

**Terms of Reference
International Airport Expansion
Financial Advisor**

A. Background

1. [] International Airport (IA) is a medium size airport with a total passenger per year volume of [], IA has been experiencing high growth rates (30% per year in passenger, and 35% per year in cargo during the last two years). IA infrastructure is in relatively poor condition. The landside infrastructure (i.e., passenger terminal) is operating beyond capacity, under tough conditions for passengers with levels of service that need improving.
2. IA, therefore, needs to upgrade and expand its airport infrastructure to keep pace with traffic growth and improve service levels. The Government recognises that without a strong local carrier, and given the proximity of IA to the country's main hub system (comprised of the three largest airports), there are limited possibilities to develop a hub. Therefore, the airport development strategy revolves around catering for and developing origin and destination (O&D) traffic. The Government is exploring options to develop the airport facilities and related infrastructure via a public private partnership. Given the regulatory restrictions that ban private participation in the ownership of the airside facilities, one of the possible options is a Master Concession Agreement that combines two different projects, one for the airside facilities (O&M) and the other for landside facilities (BOOT).
3. It has been estimated that the development costs for the new terminal and related infrastructure will be [] are estimated for the airside. These figures are estimates based on the Master Plan developed by [], for IA expansion.

Defining the Transaction

4. Since federal regulations prevent private ownership of airside facilities, several project structures are being considered. The principal one would work under a **25 to 30 year single Master Concession Agreement (MCA)**: (a) a **build-own-operate-transfer (BOOT) scheme** for the landside facilities (i.e., passenger and cargo terminals and related infrastructure), and (b) a **Operation & Maintenance (O&M) scheme** for the airside facilities (i.e., runway, taxiways and apron) (for ease of reference the term PPP agreement will be used here to refer to all the agreements and legal documents that will need to be developed). The transaction is defined as the successful bidding of the MCA by an experienced bidder (consortium) ensuring optimization of the bid award criteria (to be defined).

Technical Assistance Team

5. The Government of [] ("executing agency for the project") is contracting the services of the following advisors as part of the technical assistance team: (i) financial advisors, (ii) legal advisors, (iii) traffic consultants, and (iv) consultant engineer/technical advisors. The technical assistance team will work closely with IA and the Government in the proposed airport expansion project.

B. Objective and Scope of the Assignment

6. The objective of the assignment is to ensure the successful development of the IA Expansion Project as a Public-Private Partnership. The task will involve (a) designing a transaction including but not limited to reviewing the information available to date, designing the financing and commercial structure, conducting financial analysis of the project, developing a financial model, structuring a feasible

transaction, conducting scenario analysis and presenting various outputs/ options in relation to key risks related to the project and (b) implementing the transaction, including but not limited to the marketing of the transaction, the management of the prequalification and bidding process and support to the Government for the negotiations of the project to financial close. It is anticipated that the process will include international bidding that will lead to a winning bidder assuming responsibility for a long term MCA or similar commercial arrangement for IA International IA.

Scope of the Assignment

8. Generally, the Financial Advisor will provide all relevant assistance to ensure the design of the transaction, its approval by the relevant authorities and stakeholders, and the tendering and implementation of the transaction until the transaction has reached financial close.
9. Where and as required, the Financial Advisor will be required to liaise with and disclose information to other advisors involved in the transaction including, but not limited to the legal advisor and technical advisor.
10. The scope will include but not be limited to:

Phase I: Support to the Government during the preparation of the project and the prequalification stage of the PPP transaction

During Phase I, the Financial Advisor will provide commercial, strategic and financial advice and guidance to the Government and its advisors on the items listed below.

- (a) Assessment of feasibility and technical design documentation of the project

The financial advisor will closely review the Master Plan with the view of determining the optimum form of transaction to implement the project. The financial advisor will also be required to do an independent evaluation of the documentation prepared to date and the information available. The Financial Advisor will perform a review encompassing verification of the cost estimate of the proposed capital investment; review of the current traffic data and projections; and analyze the results of the various surveys carried out in the recent past to assess potential users' willingness to pay for using IA with the view of determining (i) whether the current documentation is conducive to launching a transaction, and (ii) identify any gaps in the information available to date

- (b) Financial Model

The Financial Advisor will build a financial model, taking into account all the findings from the technical, legal and financial due diligence. The aim of such financial model will be to: (i) provide a solid basis on which past cash flows for the airport are presented, (ii) present likely future cash flow for the airport (under a range of sensitivities to be determined with the client), (iii) test the financial feasibility of the proposed transaction structures, and (iv) evaluate the financial impact of such structures on the Government and its finances. In a later stage once the transaction has tendered, it is expected that the financial model may be shared with relevant parties (investors and or financiers).

- (c) Additional Advice

The Financial Advisor shall provide support in procuring specialist advice as required should additional advice be identified as required for implementing the

transaction

(d) Option Report

The Financial Advisor shall prepare an Option Report that will (i) present a preliminary risk matrix together with proposal for risk sharing for the project, (ii) present a detailed timeline for the implementation of the project, (iii) present the different options being considered for implementation of the project (structure of transaction and implementation methods) and present pros and cons for each options). Where deemed appropriate by the Government, the Financial Advisor will present relevant examples of transactions where proposed solutions have been implemented. Once the Option Report has been approved, the Financial Advisor will prepare a detailed risk allocation of the project, in coordination with other the advisors, which will form the framework for the relevant contractual documentation for the transaction

(e) Approvals

The Financial Advisor shall, through reports, presentations and supporting written recommendations, support as requested the Government in its presentation to and its effort to secure relevant approval from the federal Government

(f) Marketing of the Transaction

The Financial Advisor will have the primary responsibility for promoting the transaction. The Advisor will specifically be required to: (i) develop a marketing strategy for the transaction including a list of activities to be undertaken and a detailed timeline; (ii) prepare the Information Memorandum with the Client; (iii) identify a long list of potential parties that might be interested in bidding for the transaction and (iv) as requested contact such parties to raise their interest in the project (this might include but not be limited to the production of teasers and other relevant marketing documents) (v) if required by the Government, organize a road show / transaction launch seminar or other relevant marketing promotions and events, and (vi) follow up with interested bidders to ensure successful outcome of the pre-qualification, including providing detailed logs of information contact and feedback from investors.

If required the Financial Advisor will be responsible for producing a full Information Memorandum which may include (but not be limited to) past information in relation to the airport, information in relation to the regulatory framework of the project, explanation on the planned development and its technical commercial, financial and technical scope and project cash flows going forward

(g) Pre-qualification Documents

The Financial Advisor will review documents drafted by the legal and technical advisors and take responsibility for amending and finalising such project documentation as required. The Financial Advisor will support the Client and its' advisors: (i) to develop operational and financial criteria to be used in judging the suitability of prospective bidders, (ii) identifying the ideal profile of a strategic investor; and (iii) to conduct a fair and transparent pre-qualification process. The financial advisor will liaise closely with the legal advisor to ensure the prequalification methods is fully in compliance with the relevant laws.

(h) Pre-qualification

The Financial Advisor will help the Client to answer inquiries from interested investors as required, will develop if required a methodology and supporting documentation for the evaluation of the interested investors and provide, if required,

an evaluation of the interested investors applications

- (i) Expressions of interest from potential financiers

To the extent deemed relevant by the Government, the Financial Advisor will ensure that prior to the initiation of the bidding process, local and international financial institutions are made aware of the proposed project, its proposed financial design and structure, and if necessary financial simulation model and scenario analysis. To the extent deemed relevant by the Government, the Financial Advisor will help procure letters of interest for the long term financing of the project.

Phase II: Support the Government during the bidding process

During the Phase II the Financial Advisor will have the primary responsibility for the completion of the following deliverables:

- (a) Facilitating the Bidders' due diligence including preparation of a data room

The financial advisor will then assist the Client in defining the procedures for the prequalified bidders to carry out their due diligence of the proposed project. In addition, in conjunction with the other advisors and the Government/IA, the Financial Advisor will be responsible for preparing a Data Room and the procedures for access to and use of the Data Room.

- (b) Bidding documents

The Financial Advisor, jointly with other advisors, will prepare the relevant bidding documentation. Although it is understood that the Financial Advisor will not be ultimately responsible for the drafting of the project documentation, it will provide significant inputs in relation to risk allocations, international PPP best practice and proposed transaction structuring issues that are of financial and commercial relevance. This will include but not limited to: (i) a full review and comment on the proposed project documentation, (ii) support in the preparation of the bidding instructions, (iii) support in preparation of all contractual documentation necessary to be entered into by the winning bidders, (iv) support in the preparation of all other contracts that the Government or IA might be required to enter into as part of the implementation of the transaction, and (v) the preparation of transparent bid evaluation criteria and a methodology for bid evaluation. In agreement with the Government, the Advisor will take the lead in the preparation of the documentation that is of commercial and financial relevance

The Financial advisor will support the Government as requested to organize, launch and follow a public competitive bidding process to award the MCA to a strategic investor. This will include support in the management of the Data Room, if necessary, as well as any other necessary steps in the bidding process.

- (c) Bidders' review and comments

As appropriate, the Financial Advisor will review comments and queries provided by bidders in a timely manner and will advise the Client on proper actions to minimize the scope of post-bid award negotiations in relation to the project documentation. It will also advise the Client whether these comments and queries would influence the terms of the proposed PPP scheme. The Advisor will recommend appropriate revisions to the project documents based on the comments and queries received and will assist in the preparation of any relevant change to the documentation.

- (d) Contact with investors during bidding process

The Financial Advisor will: (i) maintain suitable contacts with pre-qualified bidders

during the bid preparation period; (ii) organise as relevant a pre-bid conference and meetings with the Government/IA; and (iii) if relevant, assist in competitive negotiations/ discussions with pre-qualified bidders.

(e) Bid Evaluation Methodology

The Financial Advisor will be responsible for the development of a bid evaluation methodology for the bids to be submitted by bidders. Such evaluation methodology will be presented in written form, discussed with the Client and if necessary the Financial Advisor will make relevant amendments to such methodology

Phase III: Support the Government during the bid award and financial close of the transaction.

Financial Advisor, along with the legal and technical advisor, will have the primary responsibility for the completion of the deliverables for each activity set out below:

(a) Bid evaluation

The basis of the evaluation will have been previously established and comprise agreed, transparent selection criteria. The Financial Advisor will assist the Client in analyzing bids including checks of the compliance of the bidders and their applications with the criteria set forth in the tender documentation, and evaluation of the bids.

(b) Transaction closure

The Financial Advisor will also be required to provide assistance to the Government for (i) conducting all relevant negotiations with the selected preferred bidder (it is expected that the Financial Advisor will be present at all meetings when requested by the Client), and (ii) finalising and executing the relevant project documentation.

C. Structure of the Proposal

The Financial Advisor, as part of its deliverables, will be required to present two proposals, which will include the following details:

(a) **Technical proposal**

- Approach to implement the scope of work (covering the scope outlined above) including: (i) an explanation of key issues relevant to the transaction, (ii) approach to implementation,
- Project team, with clear identification of the role of team members, their proposed % time spent on the project (by Phase) and their experience in (i) airport transactions and (ii) PPP transactions in infrastructure, with an indication, for each transaction of the role of the person, scope of the mandate, and status of the transaction(closed, aborted, in progress), and their language skills
- Institutional experience with financing PPP projects in the infrastructure sectors, including : (i) experience in Government side mandates for airport transactions (specifying in each case role and whether the transaction closed, (ii) experience in undertaking private sector mandates in the airport sector (specifying in each case the role and whether the transaction closed) and (iii) other relevant infrastructure projects
- Staff time. Please provide detailed allocation of staff time to this project.
- Proposed timetable for the implementation of the project

When developing the technical proposal please see attachment 2 (suggested timetable).

(b) **Financial proposal.** The financial proposal should be structured into two components:

- *Fixed monthly retainer. This monthly retainer will be paid monthly to the financial advisor and is intended to cover a portion of the advisors costs and is required to be expressed in the form of a single monthly [euro or ruble denominated] fee. This fee will be paid monthly unless special circumstances lead to temporary suspension of the contract*
- *Flat Success Fee (net of retainers paid): upon the successful conclusion of the transaction (to be defined in the contract), a lump sum success fee will be paid to the financial advisor. The sum of retainers paid will be deducted from the success fee*

Separately, the financial advisors will be able to claim reimbursable expenses on the project for (i) airline tickets (at economy fare rates) and (ii) hotel accommodations (within an approved list of hotels) to the extent that the travels have been approved in advance with the client. All other expenses, included but not limited to telecom costs, taxi, printing and photocopies, meals etc. will not be subject to reimbursement.

D. Selection Criteria

The Advisor Selection Committee (“executing agency as the secretary”) will evaluate the proposals in two phases:

1) Technical evaluation:

Criteria for the evaluation of technical proposals are:

	<u>Points</u>
(i) Specific experience of the Advisors relevant to the assignment:	10
(ii) Adequacy of the proposed methodology and work plan in responding to the Terms of Reference including:	
(a) technical approach and methodology;	
(b) work plan;	
(c) organization and staffing	25
(iii) Key professional staff qualifications and competence for the assignment:	50

The number of points to be assigned to each of the above positions or disciplines shall be determined considering the following three sub-criteria and relevant percentage weights:

1) General qualifications	30%	
2) Adequacy for the assignment	50%	
3) Experience in region and language	20%	
	Total weight:	100%
(iv) Local presence in [COUNTRY]		10
(v) Experience in [COUNTRY]		5
Total points for the four criteria:		<u>100</u>

The minimum technical score required to pass is: **70 Points**

2) Financial evaluation. The formula for determining the financial scores is the following:

$S_f = 100 \times F_m / F$, in which S_f is the financial score for the advisor’s financial proposal, F_m is the lowest price submitted by all potential advisors, and F is the price of the proposal under consideration.

The weights given to the Technical and Financial Proposals are:

T (technical) = **0.6**, and

P (price) = **0.4**

Government of [] [] Airport