



# THE KATHMANDU POST

WITHOUT FEAR OR FAVOUR

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Government of Nepal.  
 Ministry of Physical Infrastructure and Transport  
 Department of Roads  
 Development Cooperation Implementation Division  
 Strategic Road Connectivity and Trade Improvement Project (SRCTIP)  
 Jwagal, Lalitpur

## Request for Expression of Interest (REOI)

Notice No.: SRCTIP/1/079-80

Date of First Publication: 1st August, 2022

It is notified that Strategic Road Connectivity and Trade Improvement Project requested all the eligible consultants to submit expression of interest in providing the following services.

S.N.	Contract Identification No.	Service
1	SRCTIP-DOR-CS-QCBS-28	Consultancy Services of Transaction Advisory Services under SRCTIP

Interested consultants may obtain Terms of Reference (TOR) for the mentioned assignment title and further detail relevant information from <https://dor.gov.np/home/notices>.

Expression of Interest must be delivered in written form to the given address (in Person or by email) by 25th August 2022.

*Project Director*

Government of Nepal  
Ministry of Physical Infrastructure and Transport  
Department of Roads  
Development Cooperation Implementation Division  
**Strategic Road Connectivity & Trade Improvement Project (SRCTIP)**

**Notice No. SRCTIP/01/079-80**

**Contract Identification Number: SRCTIP-DOR-CS-QCBS-28**

**REQUEST FOR EXPRESSION OF INTEREST (REOI)**

Date of first publication: **1<sup>st</sup> August, 2022**

Country: - Nepal

Name of project: Strategic Road Connectivity & Trade Improvement project (SRCTIP)

Credit No.: 6673-NP

Assignment Title: Consultancy Services of Transaction Advisory Services under SRCTIP

**Reference No.: SRCTIP-DOR-CS-QCBS-28**

The Government of Nepal has received financing in the form of credit from the World Bank toward the cost of Strategic Road Connectivity & Trade improvement project (SRCTIP) and intends to apply part of the proceeds for consulting services. The consulting services ("the Services") include **Transaction Advisory Services under SRCTIP for Public Private Partnership (PPP) tender to be awarded through competitive bidding to a suitable private sector proponent (PSP)**. Terms of Reference is available in the website of the Department of Roads: [www.dor.gov.np/notice](http://www.dor.gov.np/notice). Anticipated date for commencement of the services is February 2022 and the tentative duration of the assignment is about 30 months.

The Department of Roads, Development Cooperation Implementation Division (DCID), SRCTIP now invites eligible Consulting firms ("Consultants") to indicate their interest in providing the Services. Interested Consultants should provide information demonstrating that they have the required qualifications and relevant experience to perform the Services. The short-listing criteria are:

- Core business and years in business (minimum 10 years)
- General experience of the Consulting firm in any civil engineering projects
- Relevant experience of the Consulting Firm with similarity in nature, size, complexity (experience of Transaction Advisory Services for an Eligible PPP Project)
- Managerial and organizational capability of the firm for the assignment (Professional Staffing and ISO Certification or similar)

The attention of interested Consultants is drawn to paragraphs 3.16 - 3.17 of the World Bank's Procurement Regulations for IPF Borrowers, *dated July 2016*, revised November 2020 ("Procurement Regulations") setting forth the World Bank's policy on conflict of interest.

A consultant will be selected in accordance with the Quality & Cost Based Selection (QCBS) method set out in the World Bank's Procurement Regulations.

Consultant may associate with other firms in the form of a joint venture or a sub-consultancy to enhance their qualifications. Consultant shall clearly state the form of association, if any, whether in the form of joint venture or sub consultancy in the Expression.

Interested Consultant may obtain further information about the service at the address below during office hour.

Expression of interest must be delivered in written form during office hours to the address below (in person, or by mail, or by e-mail) by **25<sup>th</sup> August 2022**.

**Department of Roads**

Development Cooperation Implementation Division

Strategic Road Connectivity & Trade Improvement Project (SRCTIP)

Jwagal, Lalitpur

Tel: +977-1-5541686: Fax: +977-1-5542532

Email: [dorfc@dor.gov.np](mailto:dorfc@dor.gov.np)

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**GOVERNMENT OF NEPAL**  
**MINISTRY OF PHYSICAL INFRASTRUCTURE AND TRANSPORT**  
**DEPARTMENT OF ROADS**  
**DEVELOPMENT COOPERATION IMPLEMENTATION DIVISION**  
**TERMS OF REFERENCE (ToR)**  
**FOR**  
**TRANSACTION ADVISORY SERVICES**  
**UNDER**  
**NEPAL STRATEGIC ROAD CONNECTIVITY AND TRADE IMPROVEMENT**  
**PROJECT**

## **1. PROJECT BACKGROUND**

The Government of Nepal (GoN) is implementing the Nepal Strategic Road Connectivity and Trade Improvement Project (the Project), with financial support from the World Bank, to improve the efficiency and safety of select transport infrastructure, improve the efficiency of cross-border trade, and strengthen capacity for strategic road network management in the Nepal.

This Project aims to improve the efficiency and safety of select transport infrastructure, improve the efficiency of cross-border trade, and strengthen capacity for Strategic Road Network management in Nepal. The Department of Roads (DoR), Government of Nepal is the implementing agency of the project. The DoR aims to implement the proposed road project component through a mix of traditional and new contracting methods.

GoN is exploring the possibility of adopting ‘New Contracting Approach’ in upgrading of the Kamala-Dhalkebar-Pathlaiya Road (KDP) Road of the East-West Highway from 2-lane to 4-lane with assistance from the World Bank. KDP road is envisaged to be divided into five (5) road packages such that the value of each contract would be around US\$ 70-100 million. This contracting approach combines construction works with a 6-8 years period of Operation & Maintenance (O&M) responsibilities, and requires the selected bidders to contribute about 30-40% of capital expenditure during the construction phase in the form of equity/debt financing and recover the same through semi-annuity payments during the O&M phase. This approach is widely known as “Hybrid/Modified Annuity Model”, which attracted enthusiastic participation from the contracting and financing community and yielded notable benefits to both the private sector and the governments in the region.

Under this model, Implementing Agency (IA) would contribute certain percentage (say 60-70%) of construction cost during the construction period and would pay the project company (private sector proponent) a predetermined semi-annual annuity over the operation and maintenance period.

The Department of Road, GoN thus intends to procure the services of an experienced transaction advisors (TA) to assist it for the transaction of KDP road project. These terms of reference (ToR) invite proposals from a transaction advisor representing a team of suitably qualified and experienced advisors in the field of, inter alia, financial, technical, legal fields to help the GoN.

## **2. OBJECTIVE OF THE ASSIGNMENT**

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The main objective of the consultancy is the provision of Transaction Advisory services for a Public Private Partnership (PPP) tender to be awarded through competitive bidding to a suitable private sector proponent (PSP) for the development, operation and maintenance of the Kamala- Dhalkebar- Pathlaiya Road.

### **3. SCOPE OF WORK**

The Department of Road (DoR), the implementing agency (IA) seeks the services of a qualified firm to act as a transaction advisor (TA) for assisting DoR in structuring of PPP contract, including through stakeholder consultations, market sounding and preparation of financial feasibility and bidding documents, that is, expression of interest/pre-qualification documents, request for proposal (RFP) document and draft Project/Concession Agreement, and other necessary support during the entire bidding process until the financial close. The work of the TA will be based on the findings of the engineering & design consultancy services procured for the Kamala-Dhalkebar-Pathlaiya Road (KDP) project (the Project).

The Transaction Advisor will complete a comprehensive feasibility study to a standard that will enable the DoR to establish the commercial attractiveness and bankability of the Project. During the procurement phase, the TA will advise the Contracting Authority on optimum risk allocation and the resultant contract structure including preparation of all necessary documentation and requisite approvals.

The Transaction Advisor is expected to be familiar with all background documentation, preparatory work and related studies conducted to date as well as related studies completed by or available with the DoR.

The Feasibility Study and PPP Project Structuring (Phase-1 of the scope of work for the TA) excludes the conduct of Detailed Design Study<sup>1</sup> and Environmental and Social Impact Assessment (ESIA)<sup>2</sup> study for which the DoR has engaged consultants separately and will make available outputs of the same to the Transaction Advisor under the guidance of DoR. The Transaction Advisor shall coordinate with the consultants of Detailed Design Study and ESIA, respectively in order to prepare a comprehensive feasibility study through DoR.

The Transaction Advisor will be responsible for building the capacity of Department of Roads in appraisal of a PPP project, preparation of procurement/transaction documents, management of PPP procurement process and contract management.

The entire scope of work for transaction advisory is divided into three (3) phases as described below.

#### **PHASE-1: Feasibility Study and Project Structuring**

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<sup>1</sup> Detailed design of upgradation of Kamala- Dhalkebar- Pathlaiya section of Mahendra highway and bridges

<sup>2</sup> Consulting works regarding Environmental and Social Impact Assessment (ESIA) of Mahendra Highway (Kamala-Dhalkebar-Pathlaiya Section) to meet the World Bank's Environment and Social Framework

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**PHASE-2:** Preparation of Procurement/Transaction documents

**PHASE-3:** Procurement/Transaction process until financial close

The activities to be carried out by the transaction advisor under each phase are inter alia described below:

## **PHASE-1: Feasibility Study and Project Structuring**

### **Activity 1.1: Technical due diligence of the Project**

The technical due diligence will undertake, but shall not be limited to, the following activities:

- (a) TA will review the detailed design report (DD report) and ESIA report prepared by the respective consultants appointed by the DoR and provide its comments, if any. It may be noted that the review of these reports has to be done in a spirit to add value to the project and is not intended as a critique of work being done. TA shall coordinate with the consultants of detailed design and ESIA for this purpose (in case TA is appointed before completion of DD report and ESIA report, respectively).
- (b) Identify any gaps in the DD and ESIA reports which are essential to a PPP project preparation and transaction process.
- (c) Expeditiously advise DoR to conduct any additional technical studies based on the gaps identified in DD and ESIA reports required for preparation of a detailed comprehensive feasibility study for the Project in accordance with the international best practices.
- (d) Carry out a detailed assessment of the current maintenance practices and requirements of the DoR.
- (e) Identify the (roadside) commercial development potential of the Project, if any.
- (f) Propose monitoring arrangements during construction and operation phase of the project.
- (g) Prepare technical specifications for construction of the Project pursuant to review of the DD report and in accordance with the best international practices.
- (h) Regarding the operation phase of the project, propose minimum performance/service standards and key performance indicators (KPI) to be included in the PPP contract.

### **Activity 1.2: Legal, Regulatory and Institutional Review**

#### *1.2.1 Legal and regulatory review*

- (a) Assess current laws, regulations, policies and institutional assessment to ascertain the validity and viability of the proposed PPP structure for the Project, including DoR's capacity to manage and monitor implementation of the project once operational and recommend required changes to improve the governance of the same.

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- (b) Review all legal requirements relating to the Project implementation (compliance with related laws) including review of the relevant jurisprudence, regulatory framework and previous rulings that might have an impact on the project, land use and site availability, and suggest appropriate legal approaches to be undertaken in the implementation of the proposed project.
  - (c) Study and review the status of land ownership, acquisition and procurement, if needed, for the Project's right of way.
  - (d) Develop "bankability" measures for the proposed PPP project structure, such as payment mechanisms, any government support or subsidies, performance guarantees, pre-conditions for a private operator to fulfil in meeting service obligations, default and risk clauses, and step-in rights of government/lenders, etc.
  - (e) Review, assess and assist in resolving legal issues associated with the management of the social, economic and environmental impacts of the project in a manner consistent with the relevant national and county legislation, taking into consideration international best practices. The legal expert(s) are required to identify any obstacles that might impede the implementation process of the preferred PPP options and to outline the currently applicable regulatory framework.

### *1.2.2 Institutional review*

Prepare a diagnostic report on the institutional capacity of the DoR (the IA) to determine its ability to manage the project through procurement, implementation and operations. Analysis should include an assessment of the institution's capacity for managing a PPP project. Based on the assessment, the Transaction Advisor will prepare a comprehensive plan for strengthening the capability of DoR in order to appraise, prepare, procure, manage and implement a PPP project, including staffing plans, governance and funding requirements.

### **Activity 1.3: Economic Review**

Undertake a full economic review to assess the value of the Project on the economy of the community, the Implementing Authority (IA) and the nation. An economic and social cost benefit analysis will comprise both a qualitative and quantitative assessment of the economic and social costs and benefits of the proposed project including a determination of the economic internal rate of return and the benefit-cost ratio for the project. The feasibility study should also include ranges of estimates on the creation of jobs, and other economically relevant information.

DoR has conducted a technical Feasibility Study for the KDP Project during 2019-2020 which includes the economic analysis. The TA shall refer and review the economic analysis conducted in the Feasibility Study dated March 2020 and update the same as part of Phase-1 of this Transaction Advisory Services.

### **Activity 1.4: Financial analysis and viability assessment**

#### *1.4.1 Financial model*

- (a) TA will carry out the financial feasibility study of the project. The feasibility study would be carried out for each package/bundle separately (it is assumed that KDP road project would be divided into five (5) road packages). TA will prepare the excel based professional financial

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model for assessing the viability which will be fully traceable formulae based with assumptions, capex, revenue, operational cost and other relevant sheets. The financial model for the same will also contain financial ratios such as – (i) Project Internal Rate of Returns (PIRR) (ii) Equity Internal Rate of Returns (EIRR) (iii) Debt Service Coverage Ratio (DSCR) (iv) Pay Back Period (v) other key financial ratios. TA will also provide sensitivity analysis covering different factors. For the purpose of financial projection & analysis, Nepalese accounting standards, tax and other regulatory requirements would be taken into consideration in the financial model. It may also be noted that TA will carry out a detailed financial feasibility assessment. TA will share the fully functional financial model with the client and will have to discuss the model with the key officials in the DoR/GoN.

- (b) TA will also propose the ideal concession period/project term, for the project, based on the project requirement, envisaged financial assistance from the government and other important factors.
- (c) The cost of financing should be explicitly incorporated into the financial model, including – as required and appropriate – costs arising from debt, equity, hedging, insurance, credit enhancement instruments, etc.
- (d) All assumptions in the financial model should be clearly stated and supported by suitable analysis on the same.
- (e) The financial review and analysis are expected to encompass and inform on the following aspects of the PPP transaction:
  - Technical definition of the project and the distribution of Scope of Work among the parties involved;
  - Discussion on costs (direct and indirect) and assumptions made on cost estimates;
  - Discussion on revenue and assumptions made on revenue estimates;
  - Discussion on all model assumptions made in the construction of the financial model, including inflation rate, discount rate, depreciation and budgets;
  - Discussion on proposed PPP type;
  - Proposed PPP project structure and sources of funding;
  - Payment mechanism, etc.

#### *1.4.2 PPP project structure*

The TA shall formulate a PPP project structure in keeping with the DoR's preference for adopting a Hybrid/Modified Contracting approach, providing inter alia the following:

- i. Detailed description of the type of PPP project proposed, with an overview of the rights and obligations of the respective parties;
- ii. Anticipated key roles and responsibilities of the private and public sector;
- iii. Construction, and operational efficiencies that may realistically be expected of the private sector;
- iv. A summary of the output specifications for the project;



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- v. Other potential services that may be provided or commercial activities that may be undertaken by the private partner and not included in the initial project description;
  - vi. Key risk allocation to the respective parties;
  - vii. Payment mechanism;
  - viii. Hand back requirements;
  - ix. Insurances;
  - x. Indicative financing structure (appropriate/assumed equity returns, debt service cover ratios, currency of debt, costs of debt, risk mitigation and credit enhancement instruments, etc.);

#### *1.4.3 Comparative risk matrix*

Design a comparative risk matrix that quantifies the liabilities associated with the recommended project configuration and proposes how each of the risks should be anticipated, and recommendation on risk mitigating measures and the proper allocation of the risk to each party involved. This information shall be of interest to the IA in its review of the fiscal risk commitments and contingent liabilities assumed in the proposed project structure. At a minimum, the comparative risk matrix shall contain the following information:

- i. Risk and its description;
- ii. Expert's estimate of the probability that the risk will be realized, together with the rationale/assumption;
- iii. Expert's estimate of the impact of the risk as a percentage of the base;
- iv. Cost of the risk in NPV terms;
- v. Risk distribution between public and private parties in terms of percentage of costs borne;
- vi. Distribution of cost of the risk between parties in terms of NPV amount; and
- vii. Mitigation of risk (and the relative cost and effectiveness of each risk mitigation strategy).

#### *1.4.4 Value for money (VfM) and Affordability analysis*

Value for money assessment needs to comply with applicable law and provide GoN with the information and analysis needed to assess whether the project represents value for money for the government.

Value for Money (VfM) assessment – A Value for Money (VfM) analysis will be carried out by comparing a risk-adjusted public sector comparator (PSC) model and the PPP reference model for the chosen or considered PPP structures. These provide costings of each procurement option in the form of a discounted cash-flow model adjusted for risk. While preparing the PSC assumptions, the retained risks shall be backed by experiences in similar projects in the country



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TA will adopt the internationally accepted principles/ approaches for the VfM which can be applied in the context of Nepal in the road sector.

#### *1.4.5 Affordability analysis*

TA shall prepare a fiscal commitment and contingent liability model (FCCL) and assess the direct fiscal commitments and contingent liabilities during the Term/concession period of the Project for the GoN arising from the recommended project structure.

TA shall assess whether proposed Project is affordable to the government within its inter-temporal budget constraints considering its fiscal position.

### **Activity 1.5: Market Sounding**

- (a) The TA will prepare the strategy for the market sounding exercise. This should be communicated and consulted with the World Bank Team along with DoR. The detailed plan and approach for the market sounding exercise, list of participants to be included should be finalised in discussion with the team.
- (b) The TA will prepare a crisp market sounding document, including a project information memorandum (PIM), for the purpose of carrying out market sounding exercise which should be finalized in discussion with the WB and DoR team. This document shall include an overview of the Project, the objectives of the IA, the process of how the market sounding will be carried out, a list of questions to be responded by the relevant stakeholders, i.e., equity investors, debt financiers, guarantors, contractors and operators, indicative project timetable and anticipated requirements from each party, the criteria and/or process for market sounding.
- (c) On the basis of above, TA will undertake detailed market sounding exercise to take inputs from the relevant stakeholders on various aspects of the project structure.
- (d) During the market sounding exercise, the TA shall also pay specific attention to create awareness of new contracting approach amongst the prospective developers/contractors and financing institutes/lenders of Nepal.
- (e) Based on above inputs, TA will suggest modify/ amending the project structure with proper rationale for such change. If change in project structure require the change in financial feasibility, the same should also be done by the TA.
- (f) TA will also recommend (along with proper rationale) intervention required, if any, from the government or other ministry of the government to enable the investment from international investor(s).
- (g) Prepare a Market Sounding Report that will summarize the findings from the exercise and will consist of, but is not limited to, the following information:
  - Market sounding objective;
  - Key issues that needed to be considered;

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- List of companies/organisations consulted;
  - List of Questions with answers from the group and one-on-one sessions; and
  - Summary findings and matters considered in the Feasibility Report.

In summary, the TA will organize consultation meetings with concerned stakeholders, including, but not limited to, potential equity partners, investors, lenders and guarantors to fulfil the market sounding requirements. The conclusions drawn from these consultation meetings shall be taken into account in finalising the comprehensive feasibility report and in designing the PPP transaction structure.

#### **Activity 1.6: Support to DoR/GoN on securing various approvals**

The Transaction Advisor shall assist DoR/GoN in securing all relevant government approvals. TA shall assist DoR/GoN in preparing all the required documents to be submitted to various government agencies/committees for approval of the Project.

#### **Activity 1.7: Project Implementation Plan and Feasibility Study Report**

The TA will prepare a comprehensive report that shall detail the findings and conclusions of the feasibility study, highlighting any potential problems, which may influence the viability of the project. The report shall also identify and recommend possible solutions to these problems. Five (5) hardcopies and a softcopy of the comprehensive feasibility study should be submitted

The report will also include a project implementation plan and timeline which will include all activities required from the parties to implement the contracting solution that is; tasks, timing, responsibilities of respective parties/stakeholders for each task and key approval/decision points and milestones. The implementation plan will also identify activities to help build the capacity of the IA to act as a competent PPP transaction counterpart.

***NOTE:** If at the feasibility stage (Phase-1), it is determined that the project will not be implemented under the PPP arrangement, the consultancy services of the Transaction Advisor (TA) shall be deemed to have been completed under the contract and the TA shall be paid for the milestone(s) completed. The Phase-2 and Phase 3 described below shall not be carried out.*

### **PHASE-2: Management of the PPP transaction process, and Preparation of Contractual Documentation**

The Transaction Advisor shall prepare all the necessary documents to undertake a competitive and transparent bidding process, and provide support during the entire PPP bidding process until the award of the contract to a successful bidder.

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The Project is envisaged to be divided into five (5) road packages. Transaction/ PPP bid process would be conducted for all packages in a staggered manner. However, the Consultant would advise DoR about the best way of procuring the different packages/bundling of packages and carrying out the bid process management, in accordance with the provisions of the PPPI Act.

The responsibilities of the Transaction Advisor include, among others, the following:

### **Activity 2.1: Bid Process Design and Bid Documents**

The Transaction Advisor shall recommend an appropriate bid strategy in accordance with the PPPI Act (i.e., develop a blueprint of the bid process and appropriate governance for the project). Bid process design shall be evaluated in accordance with the provisions of the PPPI Act. The Transaction Advisor shall provide advice and justification on the best-value bidding parameter.

Further, the Transaction Advisor shall prepare all necessary bid/tender documents, including the draft contractual agreements, Information Memorandum, output specifications, performance parameters/KPIs, payment mechanism, request for qualification (RFQ), request for proposals (RFP), bid bulletins/notices, qualification and evaluation criteria, invitation to prequalification and to bid notice, including all appropriate Bid Forms such as Bid Letter, Statement of Bid, Technical Bid Proposal, Financial Bid Proposal, etc.

The bid documents including the draft PPP/concession agreement shall be in line with applicable rules, regulations and guidelines of the World Bank Group and should comply with the laws of Nepal.

**PPP Agreement:** The Transaction Advisor shall prepare a draft PPP agreement in close coordination with the DoR/GoN. The draft PPP agreement must take into account the, inter alia, agreed risk allocation regime, contingent liabilities, termination events, KPI regime, payment mechanism, hand back requirements and use best practice to maximize competition and ensure optimal pricing while protecting DoR's and the public's interests with a view to facilitate project implementation and manageability over the project term/concession period.

TA will also undertake project readiness assessment and help DoR complete all such activities which will help improve the readiness of the project before the launch of tender so that adequate confidence can be given to the bidders. In this regard, the TA will prepare the checklist of such activities and assist DoR in that regard.

### **Activity 2.2: Support during Bidding Process and Evaluation**

The TA should assist DoR in conducting a transparent bidding for the Project. TA will thoroughly carry out evaluation of technical bid of the bidders and prepare an evaluation report, including sound reasoning for disqualification of any bidders. TA will also assist in the evaluation (post qualification) of the proposals submitted by the prospective bidders or consortia from a technical standpoint, reviewing of proposals for compliance with RFQ/RFP terms, and preparing the evaluation report(s).

The Transaction Advisor shall provide advice on and assist the DoR in the diverse commercial issues that may arise from time to time.

The Transaction Advisor shall assist the DoR inter alia in the following activities:

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- a) preparation or collation of documents and data to be made available in a data room, if deemed necessary, for prospective bidders;
  - b) issuance of all bidding-related notices/requests and supplemental notices;
  - c) conduct of the pre-bid conference/s and one-on-one meetings;
  - d) conduct of bidding process;
  - e) responding to queries upon proper consultation with the DoR/GoN;
  - f) pre-qualification of bidders and evaluation of bids;
  - g) contract finalization and award;
  - h) preparation of minutes of all meetings, and
  - i) drafting of TOR for the procurement of the Independent Expert (IE).

The TA shall be present during all meetings and events upon the request of the IA, especially during the bid process.

### **PHASE-3: Assistance until financial close of the Project**

**Activity 3.1:** The Transaction Advisor shall provide all the required assistance and advisory support until the financial close of each package of the Project (or a period of 180 calendar days from the effective date of the contractual agreements signed with the private sector proponent or the concessionaire, whichever is earlier).

The TA must assist the IA with all functions relating to grant of approval on any issue to the private sector proponent or signing any agreement or any other document with the private sector proponent or assisting in providing interpretations relating to any matter until financial close.

The Transaction Advisor for the duration of their contract, shall make their team available in Kathmandu to receive comments or queries and provide responses thereto, and entertain consultations, whenever necessary.

The Transaction Advisor shall prepare a monthly report of the status of activities, issues encountered, and steps taken to resolve them and update milestones and timelines.

While carrying out the specific tasks, the Transaction Advisor shall ensure knowledge transfer and capacity building of the government counterpart staff during the entire duration of the assignment. The Transaction Advisor shall conduct project “lessons learned” sessions prior to submission of the draft close-out report wherein results of the same shall be incorporated in said report.

### **Activity 3.2: Capacity Building**

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- (a) The TA shall provide training and build capacity of designated DoR's officials in PPP project preparation activities, transaction process including financial close in accordance with the international best practices.
  - (b) The TA, considering the institutional review during Phase 1, shall conduct 3 workshops for building capacity of DoR at respective phases of this assignment in consultation with the DoR.
    - (i) **Workshop 1A:** During Phase 1, the TA shall conduct a workshop to build capacity of DoR in conducting a detailed project appraisal exercise of a PPP project including but not limited to due diligence of project from various aspects inter alia legal, technical, environmental & social safeguards, climate change adaptation, financial, project structuring, commercial, bankability, contingent liability, affordability and market sounding. The TA shall give specific focus to build capacity of DoR with respect to implementation and management of the project through new contracting approach.
    - (ii) **Workshop 1B:** During Phase-1, the TA shall also conduct a workshop to provide training on implementation of the project through new contracting approach to the developers/contractors and financing institutes/lenders of the Nepal. The selection of such developers/contractors and financing institutes/lenders for the capacity building purposes shall be done in consultation with the DoR.
    - (iii) **Workshop 2:** During Phase 2, the TA shall conduct a workshop to build capacity of the DoR in preparing the transaction documents inter alia request of qualification (RFQ), project information memorandum (PIM), request for proposal (RFP), draft PPP agreement, performance standards/key performance indicators, payment mechanism and management of the procurement process including negotiations.
    - (iv) **Workshop 3:** During Phase 3, the TA shall conduct a workshop to build capacity of DoR on various activities involved in achieving financial closure for a PPP project including support required from the government side.
  - (c) The TA shall endeavour to engage designated officials of DoR during the different phases of this assignment through 'learning by doing' concept.
  - (d) TA will advise the type of skill sets required within DoR to effectively manage the PPP contract so that the envisaged VfM could be delivered.

### **Activity 3.3: Close out report**

- (a) The TA must also compile a comprehensive close-out report and case study, and must incorporate any additional factors that may be required by the IA. The close-out report will be a confidential document of the IA. The case study will become a public document, made available on various government websites.
- (b) The Transaction Advisor must, in close liaison with the IA, draft a comprehensive Project management plan for the IA, in accordance with the provisions of the PPP agreement, to help the IA in the management of the Project and its risks, rights and obligations after financial close.

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#### 4. Firm's requirement and Team Composition

The consulting services shall be carried out by the firm having sufficient qualification and experience to carry out the assignment. The minimum eligibility criteria of the consulting firm are i) 10 years of standing in consulting services in the road transport sector; and; ii) experience of **Transaction Advisory Services**<sup>3</sup> for an **Eligible PPP Project**<sup>4</sup> having an estimated capital cost (excluding land) not less than USD 80 million or equivalent.

Team composition expected to carry out the services are:

- (a) The Transaction Advisor will include qualified personnel in the field of public-private partnerships, project preparation and appraisal, project implementation, financial modelling/structuring, investment promotion, economic and financial analysis, highway engineering, operation and management, transportation analysis, risk analysis, procurement, policy and legal issues. The consulting firms shall have sufficient qualified personnel and resources to provide all necessary professional, technical, and expert services as required to accomplish all the required services within the prescribed timeframe.
- (b) The team shall have extensive demonstrated international and country-specific experience/expertise that would include knowledge of the sector; regulatory issues involved; initiatives taken by the Government for the successful implementation of PPP projects; the project's taxation framework, including exemptions and tax exemption regime; country's accounting systems; domestic and global insurance and guarantee sector and their products; special privileges and incentives available to the PPP projects; concessional financing options available for PPP projects from the public sector; and other country-specific knowledge. For specific expertise areas, requirement of national and international expertise has been prescribed to accomplish the tasks for the respective expertise areas.
- (c) Consulting firms are encouraged to form associations with other consulting firms to enhance their capabilities, strengthen the technical responsiveness of their proposals, make available bigger pools of experts, and enhance the value and quality of their services in accordance with the provision contained in the terms of reference (ToR).
- (d) The list of experts provided hereunder is indicative and the Transaction Advisor is free to include additional experts that may be required to successfully complete the assignment.

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<sup>3</sup> **Transaction Advisory Services** means consultancy services for a Highway Sector PPP Project including: a) detailed feasibility study or full business case or project preparation study; b) preparation of PPP bid/transaction/procurement documents; and; c) assistance in PPP transaction/procurement/bid process management until financial closure.

<sup>4</sup> **Eligible PPP Project** means a Highway Sector Project procured as a PPP design, construct, finance, operate and maintain project. **Highway Sector** includes highways, expressways and motorways with a minimum of two-lane carriageway configuration.

(e) The Key Experts of TA firm will be required to participate in key meetings of DoR and also other inter-departmental and inter-ministerial meetings in relation to this assignment, upon DoR request.

(f) The Transaction Advisor and corresponding expertise required for each is shown below:

S No.	Key Expert	*Indicative person-month input of the Key Expert	Academic Qualifications / Professional Experience
1.	Team Leader and PPP Transaction Expert	15	<ul style="list-style-type: none"> <li>• Post-graduate degree in management, economics, finance or engineering field.</li> <li>• 10 years of professional experience as team leader for PPP Transaction Advisory Services for transport infrastructure projects.</li> <li>• 15 years of demonstrated experience in providing PPP Transaction Advisory Services/development of large infrastructure projects on PPP basis including extensive experience in project structuring; risk analysis, allocation and management; project agreements; bid process management including preparation of bidding process documentation and post-bid process monitoring. Successful project preparation and transaction up to financial close of 7 PPP projects. Experience in Highway Sector PPP projects will be an additional merit.</li> </ul>
2.	Project Finance Expert	6.5	<ul style="list-style-type: none"> <li>• Post-graduate degree in Finance/Financial Engineering, Master of Business Administration, Business Economics or any other relevant field.</li> <li>• 15 years of demonstrated experience in financial modelling/structuring, risk assessment, allocation and management of large infrastructure projects on PPP, value for money analysis, project costing and revenue forecast, development of financing plans, tendering arrangements, global insurance and guarantee products, etc., with relevant PPP and project finance experience until financial close and successful contract award of 5 PPP projects. Experience in Highway Sector PPP projects will be an additional merit.</li> </ul>
3.	Legal Expert	11.5	<ul style="list-style-type: none"> <li>• Under-graduate degree in Law, with excellent knowledge of the locally applicable laws in the infrastructure, environment and road transport sectors</li> </ul>



S No.	Key Expert	*Indicative person-month input of the Key Expert	Academic Qualifications / Professional Experience
			<ul style="list-style-type: none"> <li>• 15 years of professional experience in advising the clients in infrastructure projects.</li> <li>• 10 years of demonstrated experience in drafting concession agreements for PPP projects.</li> <li>• Experience in toll road/highway projects will be an additional merit.</li> </ul>
4.	Engineering Expert	6.5	<ul style="list-style-type: none"> <li>• Under-graduate degree in Civil Engineering or related field, with a relevant post-graduate qualification in road or highway engineering.</li> <li>• 15 years of demonstrated experience in road design and cost estimation. Relevant qualifications and experience in road designing, road project management, operations and maintenance projects in general.</li> <li>• 10 years of experience in preparing the technical schedules, including performance parameters/KPIs, for the roads and highway projects under PPP.</li> </ul>
5.	Economic Specialist	2	<ul style="list-style-type: none"> <li>• A post-graduate degree in economics.</li> <li>• 10 years of demonstrated experience in economic assessment, sector assessments, demand-supply for public services, opportunity cost implications, etc., with 5 Highway Sector PPP projects.</li> </ul>

**\*NOTE:** The person-month inputs of the key experts mentioned in the above table are indicative only. The consultants should make their own estimate the input requirements of the experts and support staff in order to complete the transaction advisory services as per the provisions of this terms of reference.

## 5. Reporting & Implementation Arrangement

The TA will work alongside other consultants engaged by DoR and will report to the DoR. The Consultant will be expected to travel to the project site as required and to participate in all key meetings with DoR and other stakeholders. The Consultant will be responsible for arranging their office facilities, international and local transportation, document reproduction requirements, computer hardware and software, international telephone calls, etc.

## 6. Duration of the TA Assignment

Considering that many activities will be undertaken concurrently, it is estimated that the above services would be required over a period of about 30 months from the date of commencement of the services until the financial close of the project. The detailed work plan submitted as part of the technical proposal by the selected TA shall be discussed and agreed with the DoR before signing the TA contract.

## 7. Deliverables and Time Schedule

Deliverables	Phase of TA services <sup>5</sup>	Time Schedule
Inception report	1	3 weeks after TA contract signing (CS)
Monthly Progress Reports <sup>6</sup>	1, 2, 3	Please refer footnote 1
Draft Feasibility Study Report	1	3 months after CS
Market Sounding report	1	3 months 2 weeks after CS
Workshop 1A	1	3 months 3 weeks after CS
Workshop 1B	1	4 months after CS
Final Feasibility Study Report	1	4 months 1 week after CS
Draft RFQ documents including qualification criteria, etc.	2	5 months after CS
Draft RFP document along with draft PPP Agreement and its schedules, etc.	2	6 months 1 week after CS
Workshop 2	2	6 months 2 week after CS
RFQ process evaluation report for first package of Project Road	3	8 months 2 weeks after CS
RFP process evaluation report for first package of Project Road	3	12 months 2weeks after CS
Workshop 3		12 months after CS
RFQ process evaluation report for last package of Project Road	3	16 months after CS
RFP process evaluation report for last package of Project Road	3	24 months after CS
Close out Report, Case Study and Project management plan	3	30 months after CS

The consultant shall submit the reports minimum 5 hard copies and soft copy in specified manner and as enumerated in table above. The consultant shall initially submit 2 copies of documents/reports as draft in ring/spiral binding form. After approval from the client, the consultant shall submit the remaining 3 copies of each report in book binding form. All the reports shall also be submitted on electronic copy compatible with respective program on which they are prepared.

## 8. Terms of Payment

The Transaction Advisor will be paid on a lump sum basis. The total fees shall be paid based on various milestones achieved. The payment shall be released by the DoR based on the approval of the IA on the outputs delivered by the TA, after ensuring that these outputs conform to the requirements of the Government.

The details of the percentage payments are indicated below.

<sup>5</sup> Refer to section 2 of this TOR

<sup>6</sup> To be submitted 5<sup>th</sup> of every month

Phase <sup>7</sup>	Deliverable	Percentage of Payment <sup>8</sup>
1	Upon approval of Inception Report	10%
1	Upon approval of Final Feasibility Study Report	20%
1	Upon completion of Workshop 1A and 1B	2.5%
2	Upon approval of draft RFQ documents	5%
2	Upon approval of draft RFP documents along with draft PPP Agreement and its schedules, etc.	10%
2	Upon completion of Workshop 2	2.5%
3	Upon approval of RFP process evaluation report Note: DoR envisaged procurement of the Project Road via conducting separate procurement process of 5 road packages of the Project Road. TA shall be paid on completion of this deliverable for each road package on a pro-rata basis. For example, on completion of this deliverable for first road package the TA will be eligible to receive payment equal to 1/5 <sup>th</sup> of 20%.	20%
3	Upon financial close Note: DoR envisaged procurement of the Project Road via conducting separate procurement process of 5 road packages of the Project Road. TA shall be paid on completion of this deliverable for each road package on a pro-rata basis. For example, on completion of this deliverable for first road package the TA will be eligible to receive payment equal to 1/5 <sup>th</sup> of 20%.	20%
3	Upon completion of Workshop 3	2.5%
3	Upon approval of Close out Report, Case Study and Project management plan	7.5%

9. Client's Obligations: The DoR will provide all the related information regarding the earlier studies on the KDP road and relevant to the subject issue. DoR will also help coordinate and communicate with the other related stakeholders and government agencies where required to accomplish the activities under this ToR.

<sup>7</sup> Refer to section 2 of this TOR

<sup>8</sup> Percentage of payment of the TA contract value