievance will be invited. These members will be appointed by the committee's chairman, based on the nomination from the head of the concerned federal entity or their delegate.

Appealing process:

1. Any bidder who participated in the bid may submit a grievance request to the ministry within 10 days of the results announcement. The request must include detailed reasons and supporting documents explaining why the bidder believes their chances were minimized.

2. The ministry's grievances committee will thoroughly review the submitted grievance and decide on the matter within 30 working days from the date of receipt, with the possibility of an additional 15 working days extension.
The committee may suspend the tendering procedures until the grievance is decided if it deems that continuing the tendering procedures would significantly weaken the appellant's chances of winning the bid.

3. If the grievances committee finds that the reasons for the grievance are valid, it will issue its recommendations on the grievance, which may include one of the following actions:

   - Correcting the erroneous procedure.
   - Excluding one of the bidders.
   - Taking any other necessary actions.
   - Rejecting the grievance for lack of valid reasons.

   The committee will submit its recommendations to the minister for approval before taking any action.

E. Commercial and financial close

Once the tendering process is complete, and after the necessary approvals are obtained and the relevant documents have been updated to clearly articulate the business case, the concerned federal entity must sign the contract and work to fulfil any conditions that must precede the start of the project. It must:

- Ensure all approvals necessary for awarding and signing the contract have been obtained.
- Prepare and complete the PPP project documents.
- Determine the date and place the PPP project documents will be signed and coordinate with the successful bidder.
- Enable parties to sign the contract.
- Prepare protocols for financial and commercial closure.
- Complete procedures for financial closure of the PPP project, including any amendments to the financial model, and changes to the contract to reflect the final financing conditions.
- Commence implementation of the PPP project and fulfilment of the condition's precedent, including issuing performance bonds (if any).

Commercial closure

Commercial close is the event that occurs when the concerned federal entity and the private sector partner have reached an agreement on all terms of the PPP agreement, subject only to the private partner obtaining financing for the proposed PPP transaction where such financing is required.

Financial closure

Financial closure occurs when all project and financing agreements have been signed and all required conditions mentioned in them have been met. It enables funds (including through debt, equity, and/or grant) to be available so that the project may start immediately. Activities that lead to financial closure include identifying and organizing the sources of finance for project development.

The importance of financial closure to different stakeholders

Public entity	— To ensure that the private sector partner has made all suitable arrangements for disbursement of funds required for the project. — To understand the presence of pre-disbursement conditions (if any) pre-scribed by the lenders.
Lenders	— To get a clear picture of the revenue model for the project. — To understand the debt service capability. — To understand the acceptability or bankability of the risk-sharing framework.
Private sector partner	— To ensure the financial support and commitment of lenders to the project.

Guarantees (written pledges) provided by the federal entity

Following the conclusion of the tendering phase, the government often extends various types of guarantees to the private sector. These guarantees serve multiple purposes: facilitating the project's access to commercial financing, enhancing competition among bidders by mitigating project risks, broadening the investor pool, and safeguarding the project's financial sustainability.

These guarantees fall into three primary categories:

1. **Performance guarantees:** Performance guarantees are the most prevalent and vital guarantees employed in PPPs. They act as assurances to the private partner on behalf of the relevant government entity that the government's allocated risks will be managed as stipulated. These guarantees should be customized based on a comprehensive risk assessment:

— Regulatory guarantees: shield the private sector from liability arising from regulatory issues or external factors, such as changes in regulations beyond their control.

— Political guarantees: protect the private sector from liabilities resulting from political shifts that could impact the PPP's structure.

— Early termination Guarantees: ensure that the private sector is not held responsible for early terminations initiated by the public entity.

— Availability guarantees: secure payment for the private sector based on the project infrastructure's availability, regardless of usage levels.

— Revenue guarantees: guarantee a minimum level of revenue for the private sector, irrespective of actual usage or market conditions.

— Force majeure guarantees: shield the private sector from accountability for delays or issues caused by uncontrollable events, such as natural disasters.

2. **Letter of comfort:** A "Letter of comfort" is a form of government support, although it is not a legally binding guarantee. It represents a statement of intent by the government to support the project, instilling confidence in potential investors and lenders. While it lacks the legal weight of other guarantees, it can still be influential in securing financing and encouraging private sector participation.

3. **Financial guarantees:** Financial guarantees entail various mechanisms wherein the government may directly or indirectly back the private partner's financial commitments. These encompass:

— Loan guarantees: the government guarantees loans obtained by the private sector for project financing, often resulting in more favourable terms.

— Credit enhancement: governments may provide credit enhancements to improve the private partner's creditworthiness, which can lead to lower borrowing costs.

— Service payment guarantees: these guarantees ensure the timely payment of debt service by the private partner, reducing lender risk.

When to choose each type of guarantee:

The choice between these methods should be based on a careful assessment of the project's specific needs, risk factors, and financing requirements.
The ministry can decide which type of guarantee to provide at its own discretion, with a few considerations for each type of guarantee:

1. **Performance guarantees (preferred model):**

When the project requires risk mitigation:

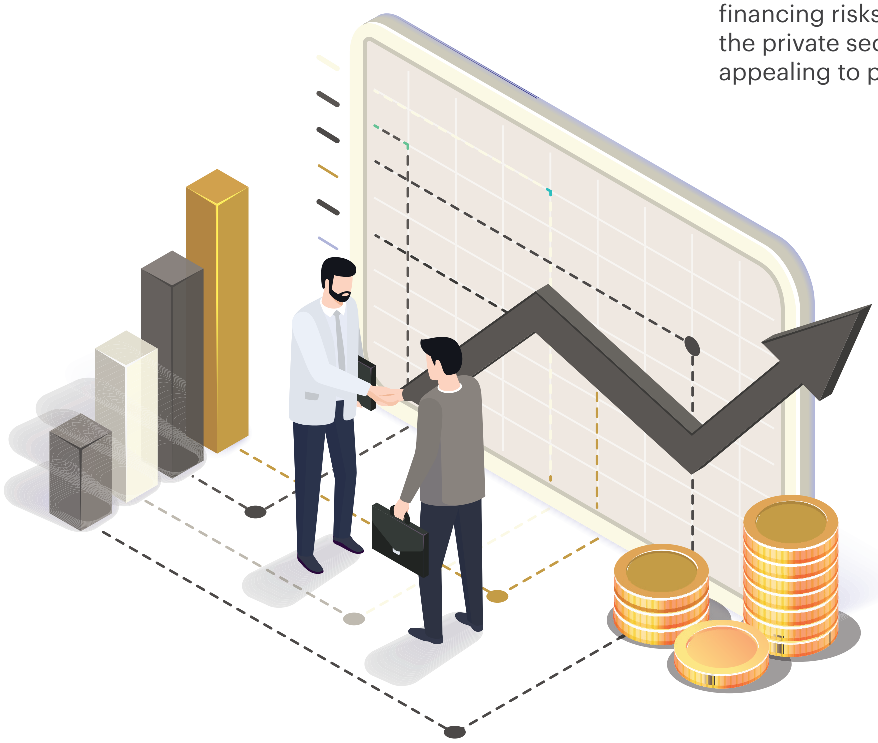
Performance guarantees are advisable when the project involves significant risks that need to be managed. These guarantees help ensure that the private sector partner meets its contractual obligations, which is crucial for project success.

For complex infrastructure projects:

Performance guarantees are suitable for complex infrastructure projects where various operational and regulatory risks exist. They provide assurance that the private partner will handle these risks effectively.

In projects with uncertain revenue streams:

If the project's revenue streams are uncertain or dependent on factors beyond the private partner's control (e.g., demand fluctuations), performance guarantees can provide financial security.



2. Letter of Comfort:

When legal commitments are limited:

A Letter of comfort may be advisable when the government wants to provide a level of assurance to investors or lenders without entering into legally binding guarantees. This can be suitable when the government's legal commitments are restricted.

For projects with lower risk profiles:

In projects with relatively lower risks, where comprehensive guarantees may not be necessary, a Letter of Comfort can offer a more flexible and less financially binding form of support.

To attract equity investment:

A Letter of comfort can be used to attract equity investors who may be less concerned with guarantees but still seek government support.

2. **Financial guarantees (least favourable):**

When attracting private financing:

Financial guarantees are advisable when the project aims to attract private financing, such as loans from banks or investments from institutional investors. These guarantees can enhance the creditworthiness of the project.

For projects with high capital requirements:

Projects that require substantial upfront capital investments may benefit from financial guarantees to secure favourable financing terms and lower interest rates.

To share financing risks:

Financial guarantees can be used to share financing risks between the government and the private sector, making the project more appealing to potential investors.

V. CONTRACT MANAGEMENT

The final stage in a PPP project is contract management, initiated after the commercial and financial closure has been achieved. During this stage, the concerned federal entity assumes full responsibility for managing the PPP contract with the private sector partner for the agreed-upon duration outlined in the contract. Each federal entity, following the governance structure established during the feasibility study, customizes the management process to suit the specific characteristics, length, and expertise requirements of the project, and thus there is no unified or specific process to contract management. However, the project agreement, which is supplemented by this manual, includes all essential clauses. A high-level framework and main roles have also been detailed in Section (b) of this chapter. All provisions that define the contract such as termination, change of partner, exceptional circumstances are covered in the project agreement template shared with this manual.

A. Importance of Contract Management

A tangible contract management function helps manage obligations effectively, saving time and resources for both parties and providing benefits for business strategies and procedures. Contracts are essential for key business strategies and relationships, but many parties fail to properly monitor and oversee the implementation of contracts and fulfil their obligations, resulting in missed savings, heavy fines, costly litigation, and broken relationships. Effective contract management ensures better relationships, enforces compliance, and mitigates risk, particularly in PPP contracts, which have a long time span, requiring substantial work and services with significant complexities. Proper project monitoring enables the government to understand project issues and for savings to be achieved and shared between parties. Both the government and private partner should be familiar with contract management procedures to enhance the efficiency and success of the PPP project. Communication and knowledge sharing of existing PPPs is important for identifying improvements for future contracts, creating a virtuous cycle of collaboration.

B. Contract Management Framework

Contract management in PPP projects refers to the processes and procedures that are put in place to ensure that the terms of the contract between the public sector and the private sector are met. This includes:

1. Establishing governance and the contract management team: The establishment of governance and contract management functions by the government during the early stage of a project will unlock numerous benefits including the reduction of chances of possible pitfalls.
2. Contract preparation: This includes activities such as project planning, procurement, and contract negotiation. It is designed to ensure that the project is properly structured and that the contract is legally and financially sound.
3. Contract execution: This component includes activities such as mobilizing resources, starting construction, and delivering goods and services. It is designed to ensure that the terms of the contract are carried out as agreed upon.
4. Contract administration: This component includes ongoing management of the contract throughout the life of the project. It includes activities such as ensuring that payments are made on time, monitoring compliance with the contract, and coordinating communication between the parties.
5. Performance monitoring: This component includes the process of assessing the performance of the private partner against the terms of the contract. It includes evaluating the quality of goods and services provided, measuring compliance with performance targets, and assessing customer satisfaction.
6. Resolution of disputes: This component includes the process of resolving any disagreements or disputes that may arise between the public and private partners. It can include mediation, arbitration, or litigation and the goal is to reach a fair and mutually acceptable resolution.

The goal of contract management is to ensure that the project is completed on time, within budget, and to the satisfaction of all parties involved.

From the perspective of concerned federal entity, contract management is important for:

— Verifying that the private partner is fulfilling their obligations according to the agreement.

— Ensuring that the project is being carried out and operating at the minimum service levels outlined in the agreement.

— Avoiding any financial loss to the public entity.

From the perspective of private partners, contract management is important for:

— Ensuring that the public entity is also meeting its obligations as outlined in the agreement.

— Having a means to raise any concerns or issues in the execution of the project.

I. ESTABLISHING THE CONTRACT MANAGEMENT TEAM

The effectiveness of a PPP in generating value for money is determined by the capabilities of the private partner and the government's contract management systems and teams. This is particularly relevant in PPP contracts that include government risk retention, such as a minimum revenue guarantee or other contractual agreements. However, the establishment of a contract management team will not, in itself, guarantee that the government will maximize the value for money of the PPP contract.

The specifics of the mandate, contractual standing, and resources required will differ from sector to sector and even from one project to another. Factors that will influence these functions are as follows:

— Scale of a project or program of projects: A useful metric is the value of the assets created by the PPP.

— Administrative complexity of the projects, such as whether they are cross-border or cross-agency in jurisdiction.

— Extent of risk retained by the government in terms of the PPP agreement (which can be determined by considering the financial consequences accruing to the government of a risk materializing).

PPP contract governance structure requires various layers of interaction between the two parties.

After the tendering and partner selection phase, the concerned federal entity, before the project team is dissolved, will assign a contract management team.

The contract management team, typically organized at a sectoral level, may oversee multiple PPP projects. It's beneficial to outline the typical team composition, along with the high-level roles and responsibilities of each member. This includes, but not limited to:

— Project Manager: Oversees the entire project, ensuring that contractual obligations are met and managing communication between stakeholders.

— Financial Analyst/Manager: Handles financial aspects, including budget management, financial reporting, and ensuring economic viability.

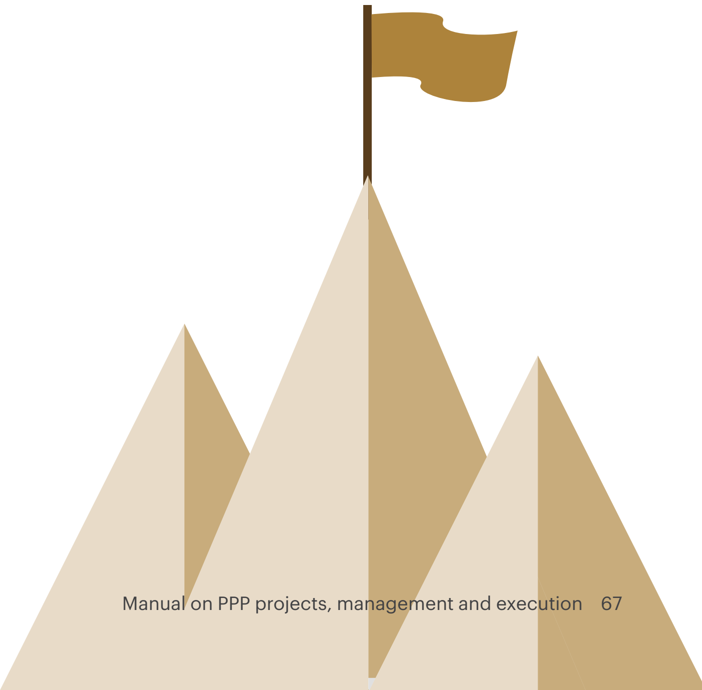
— Legal Advisor: Advises on legal matters, ensuring the contract complies with laws and regulations and handles any legal disputes.

— Technical Expert: Provides insights on the technical aspects of the project, ensuring that technical requirements are met.

— Risk Manager: Identifies, assesses, and mitigates risks associated with the project.

— Quality Assurance Manager: Ensures that the project's deliverables meet the quality standards and requirements outlined in the contract.

— The team must be formed by the concerned federal entity before the award and execution of the project.



II. CONTRACT PREPARATION

Includes the process leading up to contract execution, starting from the date of the letter of award to the commencement of construction consisting of all pre-construction project activities such as land acquisition, and obtaining the required licenses:

i. Ensure that the private sector has received the required funding – if applicable – and is financially ready to take on the project.

ii. Ensure that any needed assets have been purchased or transferred as per the contract agreement such as lands or buildings.

iii. Ensure that the private party has all the required technical approval to proceed with the project.

iv. Ensure compliance with the contract agreement.

v. Other roles might be required for this phase depending on the project.

I. CONTRACT EXECUTION

Contract execution in PPP projects refers to the process of carrying out the terms of the contract as agreed upon by the parties. It includes all the activities that are needed to start and complete the project and deliver the goods and services as outlined in the contract.

i. The private partner should mobilize the necessary resources, such as equipment, personnel, and materials to start the project.

ii. The private partner should submit a detailed project execution plan, outlining the resources, milestones, deliverables, and timelines for the project, to be approved by the concerned federal entity.

iii. The private partner should start construction or delivery of goods and services according to the project execution plan and the contract.

iv. The private partner should ensure that all necessary permits and approvals are obtained before starting the project.

v. Both the private party and the concerned federal entity should complete all conditions mentioned in the PPP Contract prior to contract execution.

vi. The private partner should coordinate with the concerned federal entity to resolve any issues or challenges that may arise during the execution phase.

vii. The private partner should follow all safety, environmental, and quality standards outlined in the contract.

viii. The private partner should submit regular progress reports to the concerned federal entity, highlighting the status of the project, any issues or challenges, and the next steps.

ix. The concerned federal entity should review the progress reports and take any necessary actions to ensure that the project is on track to meet its objectives.

IV. CONTRACT ADMINISTRATION

Contract administration in PPP projects refers to the ongoing management of the contract throughout the life of the project. It includes ensuring that the contract is being carried out as agreed upon by the parties, and that all the necessary steps are taken to keep the project running smoothly.

Process for contract administration should be as follow:

i. The private partner should submit invoices (as applicable) and receive payments according to the terms of the contract.

ii. The private partner should provide all necessary documentation and information as outlined in the contract.

iii. The private partner should comply with all environmental and social standards, and other requirements outlined in the contract.

iv. The private partner should report quarterly on the financial performance of the project, including budgeting, cost control, and revenue generation.

v. The concerned federal entity should review the invoices and make payments on time (as applicable), according to the terms of the contract.

vi. The concerned federal entity should monitor compliance with the contract terms, including safety, environmental, and quality standards, and take corrective action as necessary.

vii. The concerned federal entity should coordinate communication between the parties and ensure that all necessary information is shared in a timely and efficient manner.

viii. The concerned federal entity should keep accurate and detailed records of all contract administration activities, including invoices, payments, and compliance reports.

V. PERFORMANCE MONITORING

Performance monitoring in the contract management of PPP projects refers to the process of assessing the performance of the private partner against the terms of the contract. The goal of performance monitoring is to ensure that the private partner is meeting the objectives of the project and providing the goods and services as outlined in the contract.

Process for performance monitoring should be as follow:

i. The concerned federal entity should establish key performance indicators (KPIs) for the project, which should be clearly defined, measurable, and aligned with the project objectives.

ii. The private partner should provide regular performance reports, highlighting the status of the project against the KPIs, and any issues or challenges.

iii. The concerned federal entity should review the performance reports and take any necessary actions to ensure that the project is meeting its objectives.

iv. The concerned federal entity should conduct regular site visits to assess the quality of goods and services provided, and to ensure compliance with safety, environmental, and quality standards.

v. The concerned federal entity should also measure customer satisfaction and feedback as part of the performance monitoring process.

VI. RESOLUTION OF DISPUTES

Disputes are a common matter in PPP contracts due to their long-term nature. The relationship between the relevant parties should be managed effectively in the project to facilitate dispute settlement in the future. Settling the dispute inappropriately may cause damage to this relationship, a matter that may adversely affect the progress of the whole project. Therefore, it is necessary to identify a mechanism for settling disputes arising from the PPP contract. A legal consultant may be sought in this matter.

The agreed mechanism for dispute settlement is an important element in identifying the PPP contract risks by the private partner. Therefore, it is necessary to build the relevant private partners' confidence that there is a fair system for dispute settlement to encourage them to participate in these projects. Preferably, the disputes shall be settled by resorting to any of the available dispute settlement mechanisms which are in compliance with international best practices, without resorting to legal proceedings that are long and costly in nature.

Methods of Dispute Settlement

1. **Negotiation:** the most commonly used form of dispute resolution where the parties come together to discuss a mutually agreeable settlement.
2. **Mediation:** involves negotiations with the support of an independent third party. It has the benefit of balanced inputs from a neutral third party.
3. **Arbitration:** Arbitration procedures are outlined in the contract. They involve the process of resolving disputes in which both sides agree to be bound by the decision of a third party, the arbitrator. The decision of the arbitrator is binding on the contracting parties.
4. **Expert Determination:** useful when it is a technical issue. In a typical expert determination, the parties would agree to be bound by the expert's decision.
5. **Litigation:** court process of resolving the dispute.

APPENDIX

ANNEX 1
DIFFERENT PPP DEFINITIONS

The Organization for Economic Co-operation and Development (OECD)	An agreement between the government and one or more private partners (which may include the operators and the financers). Within the agreement, the private partners deliver the service so that the service delivery objectives of the government are aligned with the profit objectives of the private partners. Furthermore, the effectiveness of the alignment depends on a sufficient transfer of risk to the private partners.
International Monetary Fund (IMF)	Arrangements in which the private sector supplies infrastructure assets and services that traditionally have been provided by the government. In addition to private execution and financing of public investment, PPPs have two other important characteristics: an emphasis on service provision and investment by the private sector. In this way, significant risk is transferred from the government to the private sector.
The European Commission (EC)	The term Public-Private Partnership is not defined at the community level. In general, the term refers to forms of cooperation between public authorities and the world of business which aim to ensure the funding, construction, renovation, management and maintenance of infrastructure for the provision of a service.
Standard and Poor's (S&P)	Any medium- to long-term relationship between the public and private sectors involving the sharing of risks and rewards of multi-sector skills, expertise and finance to deliver desired policy outcome.
European Investment Bank (EIB)	Public-Private Partnership is generic term for the relationships formed between the private sector and public bodies, often with the aim of introducing private sector resources and/or expertise in order to help provide and deliver public sector assets and services. The term PPP is thus used to describe a wide variety of working arrangements from loose, informal and strategic partnerships, to design, build, finance and operate (DBFO)-type service contracts and formal joint venture companies.

ANNEX 2
SECTORS WITH PPP PROJECTS

Sectors in which an asset or service may be procured under a PPP Scheme

TYPE	SECTOR	EXAMPLES
Economic	Transport Roads	— New road/highways — Specific tunnel or bridge projects — Access links (for instance, to ports) — Upgrading and expansion of roads and network
Economic	Transport Rail	— High-speed rail lines — Heavy conventional rail lines — Rapid links (for instance, to airports) — Operational leasing of rolling stock — Metro and other mass transit projects — Ticketing and fare collection systems — Metro stations
Economic	Transport Other Urban Mobility Infra-structure	— Bus rapid transit infrastructure — Parking — Intermodal interchange or hubs
Economic	Transport Ports and Airports	— New or upgraded airports — New or upgraded ports
Economic	Water and Waste	— Desalination plants — Wastewater treatment plants (WWTP) — Integrated water cycle concessions — Solid waste management systems — Waste to energy plants – incineration plants
Economic	Energy	— Independent power producer plants through PPAs — Electricity transmission lines — Gas pipelines — Energy efficiency (for instance, in public buildings or in urban lighting)
Economic	Information and Communi-cations Technology (ICT)/ Telecommunications	— Optical fiber lines or networks — Telecommunications networks/broadband
Economic	Tourism	— National parks — Cultural heritage buildings
Economic	Agribusiness	— Grain storage PPPs — Irrigation projects

Social	Health, Education, Security/ Prisons, Courts/Justice, Social Housing	— Hospitals — Student residences — University facilities — School facilities — Court buildings — Prison facilities — Social housing
Social	Sports, Emergency Response, Local Security, government Accommodations	— Sport centers — Fire stations — Police stations — Government offices

ANNEX 3
FINANCIAL FEASIBILITY CASE STUDY

The UAE Ministry of Interior wants to improve the fire safety inspections efficiency in order to attain 100% coverage الوزارة الداخلية الإماراتية تسعى إلى تحسين كفاءة عمليات تفتيش السلامة (للحرائق) من أجل تحقيق تغطية بنسبة 100٪				Case Intro/ مقدمة
4 PPP-PSP الجهة الخاصة في مشروع الشراكة	3 PPP-GOV الجهة الحكومية المعنية في مشروع الشراكة	2 PSC مقارنة مع القطاع العام	1 Baseline الوضع الراهن	
600,000		600,000		Target Number of inspections هدف عدد عمليات التفتيش
600,000	0	600,000	300,000	Inspections carried per year عمليات التفتيش سنويا
1,000	0	2,000	1,000	Number of Inspectors عدد المفتشين
600	NA	300	300	Efficiency - الكفاءة (inspections/inspector/year)
Salaries, Rent, Vehicles	Payments to PSP المدفوعات للقطاع الخاص	Salaries, Rent, Vehicles	Salaries, Rent, Vehicles	Main Costs التكاليف الرئيسية
55Mn	70Mn	100Mn	50Mn	Costs Value قيمة التكاليف
Payments form GOV - المدفوعات من الحكومة	Fines - الغرامات	Fines - الغرامات	Fines - الغرامات	Revenues الإيرادات
70Mn	10Mn	10Mn	5Mn	Revenues Value قيمة الإيرادات
70 – 55 = 15Mn	10 – 70 = (60Mn)	10 – 100 = (90Mn)	5– 50 = (45Mn)	Cash Flow
30Mn =	10 – 100 = (90Mn) −	10 – 70 = (60Mn)		VFM 5

نظرا لأن التدفق النقدي للقطاع الخاص و VFM ايجابيان => فهذا مشروع مقبول ماليا

ANNEX 4
PPP LAW ON OFFERING METHODS

Article (15)

Offering Methods and Procedures

1. The offering of Partnership Projects shall be according to one of the following methods:
   a) **Two-phase Method**: The offering shall be as follows:
      1) Phase 1: During which, a group of private sector entities that have expressed interest in the Project are pre-qualified.
      2) Phase 2: During which, the full offering documents will be issued exclusively to the potential partners who have been qualified.
   b) **Urgent Procedure Method**: The offering may be through the urgent procedure method, which consists of one stage - without a qualification procedure - in any of the following cases:
      1) There is a need to submit the Project urgently.
      2) If the project team finds that there is no need to conduct qualification in the event that there are a limited number of suitable potential partners in the market or the absence of a complex technical aspect of the Project, which makes the competition limited to financial aspects only, or for any other reason that does not require the qualification of partners.
   c) **Direct Appointment Method**: The offering may be through the direct appointment method, where the Concerned Entity negotiates directly with one or more potential partners, while this method is used only in the following cases:
      1) The need to urgently provide assets or provide a service that is not compatible with the use of the procedures specified in Paragraphs (a) and (b) of Clause (1) of this Article.
      2) The presence of one potential partner in the market with the ability to implement the Project.
      3) The connection or relevance of some or all of the components of the Project to national security, defense security, or the protection of state secrets.
      4) Any other necessary and urgent matters related to the public interest, provided that the Minister agrees to use this procedure to submit the same.
2. In the event that there is only one potential partner for the Project, the Concerned Entity may terminate the bid or continue with the offering and award the Project to the potential partner, provided that the requirements of the offering documents are observed and there is evidence of sufficient value for money in the offer to achieve value-for-money evaluation.
3. The PPP Manual specifies the procedures for each of the offering methods mentioned in this article.

ANNEX 5
TYPES OF RISKS

RISK TYPE	DESCRIPTION	MITIGATION STRATEGY	RESPONSIBLE ENTITY
Failure to provide services in the manner agreed upon under the contract	The services provided by the private sector may not meet the required conditions or conform to the specifications issued by the governmental authority responsible for providing the service	Putting clear and accurate outputs of the specifications Monitoring the performance Imposing penal deductions from the payments released per unit/ for each unit separately	Private Sector Partner
Project completion risk	The completion of the project may be delayed due to construction delays, design issues, unforeseen events or funding complications	Providing special insurance coverage (against the delay in the project execution) Appointing an independent and specialized entity to approve the project completion Liquidating damage, construction warranties and other appropriate warranties provided by the private partner as incentives for project completion, unless the Federal Entity sponsoring the project is responsible for the delayed in completion	Private Sector Partner – unless delay is attributed to events of force majeure or the Federal Entity sponsoring the project
Exceeding scheduled cost	The actual costs of the project during phases of design and construction may exceed the expected costs of the project as per its feasibility studies	Drafting construction contracts with fixed prices Developing conditions relating to emergency plans Providing alternate credit facilities / liabilities pertaining to rights of additional shares paid in advance and expected in the financial model of basic cases	Private Sector Partner

RISK TYPE	DESCRIPTION	MITIGATION STRATEGY	RESPONSIBLE ENTITY
Design-related risks	The design developed by the private partner may be inconsistent with the specifications of project outputs	Preparing clear specifications for the project outputs Defining the responsibilities for clear and latent defects Consulting the responsible Federal Entity and informing it of work progress Referring and appointing independent experts to settle the disputes promptly and effectively	Private Sector Partner
Environmental Risks	Consequences of the losses caused by environmental damage arising from: — Works of construction — The works performed by the Federal Entity or third party before transferring the responsibility for the project to this private partner	Bidders must perform due diligence by conducting extensive studies on the project and conditions prevailing in worksite Taking the necessary corrective steps to handle the problems of environmental pollution identified	Public and Private Sector Partner
Risks of force majeure or circumstances outside the reasonable control	Unforeseen events beyond the reasonable control of both parties may occur in a manner that would affect the activities of project construction or operation	Defining the force majeure properly that may be addressed through mechanisms such as taking the necessary relief events (relief events) Terminating the project due to the events of force majeure or circumstances beyond the reasonable control of both parties	Shared between Public and Private Sector Partners
Inflation Risks	Actual inflation rates may be greater than expected ones.	Link inflation indicators to payment calculations considering worst case scenarios as per WB or IMF projections. Add clause in PPP contract stating that payments should be reviewed in case inflation surpasses the forecasted rate by a certain percentage.	An agreement should be made between both the Public and Private Sector Partners on inflation of the agreed upon rates, and what so exceeds shall be afforded by the Private Partner

RISK TYPE	DESCRIPTION	MITIGATION STRATEGY	RESPONSIBLE ENTITY
Risks related to the cancellation of partnership or liquidation and dissolution of the private partner	The Private Company may be dissolved or liquidated	Establishing a unit with specific purposes to manage project cash flows/ liquidity Providing insurance cover and warranty for the project necessary assets Setting restrictions on the Private Sector partner regarding indebtedness and credit and finance restrictions Obligations of notification regarding the financial data and information and judicial lawsuit or dispute with creditors Replacing private partner by another new one by virtue of a direct agreement	Private Sector Partner
Risk of Insurances	Any risk insurable at the time of signing the project contract under agreed insurance cover may become uninsurable There is a significant increase in the rates of insurance premium	In the first case, and at the sole discretion of the Federal Entity, coverage shall be provided in the form of self-insurance submitted by the Federal Entity itself, or the PPP contract shall be terminated if it is not possible to provide insurance, like the termination due to events of force majeure and alike, subject to compensating the private partner.	If the Private Partner is the one who fails to provide insurance, they shall be held liable. Otherwise, risks shall be shared between partners
Interest Rate Risk	Factors that may affect the availability of financial credits and costs of finance	Providing means and tools of protection against financial losses (for example resorting to means of barter), borrowing at fixed interest rates or private sector to adopt suitable hedging strategy	Private Sector Partner

RISK TYPE	DESCRIPTION	MITIGATION STRATEGY	RESPONSIBLE ENTITY
Risk of Latent Defects	Losses or damage that may result from latent defects or deficiencies hidden in the fittings and facilities, including the project assets	Facilities must be designed and constructed by the private partner unless the project requires handing over the currently existing facilities to the private partner. In such case bidders must perform due diligence through conducting extensive studies and necessary inspection of facilities so that it be possible to detect shortcomings. As for the procedures and costs pertaining to the detected shortcomings, a prior agreement may be concluded with the Private Partner about them. The Private Partner should immediately report the detected defects	If the private partner assumes the works of design, it shall bear the consequences of the risk Otherwise, the sponsoring Federal Entity shall bear the same, provided that there is no insurance coverage sufficient to mitigate the consequences of such risk.
Maintenance Risks	The maintenance necessary for keeping assets in a proper condition for providing the required services may require higher costs than those set out in the project prospections or maintenance may be not conducted at all	Preparing clear specifications for the project outputs Applying a system of penalties and performance monitoring Preparing an operation and maintenance contract includes and satisfies all the requirements of the sponsoring Federal Entity The sponsoring Federal Entity shall preserve its right to replace the Private Partner Providing a special insurance coverage and warranties in the form of final warranties of maintenance	The Private Sector Partner
Risks related to supply and demand, service size or market mechanism	Demand for the services provided under the project may be below expectations or the desired rate (for example, absence of the need for such services, expiry or low level of their demand, market competition or the objection of clients to the services provided by the main external partners)	For PPP projects in which the payments are made per unit, payment must be based on the availability of service (not on the basis of actual usage by the Federal Entity sponsoring the PPP project) Applying effective plan with clear objectives to market the services in question	For the projects financed on the basis of payment per unit, the sponsoring Federal Entity shall be responsible. For the projects financed by charging fees on the project users or beneficiaries, the private partner shall be responsible

RISK TYPE	DESCRIPTION	MITIGATION STRATEGY	RESPONSIBLE EN-TITY
Operation risks	All factors that may affect the project operation requirements, including the expected costs of operation, the required skills of operation and alike (except for force majeure), such as: 1- Labor disputes 2- Employees' capabilities and level of efficiency 3- Acts of fraud and forgery committed by the employees. 4- Shortcomings of the technical field 5- Environmental factors 6- Failure to obtain the approvals required to conduct the necessary maintenance and fulfil the requirements needed in this regard.	Preparing clear specifications for the project outputs Applying the system of penalties and performance control Preparing an operation and maintenance contract includes and satisfies all the requirements of the sponsoring federal entity The sponsoring Federal Entity shall have the right to replace the private partner Providing special insurance coverage	The Private Partner

RISK TYPE	DESCRIPTION	MITIGATION STRATEGY	RESPONSIBLE ENTITY
Planning risks	The proposed usage of project site under the terms and conditions included in the agreement of the PPP may conflict with the laws and regulations applied in the field of planning and usage of lands, properties or buildings (such as the requirements of cities planning and urban planning) or with any other requirements or approvals needed under the foregoing Or Delay or failure to obtain the necessary approvals or even if such approvals are obtained, the project will be executed at a cost much higher than the original costs expected under the project plans	The competent Federal Entity must show all necessary approvals on the detailed proposal of design, building and constructions in the project regarding the large scale planning so in order to identify conflicts in the feasibility study of the project. The approvals include all approvals relate to the land utilization and identification of areas. The approvals must be obtained before offering the project in the bid. The private partner shall identify all cases of planning needed in the project and require the competent authorities' approval regarding the proposal of design and constructions of the project, which authorities must take all procedures and precautions and include the same in their work schedule to arrange for the obtainment of approvals from the above authorities.	For any approval on area identification and land utilization, the Federal Entity sponsoring the project shall be held liable for the risk, unless the Private partner is responsible for selecting the project site. For all approvals on any identified planning, design, constructions and buildings, the Private Partner shall be held liable
Systemic risks/ risks related to practical measures	The federal entities or any governmental authorities may take unexpected acts that have a severe negative effect on the expected revenues from the rights of contributing in the project or service of debts and credit, or in any way results in increasing the costs incurred by the private partner.	Determine the risk of the unexpected behaviors and acts that have no other output in the agreement of PPP and determine the risk of the behaviors that result in expropriation. Distinguish between the general and discriminatory acts. For the unexpected discriminatory acts, a special compensation shall be granted. As for the acts that result in expropriation, the project shall be ended and compensation shall be granted.	For any unexpected discriminatory act or any act results in expropriation of public interest for example, the Federal Entity sponsoring the project shall be held liable for such risk. As for the unexpected public acts, the private partner shall be held liable

RISK TYPE	DESCRIPTION	MITIGATION STRATEGY	RESPONSIBLE ENTITY
Organizational risks	The necessary approval may be delayed or cannot be obtained, or even if such approval is obtained, the project will be executed at a cost much higher than the original costs expected under the project plans	Legal survey/study about the project aspects by the Federal Entity during feasibility study phase to identify the approvals. The Federal Entity shall take all necessary actions by coordination and consultation with different competent governmental authorities prior to the commencement of purchase phase. The private partner must perform due diligence to identify the approvals needed to fulfil the operational requirements.	If it is possible to obtain any approvals before concluding the contract and if it is possible to transfer the same to the private partner, the Federal Entity sponsoring the project shall be held liable for such risks. As for the operational requirements of the private partner, the private partner shall be held liable
Risks of facilities and equipment.	Project assets may not be in the agreed condition to be returned to the Federal Entity sponsoring the project upon expiration or termination of the PPP	The private partner must fulfill its obligations of maintenance and repair. The project assets must be checked and revised when the project is about to end. The private partner must provide a guarantee to the Federal Entity responsible for the project. The guarantee may be, for example, in the form of final guarantees of maintenance or deductions from the payments made on the basis of units.	The private partner
Risks of inputs or resources	Shortage of supplies related to the project's inputs or resources (including financial credits) may occur, or there may be inability to provide the supplies needed to operate the project, including the defects related to the level of quality of the available resources.	Concluding supply contracts to fulfil the project requirements, such as the contracts based on direct supply for immediate payment Taking prompt actions of assistance only in the event of shortcomings not falling under the responsibility of the private partner.	The private partner, unless the inputs are obtained from the Federal Entity sponsoring the project

RISK TYPE	DESCRIPTION	MITIGATION STRATEGY	RESPONSIBLE ENTITY
Liquidation of partners risk	Risks of liquidating the subcontractor's business or the failure of such subcontractor to fulfil its contractual obligations. These risks may arise in phases of construction and/ or operation.	The main partners working in the project under subcontracts must have necessary skills, knowledge and experiences to fulfil the contractual obligations regarding the desired performance level. Obtaining prior consent of the Federal Entity with regard to subcontracting with alternative main partners. The responsible Federal Entity shall perform due diligence by conducting extensive studies that include reviewing the data of first-class subcontracting partners to make sure that they can overcome risks they encounter.	The Private Partner
Tax Risks	Changing the applied tax fees (for example, income tax or value added take "VAT") or imposing new taxes may result in reducing the expected revenues from the rights of contribution in the project.	If changes result from unexpected discriminatory acts or behaviors, a special compensation shall be granted to the Private Partner	Public Sector Entity
Technical Risks	The following may occur: 1- The technical inputs of the activities assigned by the governmental authority to external contractors may fail to provide inputs that comply with the required specifications. 2- The technical inputs may not cope with the modern updates and advances in the field of technology	The private partner must, from time to time, update the technologies used in the project to keep pace with advances and to fulfil the project specifications and requirements. Apply penalties in case of the failure to comply with the specification of project outputs	The Private Sector Partner

ANNEX 6
KPIS

Key Performance Indicators (KPIs)

KPIs are the methods used to evaluate the performance of a particular project. These evaluations typically compare the actual and estimated performance in terms of effectiveness, efficiency, and quality. They are determined from the technical and economic studies.

KPIs can be both qualitative and quantitative measures. The nature of specific indicators and the frequency of their monitoring depend upon the nature and importance of service delivery and its impact.

KPI Development Process

STAGE	ACTION
1. **Procurement stage of the PPP project lifecycle**	The project team provides a support role to the Concerned Entity in developing the KPIs
2. **Tendering**	The performance requirements are identified and defined. Later, the area-specific KPIs are developed and detailed
3. **Contract Management**	KPIs are measured and monitored to assess whether the private partner is meeting the standards agreed upon in the contract

KPI Types

TYPE	EXAMPLE
Service Quality	**Road Project:** Quality of road **Water Supply:** Project continuous water supply, supply of treated water not as per prescribed quality
Financial Efficiency	Average cost of ambulance trip
Process Related	**Airport Project:** Arrival processing time at airport, average connection time **Water Project:** Delay in recording meter readings and entry in computerized billing system

Topics KPIs May be Related to

1. PROJECT CHARACTERISTICS	2. PROJECT FINANCIAL AND MARKETING INDICATORS	3. PROJECT PROCESS
Original characteristics and features of the PPP projects which will affect the performance of the projects at the beginning stage.	Financial and marketing indicators, innovation and learning indicators, and stakeholders' indicators. These are special project characteristics from the perspective of economic, innovation, culture, and the benefit of the stakeholders.	Factors that may affect the process of construction, operation, maintenance, transfer and post-transfer.
These indicators will usually not change during the whole life cycle of the PPP projects, but they will strongly influence partner selection, the agreement between the private and public sectors, risk allocation and to what extent the project will achieve success under the influence of economic, legal, political environment in a particular host country of the projects	All indicators should be dynamic and measurable to reflect the efficiency, customer satisfaction, business success, product requirement, and future potential of the projects. Any performance change can also be measured by these indicators.	
Physical Characteristics of Project	Financing and Marketing Indicators	Process Indicators

1. PROJECT CHARACTERISTICS	2. PROJECT FINANCIAL AND MARKETING INDICATORS	3. PROJECT PROCESS
— Type of building — Level of design complexity — Level of construction complexity — Level of technologically advancement Concessionaire’s knowledge of PPP Government’s knowledge of PPP — Competitive tender procedure — Standard PPP contract with enough flexibility General public/social support — Stable and favorable macro-economic condition — Stable and favorable environment — Stable and favorable political environment — Commitment and responsibility between public and private sectors — Project technical feasibility, constructability, and maintainability — Appropriate risk allocation, sharing and transfer	— Sound financial analysis — Sustainable profitability — Increased marketability — Financial ability of whole shareholders — Financing cost — Perfect tariff/tolls or price adjustment mechanism for the project — Realistic schedule of investment and revenue — Insurance cover — Construction and concession period — Innovation and Learning Indicators — Investment in research and development of new technology — Establishment of learning organization — Employee Training — Technology innovation (e.g. designing, construction, planning, etc.) — Technology transfer — Financial innovation (e.g. creative financial package) — Stakeholder Indicators — Public client’s satisfaction — General public/Social satisfaction — Good relationship among the concessionaire, subcontractors, and suppliers — Good relationship in project team	— High quality controls — Safety management — Health control — Environment protection — Effective risk management system — Facility management — Stress/conflicts management — Resource utilization (material and equipment) — Contract management — Prominent technical management and skill — Interface management between organizations and stages — Time management — Cost management — Good governance

ANNEX 7
CONFLICT RESOLUTION SUMMARY

FORM	TIME	COST	BINDING
Negotiation	Varies	Low	No
Mediation	Fast	Low	Not unless agreed to
Arbitration	Slow	High	Yes
Expert Determination	Fast	Moderate	Not unless agreed to
Litigation	Slow	High	Yes

ANNEX 8
TOOLS & TEMPLATES

UNITED ARAB EMIRATES
MINISTRY OF FINANCE

Phase: ***Phase I***
Checklist name: ***Pre-Feasibility Checklist***
User: ***Ministry of Finance (PPP Unit)***

Evaluation Criteria	YES	NO
A. General		
1. *All relevant sections and sub sections have been developed*		
B. Current State Assessment (Only for brownfield projects)		
2. *Current service delivery methods and beneficiaries have been clearly scoped and identified*		
3. *The current operational performance of the service/ asset has been clearly defined*		
4. *The current financial performance including historical CAPEX, OPEX, revenues and any other relevant cost has been identified*		
5. *The Historical demand growth for the service has been identified*		
C. Market Assessment		
6. *The study has identified at least one project with a similar scope that has been implemented successfully*		
7. *An initial list of potential private sector players has been listed and identified*		
D. Technical Feasibility		
8. A Preliminary assessment of the various engineering /design options and the optimal option has been developed		
9. A first estimation of the costs associated with each option have been determined		
10. High level assessment of the impact of each option on the environment and the society has been developed		

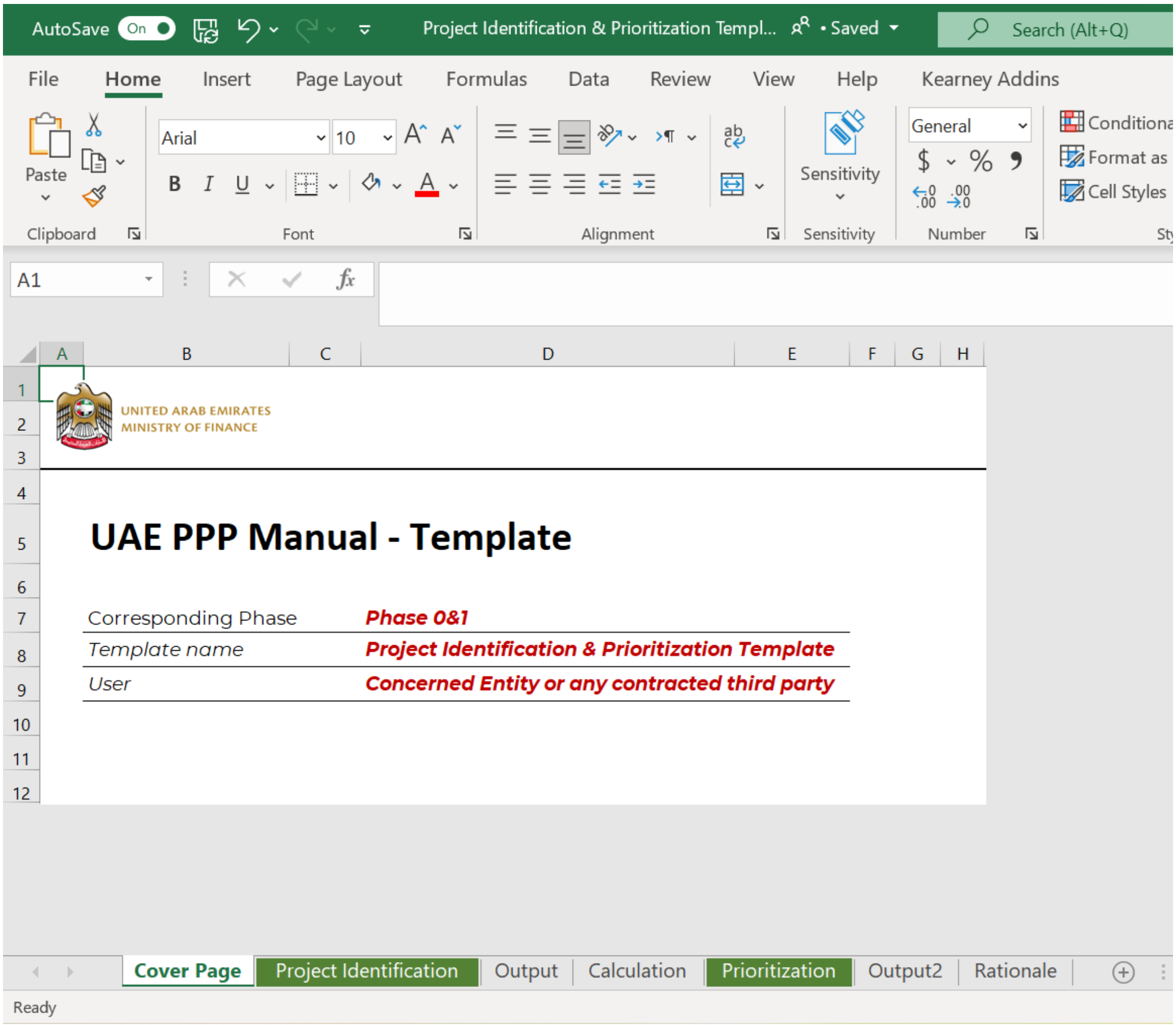
ANNEX 8
TOOLS & TEMPLATES

UNITED ARAB EMIRATES
MINISTRY OF FINANCE

Phase: Phase 0 & I
Checklist name: Opportunities Identification & Prioritization checklist
User: Ministry of Finance (PPP Unit)

Evaluation Criteria	YES	NO
A. General		
The Concerned entity has exhaustively developed its services and assets portfolio (To be assessed at a high level depending on MoF knowledge of each sector, the concerned entity's organization structure and departments, and the concerned entity's pipeline of projects)		
B. Assessment Criteria		
1. *All the opportunities prioritized are not related to policy and regulations making, nor to the concerned entity's internal services*		
2. *All the opportunities prioritized achieve public benefit by improving the safety, Health, Financial standing, Knowledge, or overall lifestyle of the public*		
3. *For all the opportunities prioritized, the private sector has greater human resources & knowledge to implement the opportunity compared to government*		
4. *For all the opportunities - Risks incurred by the Concerned Entity can be partially or fully transferred to Private Sector Partners*		
5. *All the opportunities values (CAPEX, OPEX) are significant and greater than the minimum value required (as stipulated in the manual) – calculation of value included in the excel "Project Identification & Prioritization Template"*		
C. Prioritization		
6. *The priority factors detailed in the manual have all been covered in the prioritization exercise*		

ANNEX 8
TOOLS & TEMPLATES



ANNEX 8
TOOLS & TEMPLATES

UNITED ARAB EMIRATES
MINISTRY OF FINANCE

Phase: Phase II
Checklist name: Feasibility Checklist
User: Ministry of Finance (PPP Department)

	YES	NO
A. General		
1. *All necessary studies have included, as per the manual, in one final deliverable*		
2. *The feasibility study template has been filled and submitted with the final deliverable*		
B. Initial Analysis		
3. *All Analyses and assessments have been developed according to the manual:* a. *Current state assessment (If applicable)* b. *Market Assessment (Market sizing, Benchmarking, Initial potential partners)* c. *Gap Analysis* d. *Procurement alternatives* **Assessment: At least 10 potential private partners have be identified.** **Similar projects have previously been successful through PPP**		
C. Financial Feasibility		
4. *All inputs & assumptions used are logical and the rationale behind each is clear (Inputs & Assumptions are usually leveraged from the Concerned Federal Entity, Benchmarks or experts)*		
5. *The Public Sector comparator case has been conducted and includes all relevant costs (CAPEX, OPEX, etc.) and Revenues.*		
6. *The PSC case has been conducted assuming that the project achieves targeted outcome while staying under the government's management*		

ANNEX 9
MORTGAGES ON ASSETS AND RIGHTS OF THE FINANCING ENTITY

These rules should be clearly defined in the project agreement following negotiations, but these points should be taken into consideration:

Approval for Mortgages on Project Assets:

Any intention to arrange a mortgage on assets related to the project must receive prior approval from the concerned federal entity. The request for a mortgage must detail the terms, the involved assets, and the purpose of the mortgage.

Disclosure of Mortgage Terms:

Complete details of the mortgage arrangement, including the lender, the terms of the loan, and the impact on the project's assets, must be fully disclosed and transparent to the Federal Entity.

Restrictions on Asset Disposal:

The mortgage arrangement should not lead to the disposal or unreasonable encumbrance of critical project assets that may hinder the successful completion and operation of the project.

Right of Financing Entities to Replace Partner:

Any agreement that grants financing entities the right to replace the implementing partner must be explicitly stated and approved by the Federal Entity.

Such replacement should be contingent on the new partner meeting all the original criteria of capability, experience, and financial stability.

Conditions for Control or Acquisition by Financing Entities:

If the financing entities seek to control or acquire the project, the conditions under which this can occur must be clearly defined. This includes scenarios like default or insolvency of the private partner.

The Federal Entity must approve the entity assuming control or acquisition and ensure it is capable of fulfilling the project's requirements.

Continuity and Performance Assurance:

Any change in project control or acquisition must guarantee continuity of project operations and adherence to originally agreed performance standards and timelines.

Compliance with Legal and Regulatory Frameworks:

All arrangements must comply with the relevant UAE federal laws and regulations, ensuring legal validity and adherence to national standards.

Default and Remediation Procedures:

Clear procedures should be outlined in case of default by the private partner, including steps for remediation and the rights of financing entities in such events.

Right of First Refusal:

The Federal Entity should retain a right of first refusal in cases of significant changes in project ownership or control, to safeguard public interest.

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