

**REQUEST FOR EXPRESSIONS OF INTEREST
(CONSULTING SERVICES)
Ethiopia**

Project Name: Institutional Support Project to Strengthen Macroeconomic Management (ISP-SMM)

Sector: Multi Sector

Financing Agreement reference: 2100155041685

Project ID No.: P-ET-KF0-007

Country: Ethiopia

Publication Date: 12 March, 2024

The FDRE Ministry of Finance has received financing from the African Development Fund toward the cost of the Institutional Support Project to Strengthen Macroeconomic Management (ISP-SMM), and intends to apply part of the agreed amount for this Grant to payments under the contract for the procurement of TA firm for PPP feasibility studies for Chaka and Tiyit Bet Housing Development Project.

The services included under this project are: conduct a feasibility study and compile a comprehensive feasibility study report for Chaka and Tiyit Bet Housing Development Project that will demonstrate affordability, value for money, and risk transfer for the project in compliance with the Ethiopian PPP proclamation, regulations, directives, guidelines, and any of the relevant government policies and regulations with which a potential PPP Consultant firm is required to be familiar..

The FDRE Ministry of Finance is now inviting eligible consultant firms to indicate their interest in providing these services. Interested consultants must provide information that indicates qualification to perform the above mentioned services. Consultant firm may constitute joint-ventures to enhance their chances of qualification.

Eligibility criteria, establishment of the short-list and the selection procedure shall be in accordance with the African Development Bank's "***Rules and Procedures for the use of Consultants***" Revised October 2015, which is available on the Bank's website at <http://www.afdb.org>. Interested consultants may obtain further information at the address below during office hours.

Expressions of interest must be delivered to the address below before or on 2nd April, 2024 by mentioning in the subject as "PPP feasibility study for Chaka and Tiyit Bet Housing Development Project".

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**THE MINISTRY OF FINANCE;
INTERNATIONAL FINANCIAL INSTITUTIONS
COOPERATION DEPARTMENT**

Terms of Reference

**PPP Firm for PPP Detail Feasibility Studies for
Chaka and Tiyit Bet Housing Development Project**

February, 2024

Addis Ababa, Ethiopia

1. INTRODUCTION

The Government of the Federal Democratic Republic of Ethiopia (FDRE), duly represented by the Prime Minister Office (PMO), has a plan to construct affordable housing for the community living in Addis Ababa. PMO has the responsibility to raise the standard of living for Addis Ababa residents in addition to other institutions. The housing sector is one of the Ethiopian government's priority areas for investment under the country's ten-year development plan (2020–2030), together with energy, transport, agro-industry, and light manufacturing. The government has started using the PPP approach to fund infrastructure projects through private sector investment. For these reasons, the necessary policy and legislation, including the amendment, have been prepared and approved by the Parliament. Ethiopia's PPP Proclamation establishes a PPP Board, which approves projects that are to be implemented as PPP. A PPP department within the Ministry of Finance is responsible for ensuring that PPP projects are prepared, procured, and implemented in accordance with the Proclamation, subsidiary legislation, and guidelines. In accordance with the proclamation, contracting authorities, line ministries, and sector agencies are mandated to prepare, sign, and manage PPP contracts. In this regard, the PMO has established a PPP unit to procure and manage PPP affordable housing projects in Ethiopia.

The project is one of the principal objectives of the urban development plan. There have been multiple initiatives by the federal government to address the issue of a lack of affordable housing nationwide in Ethiopia. One of these initiatives was the federal government-initiated and financed large-scale public housing program called the Integrated Housing Development Program (IHDP), which was initiated in 2005. IHDP has constructed 226,000 condominium units in different parts of Addis Ababa in the last 17 years. Despite all these efforts, there is massive urbanization and population influx in Addis Ababa, which has outpaced the development of housing units and service delivery, resulting in a housing backlog. Affordability is one of the major issues in Ethiopia's housing market. Most of the households' incomes could not afford formal public or private housing. The problem is further escalated by expensive construction materials and unreasonably high land lease prices.

Thus, the PPP department of Ministry of Finance planned to initiate developing affordable housing to alleviate housing problems in Addis Ababa, along with other initiatives. The PMO made ready 4,000 hectares of land for the project company, along with the rights to sell a portion of the housing units during the agreement period. The project is initially proposed based on the 70/30 arrangement, which is an across-subsidy mechanism. Thus the PMO offered such an arrangement

in which the project company will hand over 30% of the housing units to the PMO office. The project company will also have the right to sell the remaining 70% of the housing units to recover its investment cost upon completion of all the housing units. However, the appropriate arrangement for the project implementation will be determined by a detailed feasibility study. Based on the outcomes of a detailed feasibility study the PMO, in association with the PPP department, plans to develop 10,000 housing units across 14 (Fourteen) projects, covering 4,000 hectares of land in the Yeka and Lemi-Kura sub-cities.

The project has great opportunity to alleviate housing problems in Addis Ababa and also make cities and surrounding towns in developing economies more vibrant and dynamic engines for economic development and create conducive environments for leading a life in a newly developed way. The project is expected to increase the housing stock in Addis Ababa through the PPP development modality.

2. OBJECTIVE OF THE PPP CONSULTANT FIRM

The PMO has identified the need to investigate the feasibility and affordability of the different procurement options that will provide the best technical, financial, and legal solution for delivering an affordable housing project through a public-private partnership (PPP) approach. The Chaka and Tiyit Bet affordable housing development projects are to be implemented through PPP arrangements, subject to Ethiopian PPP policy and proclamation. It is intended to be used as a model for future PPP housing development projects in the country.

These terms of reference invite proposals from a consultant firms, representing a team of suitably qualified and experienced technical, financial, legal, environmental, and social Consultant firms, to assist the PMO in reviewing available studies, undertaking a comprehensive feasibility study, and preparing procurement documents.

To achieve this, MoF will procure the services of a firm that will conduct a PPP feasibility study and compile a comprehensive feasibility study report that will demonstrate affordability, value for money, and risk transfer for the project in compliance with the Ethiopian PPP proclamation, regulations, directives, guidelines, and any of the relevant government policies and regulations with which a potential PPP Consultant firm is required to be familiar. The potential PPP Consultant firm should take note of and provide for a tight timeline in their resource allocation and price proposal, taking due cognizance that the project will still be delivered in a prudent and diligent manner. The PPP

department of MoF in collaboration with PMO will provide any required technical advice mandated in the PPP proclamation. Any innovative and creative ideas and proposals to ensure a successful and efficient outcome as far as the aim of the office is concerned would be welcomed.

The office further reserves the right to appoint further consultants during any stage of the project should it deem fit to do so, with whom the PPP Consultant firm will be required to work in the delivery of the project.

3. SCOPE OF the WORK

The potential PPP Consultant firm will be expected to indicate areas where a more efficient approach with better time and resource management could contribute and enable the government to achieve its tight timelines without compromising the quality and content of the deliverables. The PPP consultant firm shall provide its services in a manner propitious to replication by the office for other future similar projects when rendering this consultancy services. In accordance with this, the successful PPP consultant firm will be required to deliver the following services, considering the PPP Board's approval of the documents submitted:

- the detailed feasibility study report including financial model
- the output specifications, and
- a detailed environmental and social study of the project

The decision to embark on the process of developing the procurement documentation should be done in a responsible manner in line with the relevant regulations. The process should start as soon as there is a clear indication that the service commencement has been issued by the PMO. The successful PPP consultant firm is free to plan its activities in consultation with the PMO and PPP Department to complete the services in the stipulated timeframe.

To formalize and complete these processes, the prospective PPP consultant firm is now required to submit a proposal indicating that they understand the scope of work involved, as described, and that they have the said understanding of the PPP process, the experience and expertise, as well as the necessary time and resources available to conduct the services, on a fixed cost basis and within the agreed timeframes.

These Terms of Reference invite proposals from a PPP consultant firms comprising a team of suitably qualified and experienced professionals to execute PPP consultancy services in technical, financial, legal, environmental, and social issues. Reference to 'the PPP consultant firm comprises necessary team composition: (technical Consultant firm, legal Consultant firm, financial Consultant firm, and environmental and social Consultant firms) under the management of a single firm, which enters contract with MoF. The PPP consultant firm will designate a lead Consultant firm who shall coordinate the overall consultancy works and communicate with the client. No changes to the consultant team shall be made without the approval of the MoF.

3.1 Detail Feasibility Study

- Consolidate all existing detail feasibility studies carried out and perform additional work on the study of research on this project, as reflected in the background, and compile a comprehensive feasibility study report that will demonstrate affordability, value for money, and risk transfer.
- Obtain PPP Board approval for a feasibility study that clearly shows project affordability over the full period of the envisaged project term, demonstrate value for money by means of a comparison between the PPP reference and the Public Sector Comparator that is risk adjusted, and set out a clear process to obtain the best value through a competitive procurement process; and
- In an attempt to meet the strict timelines, it is also expected of the PPP Consultant firm to develop a complete financial model. The successful PPP consultant firm should be aware that these documents must be close to final drafts when submitted together with the feasibility study report and procurement plan for PPP Board approval. Evidence must be provided of the proposed planning and resource allocation to achieve this goal.

The successful PPP consultant firm is expected to provide proof of substantial knowledge, expertise, and experience in the following fields and an understanding of the aim of the Government of Ethiopia with these Terms of Reference and the project:

- Housing development planning and housing infrastructure development;
- Housing development and management;

- PPP structuring in the housing sector;
- Understanding of the housing environment and the specific housing infrastructure needs in developing countries;
- Skills and experience in packaging projects for housing infrastructure development;
- Housing facility planning and management;
- Expertise in housing design, quantity surveying, and property development.

4. EXPECTED DELIVERABLES

The successful PPP consultant firm is required to produce, in close liaison with the PMO, a comprehensive feasibility study for the project. The feasibility study needs to clearly demonstrate affordability for the full project cycle and propose the optimal value-for-money solution for the PMO to achieve its desired outcomes. The feasibility study is to be conducted in compliance with PPP policy, proclamation, regulations, directives, and guidelines in Ethiopia.

4.1. Components of the feasibility study

The feasibility study must include the following:

(a) Introduction

Covering letter, Executive summary, Introduction, Project background, Approach and methodology to the feasibility study, all environmental, social, land acquisition, utilities relocation and engineering issues will be highlighted with pros and cons and cost impact.

(b) Needs analysis, including

Institution's strategic objectives; Budget; Institutional, legal, and regulatory analysis; Output specifications; Scope of the project.

(c) Solution options analysis, including

- Options considered to develop housing projects
- Evaluation and assessment of each option
- Assessing the government role in the proposed PPP project, whether that role corresponds with the government's legal obligations, maintains sufficient power to protect the government's interests, and corresponds to the proposed corporate structure of the project vehicle, and how in practice the government role will be established in the project vehicle

- Developing and providing detail on the legal issues of the transaction, identifying, e.g., the (i) type of PPP contract to be used (e.g., concession, BOT, or management contract, semi-public company), (ii) investment commitments to be required, their nature and management; (iii) investment plan; how, where, and when investments will be made; (iii) type of public sector support required, including terms and conditions; and (iv) corporate structure for the investment and commercial management, including the nature of the Special Purpose Vehicle (SPV) holding the concession, etc.
- Summary of evaluation and assessment of all options considered
- Review of risk allocation assumptions to assess whether those risks can be allocated (e.g., legally) to the private sector (e.g., land acquisition, selling each housing unit, and safety monitoring).
- Identifying other contractual and commercial relationships in the sector or related to the sector and how those relationships will interface with the PPP project
- Assess risk management structures for potential efficiency gains through alternative structures or modifications.
- Assess the financial feasibility and provide a valuation of revenues according to the different options, based on various assumptions used in the forecasts, including those of demand and pricing, which should be stated clearly.
- Advise on a financial (capital) structure for mobilizing debt.
- Assessing risk allocation approaches to ensure that they correspond with private sector appetite and lender requirements
- Assessing the chosen approach to PPP and whether any aspect of that approach will conflict with available or required procurement, contracting, and financing structures
- Recommendation of a preferred option

(d) Project due diligence, including

Legal aspects, including, Land access/rights, Use rights, Regulatory matters, Approvals required, Key challenges to risk allocation as law, Identify licensing, permitting and other legal risks that need to be addressed and allocated under the chosen approach, Site enablement, Socio-economic and environmental

(e) Value assessment, including

- Public Sector Comparator (PSC) model

Technical definition of project, Discussion on costs (direct and indirect) and assumptions made on cost estimates, Discussion on all model assumptions made in the construction of the model, including inflation rate, discount rate, depreciation, and budgets, Summary of results from the base PSC model: Net Present Value (NPV), Financial Internal Rate of Return (FIRR), Debt Service Coverage Ratio (DSCR), subsidies

- PPP reference

Technical definition of project, Discussion on costs (direct and indirect) and assumptions made on cost estimates, Discussion on proposed PPP type, Proposed PPP project structure and sources of funding, Payment mechanism (e.g. cross – subsidy mechanism), Discussion on all model assumptions made in the construction of the model, including inflation rate, discount rate, depreciation, tax and VAT, Summary of results from the PPP-reference model: NPV, gearing ratio, rate of return and maturity of equity capital

- Risk assessment

Comprehensive risk matrix for the project risks, the review should contain recommendations on the mitigation mechanisms for each of the identified risks to be implemented by the party identified to bear that risk. In doing so, assessment and applicability and economy of various risk mitigation mechanisms should be carried out.

- Risk-adjusted PPP-reference

Summary of results: NPV, key indicators (sensitivity analyses, statement of affordability, statement of value for money, recommended procurement choice)

(f) Economic valuation, including

Introduction and evaluation approach, assumptions, valuation results, macroeconomic Impact, market Analysis, Project Level Analysis- Project cost – benefit analysis, including net present value (NPV), financial internal rate of return (FIRR) and economic internal rate of return (EIRR).

- (a) Annexure 1: Statements for information verification and sign off from each Consultant firm to the project
- (b) Annexure 2: PSC model
- (c) Annexure 3: PPP reference model
- (d) Annexure 4: Risk assessment and comprehensive risk matrix
- (e) Annexure 5: Document list (list of all documents related to the project)
- (f) Annexure 6: Attach as annexure all other documents that have informed the feasibility study and that are of decision making relevance to the project.

The feasibility study, comprising all the above deliverables, must be compiled in a single report in Word format (with relevant annexures) and delivered as both electronic and hard copy documents. All financial models must be in Excel format and must clearly set out all assumptions made, sensitivity analyses carried out, and model outputs. The financial models must be sufficiently adaptable for use by others at later stages. The feasibility study must be presented with a thorough executive summary and accompanied by a PowerPoint presentation that encapsulates all the key features of the study. The executive summary and PowerPoint presentation must be compiled in such a manner that they can be used by the PMO management for decision-making purposes.

The PPP Consultant firm shall prepare the comprehensive feasibility study report and the supporting documentation, like the financial model, as indicated above, and further provide such assistance as the PMO may require in obtaining PPP Board approval. The PMO will facilitate access to information as well as monitor and validate outputs from the PPP Consultant firm in preparing the feasibility study report. Furthermore, all documents must have been subjected to a robust quality control process before submission to the PMO and PPP Board. All reports must be submitted together with an executive summary in both electronic and hard copy formats.

5. Timeline and Durations

The PPP Consultant firm will be required to complete the services within 4 months from the date of the effectiveness of the service contract.

6. Required Skills and Experiences

The PPP Consultant firm will comprise a team, managed by a single Lead Consultant firm, the members of which have both the skill and experience necessary to undertake the range of tasks set out in these Terms of Reference. Each individual on the team must be personally available to do the work as and when required to do so. The lead adviser will be held accountable, in terms of the contract, for ensuring project deliverables and the professional conduct and integrity of the team. If the authority so decides to appoint the members of the team on an individual basis, the lead Consultant firm will still be asked to coordinate the team and their inputs. The minimum skills and experience required for the PPP Consultant firm team are as follows:

- knowledge and experience of PPP policy and regulations;
- Knowledge and experience in preparing feasibility studies within the PPP policy and regulation framework relating to needs, options, and value determination for the restructuring of PPP housing projects, including knowledge of operating and managing housing concession projects;
- housing planning, management, and economics expertise and experience;
- knowledge, skills, and experience in structuring projects in housing infrastructure concessions and the housing environment;
- expertise and experience in designing the operational efficiencies of an environmentally friendly and efficient housing facility;
- expertise and experience in environmental impact assessments and planning;
- expertise and experience in housing facility planning and management;
- Expertise and experience in housing facility management;
- Legal experience and expertise relating to PPP housing infrastructure development;
- technical experience in housing development;
- expertise and experience in developing transactions that promote private sector involvement in financing the Ethiopian housing sector; and
- Project management experience and expertise.

All members of the PPP Consultant firm team must be in good standing in all respects, including ethically and professionally, and should provide proof of registration where required in respect of professional registration as well as proof of good standing with such professional bodies.

PPP Consultant, lead, M.Sc. degree and above preferably in Civil Engineering, architectural engineering or related field with a minimum of 15 years of demonstrative experience 2 (two) similar assignments including proven experience in preparation, integration, development and management of PPP housing infrastructure, experience of preparing development projects on PPP especially on housing infrastructure development with private sector participation, knowledge of housing design and management and two years of experience with the firm within the last five years.

- **Technical Expert**, M.Sc. degree and above preferably in Civil Engineering, architectural engineering or related field with a minimum of 15 years of demonstrative experience in analyzing technical issues in the housing development, experience in developing housing infrastructure, experience of preparing development projects on PPP especially on housing infrastructure development with private sector participation.
- **PPP Financial and Economic Expert**, Post Graduate degree and above in Economic and/or Financial disciplines with a minimum of 15 years of experience in relevant fields relating to development of funding mechanism of projects preferably related to housing infrastructure development, experience of developing projects on PPP mode due diligence of related financial implications, and Economic analysis.
- **PPP Legal Expert**, LL.M degree and above with a minimum of 15 years of experience relating to PPP policy and regulations, business/ corporate laws, firm and company laws / ordinances, experience of articulating legal provisions in PPP projects, addressing legal implications, providing legal assistance to project team to address legal issues and two years of experience with the firm within the last five years.
- **Environmental and Social Expert**, M.Sc. degree in Environmental Science or related fields with ten (10) years of experience in the field of environmental planning and environmental impact analysis; experience in Environmental Impact Assessment and/or Resettlement Action Plan for at least five similar housing projects; and two years of experience with the firm within the last five years.

The PPP Consultant firm is free to propose additional staff that is deemed necessary to execute the above activities.

7. REPORTING ARRANGEMENTS

The PPP Consultant firm will directly report to the of the Ministry of Finance PPP Department and PMO PPP unit. The reporting arrangement will be;

The successful PPP consultant firm is expected to prepare the following reports during the service period of the project as key deliverables of the service with high quality and professional manner to the satisfaction of the Client:

- I. **Inception report:** This report shall be submitted in one month after the commencement of the service. The report shall outline the PPP Consultant firm's initial findings, confirm the methodology, detailed work program, staffing, identified constraints and proposed solutions, together with any action required by the client to facilitate the successful implementation of the studies. The report is to be finalized as per the comments of the client.
- II. **Monthly or biweekly progress report:** The PPP firm will submit progress report on monthly/biweekly intervals from the date of commencement of the service and shall give brief statement of work performed during the preceding monthly/biweekly and a schedule of work for the next month. The progress report shall also contain comments and recommendations describing the effects of the accomplishment on future activities and any proposed change to the work plan for the following month. The reports shall be submitted not later than the end of the first week of each month and are to be numbered sequentially until completion of the service, including any extension period (if relevant).
- III. **Feasibility study report:** this report shall incorporate the comprehensive feasibility analysis for all components of the project to enable the government to determine the full project cycle, affordability limits, risks and their costs and optimal value for money methods of procurement and delivery. The feasibility study report must include but not limited to the following:
 - Technical analysis
 - Commercial option analysis
 - Financial analysis
 - Economic analysis
 - Delivery and O&M options analysis

- Demand analysis for the project
- Due diligence for the preferred project option
- Legal and institutional due diligence
- Financial model for the preferred project option
- Affordability analysis for the preferred project option
- Value assessment for the preferred project option

IV. **Environmental and social impact assessment report:** this report shall describe in detail the environmental impacts that the project may create along the routes and in general. Detailed assessment report shall be prepared and clearly show the impacts due to the construction of the housing and mitigation measures with allocated responsibility as to who is going to implement them. Likewise the social impact due to the construction, operation and maintenance of the housing shall be clearly indicated with its mitigation plan.

V. **Consultancy completion report (Final Report):** The PPP Consultant firm shall submit and present the final report. The report shall as far as possible be written to stand alone; without reference to other non-standard documents, and shall include but not necessarily be limited to: an executive summary which shall concisely present the key findings and recommendations; key correspondence with PMO, minutes of meetings, etc.; comments received from PMO; and an annex detailing the consulting services including of: the staffing, the resources, facilities and utilities employed, the constraints, final costs and status of payments. The PPP Consultant firm for the preparation of feasibility study and procurement documents shall possess the following professionals with sufficient experience and skills to discharge the services.