

On Public-Private Partnership Projects

Pursuant to paragraphs seven and eight of Article 9 of the Law of the Republic of Belarus of 30 December 2015 “On Public-Private Partnership”, point 3, subpoint 24.2 of point 24 of the Provision on the Procedure of Preparation, Consideration and Evaluation of Proposals for the Implementation of Public-Private Partnership Projects approved by the Resolution of the Council of Ministers of the Republic of Belarus of 6 July 2016 № 532 “On Measures for the Implementation of the Law of the Republic of Belarus of 30 December 2015 “On Public-Private Partnership”, point 9 of the Provision on the Procedure of Organizing and Holding a Tender for Selection of a Private Partner for Conclusion of a Public-Private Partnership Contract approved by the Resolution of the Council of Ministers of the Republic of Belarus of 6 July 2016 № 532, the Ministry of Economy of the Republic of Belarus RESOLVES:

1. To stipulate that:

1.1. the Concept note of a public-private partnership project (“Concept note”) should be prepared using the Form provided in Annex 1 and should meet the following requirements:

1.1.1. given the specifics of a public-private partnership (PPP) project, the Concept note may include additional data determined by a public or private initiator;

1.1.2. the Concept note should reflect identified weaknesses, proposed solutions for improving the quality and increasing amounts of goods (works, services) and justifications for the proposed solutions including the obligations delegated by a public partner to a private partner as regards an infrastructure facility;

1.1.3. in case the Concept note is developed by a public initiator, assumptions concerning a private initiator shall be made on the basis of considering international practice of the implementation of similar projects and potential terms of borrowing;

1.1.4. the Concept note and the drafts of normative legal acts should not contain the provisions inconsistent with the legislation of the Republic of Belarus including the antimonopoly legislation;

1.1.5. in case a project envisages operations in product markets, elaboration of the Concept note shall involve an analysis of the provisions (terms) of a project for potential inconsistencies with the antimonopoly legislation of the Republic of Belarus including the information on:

1.1.5.1. the contracts, actions of a public initiator agreed with other government body or economic entity which result or may result in prevention, restriction or elimination of competition and are aimed at:

division of the product market by territorial principle, types and volumes of deals, types, volume and range of goods and prices (tariffs), vendors or customers;

restriction of access to the product market, exit from the product market or ousting of economic entities from the product market;

setting of different prices (tariffs) on the same good which is not justified economically, technologically or otherwise;

illegitimate increase, decrease or support of prices (tariffs) of goods;

1.1.5.2. adoption by the government bodies, unless otherwise set forth in the Presidential edicts, of legislative and other legal acts, conclusion of agreements, taking other measures restricting independence of economic entities and (or) creating discriminatory environment for certain economic entities, in particular:

unreasonable impeding of establishment of new economic entities in a particular sector;

banning certain activities of economic entities including production of particular goods;

illegitimate restriction of the rights of economic entities to conclusion of deals;

banning or restricting free movement of goods, introducing other restrictions on the rights of economic entities to sale, purchase and other acquisition and exchange of goods;

giving instructions to economic entities concerning prioritized supply of goods to particular customers or prioritized conclusion of contracts;

providing to an economic entity a priority access to information;

granting state preferences under a project except cases specified in the legislation;

1.1.6. in justifying the data and information provided in the Concept note, a reference should be made to the respective sources;

1.1.7. the sources of information used for elaboration of the Concept note shall include the following documents (copies thereof) to be enclosed to the Concept:

an abstract from the republican and other programs and strategic documents (with a reference to the legislative acts) providing for the implementation of a project or a summary of their objectives and tasks to which a project contributes;

the documents evidencing the anticipated or estimated cost of a project;

the estimation of a project efficiency or a financial model (if available);

the contracts signed with consultants (if consultants are hired for the development of the Concept note);

other project related documents (survey findings), estimates and supporting data, if needed;

1.2. the feasibility studies accompanying PPP project proposals should meet the requirements listed in Annex 2;

1.3. a PPP project passport shall be executed using the Form provided in Annex 3;

1.4. the bidding document should meet the requirements listed in Annex 4.

2. To approve the enclosed Instruction on the methodology of evaluating proposals for the implementation of public-private partnership projects.

3. This Resolution shall enter into force after its official publication.

V.I.Zinovsky

Minister

Deputy Minister

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Head of Main Department of Investment Cooperation

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APPROVED
by the Resolution of the
Ministry of Economy of the
Republic of Belarus № 49
of 27 July 2016

Instruction on the methodology of evaluating
proposals for the implementation of public-private
partnership projects

CHAPTER 1 BACKGROUND

1. This Instruction is aimed to establish approaches to the evaluation of proposals for the implementation of public-private partnership (PPP) projects (“proposals”) which are based on the methodology of evaluating efficiency of a public-private partnership project and identifying a comparative advantage.

2. This Instruction is intended for:

the government bodies and other government organizations subordinate to the President of the Republic of Belarus, the republican government bodies and other government organizations subordinate to the Council of Ministers of the Republic of Belarus, local executive and administrative authorities;

legal entities including the National Agency of Investment and Privatization, foreign unincorporated entities, individual entrepreneurs;

banks and non-bank credit and financial institutions and other entities willing to finance and implement a PPP project.

3. The evaluation of proposals starts from the estimation of PPP project efficiency (prior to the estimation of a comparative advantage) using the following indicators:

financial efficiency of PPP project;

socioeconomic efficiency of PPP project.

4. A comparative advantage shall be estimated provided a PPP project has been evaluated as efficient based on the indicators listed in point 3 of this Instruction.

5. The sources of information for estimating efficiency and identifying a comparative advantage of a project include the data from the financial model to be developed as part of a feasibility study in accordance with the Requirements for the feasibility analysis of PPP project proposals set forth in the Resolution approving this Instruction as well as other documents needed for the estimation of liabilities

of a public partner in case of emergence of risks¹.

The formulas for estimating the indicators of financial efficiency and comparative advantage of a project presented in this Instruction use the symbols which are commonly used in international practice (European countries, the Russian Federation) with the respective translation into English provided in footnotes.

6. Net present value used in the formulas in this Instruction is given in shares (unless otherwise is specified). In case NPV is estimated in Microsoft Excel functions, its value is provided in units indicated in the respective function, usually as percentage.

CHAPTER 2 ESTIMATION OF PROJECT FINANCIAL EFFICIENCY

7. The key indicator for estimating financial efficiency of a project is a Net Present Value (NPV)² calculated by discounting the project free cash flow (FCFt)³ relative to the project start using the formula:

$$NPV = \sum_{t=1}^T \frac{FCF_t}{(1+r)^t}, \text{ where}$$

t – a year of project implementation (a year of expected conclusion of a PPP contract is taken as the first year), t= 1, 2, 3, ...;

T – total number of project implementation years;

FCF_t – free cash flow under a project during Year t which equals the respective net profit “plus” depreciation and interest payable “minus” investment costs (capital costs and net working capital growth (if appropriate) under a project);

r – discount rate used to estimate financial efficiency of a project.

A project is regarded financially efficient based on the project financial efficiency estimation if NPV is above or equals 0 (zero) during a year for which a project efficiency and comparative advantage is estimated (Year N).

8. Weighted average cost of capital (WACC)⁴ is generally used as the discount rate. WACC is estimated using the formula:

$$r = WACC = (K_e \times W_e + K_d \times W_d + K_b \times W_b) / 10000, \text{ где, where}$$

K_e – cost of own monetary funds of a private partner, %;

W_e – share of own monetary funds of a private partner, %;

¹ The likelihood of events resulting in a loss of anticipated revenues or assets, money and other resources due to potential change of the project implementation terms.

² net present value

³ free cash flow

⁴ weighted average cost of capital

K_d – cost of borrowed money, %;

W_e – share of borrowed money, %;

K_b – cost of budget financing (republican and/or local budget), %;

W_b – share of budget financing (republican and/or local budget), %.

The cost of own monetary funds of a private partner is assumed to be equal or above the interest rate on government bonds (in BYN) issued by the Ministry of Finance of the Republic of Belarus (“government bonds”) with maturity being maximally close to the forecast period “plus” 2-3 p.p. or equivalent to other reasonable (estimated with the available methodologies) interest rate.

The cost of budget financing is generally assumed to be equal the interest rate on government bonds with the maturity being maximally close to the forecast period.

The share of own monetary funds, borrowed money and budget financing (republican and/or local budgets) is estimated relative to the project investment costs.

9. In addition, investment attractiveness of a project can be estimated based on the following indicators:

9.1. Design payback period (DPP)⁵:

$$DPP = \frac{|NPV_q|}{CF_{q+1}} + Q, \text{ where}$$

q – a year in which NPV was last negative;

CF_{q+1} – present free cash flow under a project in Year q + 1;

Q – number of years before year q (inclusive);

9.2. Internal rate of return (IRR)⁶ reflecting the discount rate at which NPV equals 0 (zero):

$$\sum_{t=1}^T \frac{FCF_t}{(1 + IRR)^t} = 0$$

Projects should have IRR above the cost of the invested capital. The higher is IRR, the more efficient is the project;

9.3. Profitability index (PI)⁷ characterizing financial soundness of a project:

$$PI_t = \frac{NPV_t + It}{It}, \text{ where}$$

I_t – accumulated project investment costs (incl. discounting) in Year t.

A project is efficient if PI in Year N is above 1.

⁵ design payback period

⁶ internal rate of return

⁷ profitability index

10. An analysis also looks into dynamics of values of each of the following indicators projected (according to the profit and loss statement) under a project:

- gross profit and profit from sale of goods (works, services);
- earnings before interest and taxes (EBIT)⁸ equaling profit (losses) before taxes “plus” interest payable;
- earnings before interest, taxes, depreciation and amortization (EBITDA)⁹ equaling EBIT “plus” depreciation and amortization;
- net profit of a project;
- return on sales estimated at EBIT and EBITDA, as well as net profit and other indicators.

11. The estimation of sufficiency of money for repayment of debts under long-term credits (loans) if those are attracted for the implementation of a project involves a calculation of the debt service coverage ratio (DSCR_t)¹⁰ with the following formula (based on the cash flow indicators):

$$DSCR_t = \frac{CFADSt}{Ot + Zt}, \text{ where}$$

CFADSt is the free cash flow available for repayment of debts under credits (loans) equaling the current (operational) cash balance¹¹ “minus” the project investment costs¹² “plus” equity contributions of founders (participants) and other sources of financing the project investment costs in Year t;

O_t – the principal amount of long-term credits (loans) repayable in Year t;

Z_t – interest and other costs under long-term credits (loans) repayable in Year t.

The optimal value of DSCR_t shall be 1.2 – 1.5 (depending on the project type).

CHAPTER 3 ESTIMATION OF PROJECT SOCIOECONOMIC EFFICIENCY

12. The estimation of socioeconomic efficiency of a project takes into account its specifics and the area of public-private partnership based on identification (determination) of:

- qualitative (quantitative) social effect (as a rule, in-kind benefits not accounted for in estimating financial efficiency of a project);

- monetary social effect i.e. project implementation outputs which can be measured in monetary terms using the special methodology elaborated by, *inter alia*, by PPP development agency, as well as sectoral and(or) international

⁸ earnings before interest and taxes

⁹ earnings before interest, taxes, depreciation and amortization

¹⁰ debt service coverage ratio

¹¹ It is assumed that interest under long-term credits (loans) and other costs related to credit (loan) attraction are included in financial activity costs.

¹² If a project provides for investment revenues, those revenues are also included in **CFADSt**

methodologies (“local methodology”).

13. The qualitative (quantitative) social effect may incorporate the following indicators:

- number of new jobs;
- improvement of preschool education (the education sector);
- reduction of the number of accidents associated with heat and power generation and transmission (the energy sector);
- mitigation of environmental impacts from construction of waste treatment facilities (the utilities sector);
- mitigation of environmental impacts through a more extensive use of modern trucks in the domestic market (the transport sector);
- creation of competitive market environment facilitating efficiency improvements in the respective area;
- other indicators depending on the project specifics and the area of public-private partnership.

14. In preparing (considering and evaluating) the concept, it is allowed to identify (determine) solely qualitative (quantitative) social effect generated by a project if sufficient baseline data for estimating monetary social effect or local methodologies are not available.

An integrated estimation of qualitative (quantitative) social effect may involve an expert appraisal method and a scoring method.

15. The basic indicators for estimating monetary social effect may include:

- social effect from employment growth;
- social effect from increased number of budget services;
- social effect from growth of gross regional product;
- other indicators estimated (determined) in accordance with local methodologies.

16. Depending on the project specifics and PPP area, social effect, on condition of data availability, may be estimated using the following methodologies (formulas):

16.1. social effect from employment growth (\mathcal{E}_{coy}^{3an}) which is yielded through reduction of expenditures on financial support of the unemployed enabling to channel savings to their training, support of socioeconomic projects with creation of new jobs and other social activities:

$$\mathcal{E}_{coy}^{3an} = T_{cp} \times \Pi_{\text{бесп}} \times \mathcal{Q}_{\text{дон}}, \text{ where}$$

\mathcal{E}_{coy}^{3an} – social effect from employment growth, BYN;

T_{cp} – average duration of unemployment (registration with the national job placement service), months;

$\Pi_{\text{бесп}}$ – average amount of an unemployment benefit per person (based on the statistical data), BYN;

$\mathcal{Q}_{\text{дон}}$ – number of the unemployed placed in new jobs created by the project;

16.2. social effect from increased number of budget services¹³ ($\mathcal{E}_{\text{соц}}^{\text{усл}}$):

$$\mathcal{E}_{\text{соц}}^{\text{усл}} = K \times C, \text{ where}$$

K – number of budget service customers;

C – cost of a budget service, BYN;

16.3. social effect from growth of gross regional product ($\mathcal{E}_{\text{соц}}^{\text{BPII}}$) yielded through an increase of project investments resulting in growth of gross regional product:

$$\hat{Y}_{\text{н\ddot{a}o}}^{\hat{A}\hat{D}\hat{I}} = \times_{\text{i}\hat{\text{a}}\hat{\text{n}}} \times \Delta \hat{A}\hat{D}\hat{I}_{1+\hat{\text{a}}\hat{\text{e}}} \times \hat{D}, \text{ where}$$

$\times_{\text{i}\hat{\text{a}}\hat{\text{n}}}$ – number of people benefitting from improved quality of life as a result of the project through delivery of more services, increased availability of services or provision of better services (estimated by direct amount of final services provided by the facility or by assessment of indirect benefit from the project¹⁴);

$\Delta BPII_{1\text{цел}}$ – growth of per capita gross regional product (GRP) based on forecasts for the respective year of project implementation, BYN;

P – projected indicator of GRP growth from the implementation of social activities;

16.4. social effect in a particular area of PPP, for example in the health sector:

16.4.1. from improving the quality of health care ($\mathcal{E}_{\text{соц}}^{\text{здр}}$), preserving public health (estimated only for investments in narrow focused health facilities; in estimating the effect for specialized health facilities, the effect from GRP growth is not estimated provided the data on the disease burden before the project are available):

$$\mathcal{E}_{\text{соц}}^{\text{здр}} = \Delta T_{\text{бол}} \times (BPII_{\text{цел./дн}} + ПН_{\text{дн}} + C_{\text{леч./дн}}) \times \mathcal{Q}_{\text{раб}}, \text{ where}$$

$\Delta T_{\text{бол}}$ – reduction of morbidity and number of days of absence from work due to illness against the actual balance of working hours as a result of prevention and improved quality of health services, days;

$BPII_{\text{цел./дн}}$ – average daily GRP per capita, BYN/person per day;

$ПН_{\text{дн}}$ – average daily wage of an employee being on a sick leave, BYN;

$\mathcal{Q}_{\text{раб}}$ – number of employees working in the region where the facility will be operated;

$C_{\text{леч./дн}}$ – cost of outpatient or inpatient treatment per patient, BYN/person per day;

16.4.2. increase of life expectancy ($\mathcal{E}_{\text{соц}}^{\text{Тжиз}}$) and reduction of disability:

$$\mathcal{E}_{\text{соц}}^{\text{Тжиз}} = \mathcal{Q}_{\text{раб}} \times \mathcal{V}_{\text{заб}} \times (BPII_{\text{цел./дн}} + П_{\text{инв}}), \text{ where}$$

¹³ Budget services include the services to be provided by the government

¹⁴ For example, in case of construction or reconstruction of the utility sector facility with certain capacity, the number of people benefitting from improved quality of services is estimated based on per capita service consumption norm; in case of construction of a school – total number of population in the locality of construction; in case of construction of general profile health facilities – number of patients covered by inpatient care resulting in long-term health improvements and ability to work, for example number of surgeries etc.

$V_{\text{заб}}$ – reduction of i-disease burden per 1000 population;
 $Ч_{\text{паб}}$ – total number of population in able-bodied age, thousand people;
 $\Pi_{\text{инг}}$ – average amount of a disability benefit, survivor benefit etc.,
 BYN/person per day.

The said effect is estimated as the annual average in provision of health services resulting in increased capacity for work.

17. The aggregate socioeconomic effect in monetary terms is taken as a sum of potential monetary social benefits.

18. Due to social focus and significance of the infrastructure projects expected to be implemented under PPP contracts, it is helpful to take into account the values of the aggregate socioeconomic benefits in estimating financial efficiency of a project.

CHAPTER 4 ESTIMATION OF COMPARATIVE ADVANTAGE

19. The comparative advantage is estimated on the basis of the ratio of: net present expenditures of the budget system of the Republic of Belarus (“budget”) in implementing a project under the public-private partnership scheme (“PPP scheme”) and net present expenditures on the facility in case it is financed from the budget or through external government loans, external guaranteed loans (in case of repayment from the proceeds of the budget) (“budget scheme”) (PBV)¹⁵;

aggregate amount of liabilities assumed by a public partner in case of emergence of risks when a project is implemented under PPP scheme and the budget scheme (PRV)¹⁶(taking account of discounting).

The list of indicators used in estimating the comparative advantage is provided in Table 1 enclosed to this Instruction.

20. For the purposes of estimating the comparative advantage:

20.1. the calculations are made for the following key implementation stages of a project:

preparatory activities and (or) design stage;
 construction, reconstruction, restoration, modernization, rehabilitation (“creation of the facility”);
 operation and(or) technical maintenance of the facility;

20.2. It is assumed that:

technical and economic indicators, timing, composition and structure of the implementation related activities in respect of the facility are identical for the PPP scheme and the budget scheme of a project implementation;

20.3. The following criteria and indicators are not taken into account:
 innovations used in technological solutions for the project;

¹⁵ present budget value

¹⁶ present risk value

project effectiveness including comparison of the quality indicators of goods (works, services) delivered (performed, supplied) to customers;
 differences in project management instruments;
 time frameworks for delivery of the required amount of goods (works, services) under the project;
 project costs and risks not related to the budget expenditures.

21. A project is deemed to achieve a comparative advantage (k_{cp})¹⁷ provided the following condition is met:

$$\left\{ \begin{array}{l} k_{cp} = 1 - \frac{PBV_{гчп} + PRV_{гчп}}{PBV_{бюдж.} + PRV_{бюдж.}} \geq 0 \\ \text{для } PBV_{бюдж.} + PRV_{бюдж.} \geq 0 \end{array} \right.$$

and

$$\left\{ \begin{array}{l} k_{cp} = \frac{PBV_{гчп} + PRV_{гчп}}{PBV_{бюдж.} + PRV_{бюдж.}} - 1 \geq 0 \\ \text{для } PBV_{бюдж.} + PRV_{бюдж.} \leq 0 \end{array} \right. , \text{ где where}$$

$PBV_{гчп}$ – net present expenditures of the budget when a project is implemented under PPP scheme;

$PBV_{бюдж.}$ – net present expenditures of the budget when a project is implemented under the budget scheme;

$PRV_{гчп}$ – aggregate amount of liabilities of a public partner in case of emergence of risks when a project is implemented under PPP scheme;

$PRV_{бюдж.}$ – aggregate amount of liabilities of a public partner in case of emergence of risks when a project is implemented under the budget scheme.

22. The net present expenditures of the budget when a project is implemented under PPP scheme are estimated using the following approaches:

22.1. net present expenditures of the budget when a project is implemented under PPP scheme ($PBV_{гчп}$):

$$PBV_{гчп} = \sum_{t=1}^T \frac{P_{гчпt} + B_{гчпt} + E_{гчпt} + C_{гчпt} - D_{гчпt}}{(1+r_{гчп})^t}, \text{ where}$$

$P_{гчпt}$ – budget expenditures on preparation and(or) design of a facility when a project is implemented under PPP scheme in Year t;

$B_{гчпt}$ – budget expenditures on creation of a facility when a project is implemented under PPP scheme in Year t;

$E_{гчпt}$ – budget expenditures on operation and(or) technical maintenance of a

¹⁷ In international practice - VfM (Value for Money). This involves comparison of the project financial and economic estimates between its financing through public procurement and financing through PPP scheme based on cost and quality analysis. VfM uses the method of Public Sector Comparator (PSC).

facility and on compensation of revenues received by a private partner from the use of a facility when a project is implemented under PPP scheme in Year t ;

$C_{\text{гчп}t}$ – other budget expenditures when a project is implemented under PPP scheme in Year t ;

$D_{\text{гчп}t}$ – budget revenues from the use of a facility when a project is implemented under PPP scheme in Year t ;

$r_{\text{гчп}}$ – discount rate for budget expenditures in annual terms when a project is implemented under PPP scheme estimated in accordance with this Instruction;

22.2. When a project is implemented under PPP scheme, in estimating $P_{\text{гчп}}$, $B_{\text{гчп}}$, $E_{\text{гчп}}$ the budget expenditure items include, respectively:

preparation and(or) design – the budget financing to cover expenditures on preparation of pre-design and(or) design documents for the implementation of a project under PPP scheme and preparatory activities in respect of land plots for accommodation of a facility including engineering and transport infrastructure;

creation of a facility – co-financing of expenditures on creation of a facility out of the proceeds of the budget;

operation and(or) technical maintenance of a facility – reimbursement to a private partner of expenditures at the stage of operation and(or) technical maintenance of a facility out of the proceeds of the budget;

22.3. When a project is implemented under PPP scheme, in estimating $D_{\text{гчп}}$, the budget revenue items include:

22.3.1. tax revenues generated from the implementation of a project under PPP scheme, such as:

value added tax payable to the budget;

real estate tax;

profit tax;

retentions to the state off-budget funds;

environmental tax;

personal income tax;

other taxes, fees (duties) and other tax revenues to the budget when a project is implemented under PPP scheme;

22.3.2. non-tax revenues generated from the implementation of a project under PPP scheme, such as:

revenues from renting out republican or municipal assets;

proceeds from fines for offences in connection with a project implemented under PPP scheme;

a fee paid by a private partner for the use of a facility;

proceeds from sale of goods (works, services) resulting from the use of a facility expected to be transferred to the budget when a project is implemented under PPP scheme;

reimbursement of losses and damages when a project is implemented under PPP scheme;

other non-tax revenues of the budget when a project is implemented under PPP scheme;

22.3.3 social insurance contributions and other budget revenues depending on the specifics of the project.

23. The estimation of net present expenditures of the budget when a project is implemented under the budget scheme is based on the following approaches:

23.1. net present expenditures of the budget when a project is implemented under the budget scheme ($PBV_{\text{бюдж}}$):

$$PBV_{\text{бюдж}} = \sum_{t=1}^T \frac{P_{\text{бюдж } t} + B_{\text{бюдж } t} + E_{\text{бюдж } t} + C_{\text{бюдж } t} - D_{\text{бюдж } t}}{(1+r_{\text{бюдж}})^t}, \text{ where}$$

$P_{\text{бюдж } t}$ – budget expenditures on preparation and(or) design of a facility when a project is implemented under the budget scheme in Year t;

$B_{\text{бюдж } t}$ – budget expenditures on creation of a facility when a project is implemented under the budget scheme in Year t;

$E_{\text{бюдж } t}$ – budget expenditures on operation and(or) technical maintenance of a facility when a project is implemented under the budget scheme in Year t;

$C_{\text{бюдж } t}$ – other budget expenditures when a project is implemented under the budget scheme in Year t;

$D_{\text{бюдж } t}$ – budget revenues from the use of a facility when a project is implemented under the budget scheme in Year t;

$r_{\text{бюдж}}$ – discount rate for budget expenditures in annual terms estimated in accordance with this Instruction.

In case it is expected to attract external public loans and guaranteed loans (external loans) for the implementation of a project under the budget scheme which shall be repaid from the republican and(or) local budget, net present expenditures of the budget in respect of a project implemented under the budget scheme shall be compared taking into consideration the external loans;

23.2. For the purposes of this Instruction, the budget expenditures on:

creation of a facility when a project is implemented under the budget scheme shall be deemed equal to the expenditures on creation of a facility when a project is implemented under PPP scheme;

operation and(or) technical maintenance of a facility when a project is implemented under the budget scheme shall be deemed equal to the expenditures on operation and(or) technical maintenance of a facility when a project is implemented under PPP scheme based on the budget expenditure and revenue items when a project is implemented under the budget scheme;

23.3. When a project is implemented under the budget scheme, in estimating $P_{\text{бюдж}}$, $B_{\text{бюдж}}$, $E_{\text{бюдж}}$, the budget expenditure items include, respectively:

preparation and(or) design – budget expenditures on preparation of pre-design and design documents for a facility and preparatory activities in respect of land plots, including engineering and transport infrastructure, also in the form of provision of state support to the budget sector entities and government organizations;

creation of a facility – budget expenditures related to investments in creation of a facility when a project is implemented under the budget scheme, also in the form of provision of state support to the budget sector entities and government organizations;

operation and (or) technical maintenance of a facility – budget expenditures on operation and (or) technical maintenance of a facility when a project is implemented under the budget scheme, also in the form of provision of state support to the budget sector entities and government organizations, and on repayment of interest on liabilities including in connection with repayment of the external loans (if repayable out of the proceeds of the budget);

23.4. When a project is implemented under the budget scheme, in estimating $D_{\text{бюдж}}$, the budget revenue items include:

23.4.1. tax revenues generated from the implementation of a project under the budget scheme, such as:

value added tax charged from the proceeds from sale of goods (works, services) resulting from the use of a facility when a project is implemented under the budget scheme (including tax deductions, if applicable);

23.4.2. non-tax revenues when a project is implemented under the budget scheme, such as:

proceeds from fines for offences in connection with a project implemented under the budget scheme;

proceeds from sale of goods (works, services) resulting from the use of a facility when a project is implemented under the budget scheme;

proceeds from sale of property rights, non-property rights to the intellectual property in republican or municipal ownership;

administrative fees;

other non-tax revenues of the budget when a project is implemented under the budget scheme.

24. When a project is implemented under PPP scheme and the budget scheme, the discount rate for budget expenditures is estimated based on the following approaches:

24.1. the discount rate for budget expenditures and revenues when a project is implemented under PPP scheme ($r_{\text{ГЧП}}$):

$$\left\{ \begin{array}{l} r_{\text{ГЧП}} = r_1 \times \frac{S_{\text{рбюдж}_1} + S_{\text{мбюдж}_1}}{S_{\text{бюдж}_1}} + r_2 \times \frac{S_{\text{заем}_1}}{S_{\text{бюдж}_1}} \\ S_{\text{бюдж}_1} = S_{\text{рбюдж}_1} + S_{\text{мбюдж}_1} + S_{\text{заем}_1} \\ S_{\text{бюдж}_1} = \sum_{t=1}^T (P_{\text{ГЧП}_1} + B_{\text{ГЧП}_1} + E_{\text{ГЧП}_1}) \end{array} \right. , \text{ where}$$

r_1 – interest rate on government bonds with the maturity comparable with the forecast period (in annual terms);

r_2 – weighted average interest rate on credits (loans) expected to be attracted by a public partner when a project is implemented under PPP scheme. For the

purposes of estimating r_2 , in case the data on reference interest rate on a credit (loan) are not available, the data on the existing credits (loans) with maturity comparable the forecast period should be used;

$S_{\text{рбюдж}_1}$ – amount of republican budget funds used for the implementation of a project under PPP scheme;

$S_{\text{мбюдж}_1}$ – amount of local budget funds used for the implementation of a project under PPP scheme;

$S_{\text{заем}_1}$ – amount of funds mobilized by a public partner needed for the execution of its liabilities in connection with the implementation of a project under PPP scheme through borrowing;

$S_{\text{бюдж}_1}$ – amount of budget expenditures for a project implemented under PPP scheme;

24.2. If there is no need for budget expenditures in connection with creation and (or) operation and(or) technical maintenance of a facility when a project is implemented under PPP scheme, $r_{\text{ГЧП}}$ is estimated with the following formula:

$$\begin{cases} r_{\text{ГЧП}} = r_1 \times \frac{S1_{\text{рбюдж}_1} + S1_{\text{мбюдж}_1}}{S_{\text{бюдж}_1}} + r_2 \times \frac{S_{\text{заем}_1}}{S_{\text{бюдж}_1}} \\ S_{\text{бюдж}_1} = S1_{\text{рбюдж}_1} + S1_{\text{мбюдж}_1} + S_{\text{заем}_1} \end{cases}, \text{ where}$$

$S1_{\text{рбюдж}_1}$ – amount of the republican budget revenues during project implementation (under PPP scheme);

$S1_{\text{мбюдж}_1}$ – amount of the local budget revenues during project implementation (under PPP scheme);

$S_{\text{бюдж}_1}$ – amount of budget revenues when a project is implemented under PPP scheme;

24.3. When a project is implemented under the budget scheme, the discount rate for budget expenditures and revenues ($r_{\text{бюдж}}$) is estimated as follows:

$$\begin{cases} r_{\text{бюдж}} = r_1 \times \frac{S_{\text{рбюдж}_2} + S_{\text{мбюдж}_2}}{S_{\text{бюдж}_2}} + r_3 \times \frac{S_{\text{заем}_2}}{S_{\text{бюдж}_2}} \\ S_{\text{бюдж}_2} = S_{\text{рбюдж}_2} + S_{\text{мбюдж}_2} + S_{\text{заем}_2} \\ S_{\text{бюдж}_2} = \sum_{t=1}^T (P_{\text{бюдж}} + B_{\text{бюдж}} + E_{\text{бюдж}}) \end{cases}, \text{ where}$$

$S_{\text{рбюдж}_2}$ – amount of the republican budget funds mobilized for the implementation of a project under the budget scheme;

$S_{\text{мбюдж}_2}$ – amount of the local budget funds mobilized for the implementation of a project under the budget scheme;

r_3 – weighted average interest rate on credits (loans) expected to be attracted when a project is implemented under the budget scheme. For the purposes of

estimating r_3 , in case the data on reference interest rate on a credit (loan) are not available, the data on the existing credits (loans) with maturity comparable with the forecast period should be used;

$S_{\text{заем}_2}$ – amount of proceeds of attracted credits (loans) under the budget scheme of project implementation;

$S_{\text{бюдж}_2}$ – amount of budget expenditures including credits (loans) attracted for the implementation of a project under the budget scheme;

24.4. The composition of mobilized budget funds including credits(loans) in estimating the discount rate for budget expenditures and revenues when a project is implemented under PPP scheme and the budget scheme may differ and should be estimated in accordance with the legal framework and permissible expenditure commitments and debt soundness of the budget as of the year of expected conclusion of a PPP contract;

24.5. In case a facility is created under the budget scheme and on condition that the respective budget expenditures cannot be financed out of the proceeds of the budget and(or) credit (borrowed) money, the discount rate for budget expenditures and revenues for the implementation of a project under a budget scheme equals the discount rate under the project used for the estimation of the net present value of the project pursuant to points 7 and 8 of this Instruction.

25. The aggregate volume of liabilities of a public partner in case of emergence of risks in connection with a project implemented under PPP scheme (with an account for discounting) is estimated as follows:

$$PRV_{\text{гчп}} = \sum_{t=1}^T \frac{Rp_{\text{гчп}_t} + Rb_{\text{гчп}_t} + Re_{\text{гчп}_t} + Rd_{\text{гчп}_t} + Rc_{\text{гчп}_t}}{(1+r_{\text{гчп}})^t}, \text{ where}$$

$Rp_{\text{гчп}_t}$ – volume of liabilities of a public partner in case of emergence of risks in connection with preparation and(or) design when a project is implemented under PPP scheme in Year t;

$Rb_{\text{гчп}_t}$ – volume of liabilities of a public partner in case of emergence of risks in connection with creation of a facility when a project is implemented under PPP scheme in Year t;

$Re_{\text{гчп}_t}$ – volume of liabilities of a public partner in case of emergence of risks in connection with operation and(or) technical maintenance of a facility when a project is implemented under PPP scheme in Year t;

$Rd_{\text{гчп}_t}$ – volume of liabilities of a public partner in case of emergence of risks related to receipt of revenues from the use of a facility when a project is implemented under PPP scheme in Year t;

$Rc_{\text{гчп}_t}$ – volume of liabilities of a public partner in case of emergence of other risks in connection with the implementation of a project under PPP in Year t.

26. The estimation of the volume of liabilities of a public partner in case of emergence of risks in connection with the implementation of the project under PPP scheme and the budget scheme is based on the budget expenditure and revenues

items listed in Table 2 enclosed to this Instruction.

27. When a project is implemented under PPP scheme, assessment of risks includes:

- identification and description of predictable project risks at key stages of its implementation;

- selection of risk assessment methods;

- identification of risks which may be assumed solely by a public partner;

- assessment of the likelihood of emergence of the respective risk and its impacts, risk allocation between a public and a private partner taking into account their capacity in terms of most effective risk management (elaboration of the risk matrix);

- estimation of the increased cost of event (condition, liability) in connection with conventional execution of liabilities of a public partner (likely deviations) in case of emergence of a risk;

- estimation of the volume of liabilities of a public partner in case of emergence of risks when a project is implemented under PPP scheme in respect of the key implementation stages of a project.

The qualitative and quantitative methods of identification and estimation of the likelihood of risks shall be used.

Consultants, project management team members, customers, other specialists and the heads (deputy heads) of the government bodies and organizations who have the appropriate qualification (“analysts”) may be invited, in accordance with the legislation, for the implementation of the qualitative and(or) quantitative methods.

The qualitative method is used, as a rule, for initial risk assessment, in particular in developing a project concept, and includes:

- preparation of a full list of potential project risks (“list of risks”) with their classification for the key implementation stages of a project;

- estimation by the analysts (based on the list of risks) of the likelihood of emergence of the respective risk (using a scoring method, ranking, Delfi method, cost analysis, analogies or other appropriate methods) through an assessment of impacts (scope of anticipated losses) in case of emergence of a risk and mitigation strategies;

- identification of risks producing the largest impact on the financial outcome of a project.

The quantitative method is used in preparing a project implementation proposal and provides for estimation by the analysts of the likelihood of each risk in value terms and how it may affect the project objectives using simulations¹⁸, if needed.

The quantitative method takes into account the findings of the assessment undertaken pursuant to part 5 of this point.

¹⁸ Simulation of multiple risks and the likelihood of each risk in implementing a project to inform decisions made by the analysts.

Risks in value terms (likely deviations in budget expenditures) can be assessed through:

estimation of the likelihood of risk in connection with the respective event (condition, liability), in particular, as percentage of its cost, using the statistical method (use of arithmetical average weighted dispersion, arithmetical average deviation, variation coefficient);

analysis of project sensitivity to the change of the baseline data (influence of the change is estimated in turns);

use of scenario method (as a rule, three scenarios – optimistic, pessimistic and basic);

analysis of project sensitivity under multiple random scenarios simulated with special programs (the Monte Carlo simulation).

An assessment of risks should be comprehensive and should use different methods, if appropriate.

Risk assessment methods should be selected based on consideration of the existing practices including in the respective area of project implementation.

Given that each project has an individual implementation scenario, the government bodies and(or) PPP Center may develop ad-hoc methodologies for the cost estimation of risks using the selected estimation method or may use the methodologies developed by the international organizations (proposed by consultants) provided they are tailored to the circumstances of the Republic of Belarus (specific project) and cleared with the Ministry of Economy.

28. Based on the cost estimation of risks undertaken pursuant to point 27 of this Instruction, the volume of liabilities of a public partner shall be estimated in case of emergence of risks in connection with the implementation of a project under PPP scheme using the following formulas:

28.1. for risks related to preparation and(or) design in Year t:

$$Rp_{\Gamma\Upsilon\Pi_t} = v_p \times rP_{\Gamma\Upsilon\Pi_t}, \text{ where}$$

v_p – likely deviation of budget expenditures in connection with preparation and(or) design;

$rP_{\Gamma\Upsilon\Pi_t}$ – budget expenditures in connection with preparation and(or) design for a project implemented under PPP scheme taken into account in estimating the volume of liabilities of a public partner in case of emergence of risks, in Year t;

28.2. for risks related to creation of a facility in Year t:

$$Rb_{\Gamma\Upsilon\Pi_t} = v_b \times rB_{\Gamma\Upsilon\Pi_t}, \text{ where}$$

v_b – likely deviation of budget expenditures on creation of a facility;

$rB_{\Gamma\Upsilon\Pi_t}$ – budget expenditures on creation of a facility when a project is implemented under PPP scheme taken into account in estimating the volume of liabilities of a public partner in case of emergence of risks, in Year t;

28.3. for risks related to operation and(or) technical maintenance of a facility

in Year t:

$$Re_{r\text{чп}t} = v_e \times rE_{r\text{чп}t}, \text{ where}$$

v_e – likely deviation of budget expenditures on operation and(or) technical maintenance of a facility;

$rE_{r\text{чп}t}$ – budget expenditures on operation and(or) technical maintenance of a facility when a project is implemented under PPP scheme taken into account in estimating the volume of liabilities of a public partner in case of emergence of risks, in Year t;

28.4. for risks related to receipt of revenues from the use of a facility in Year t:

$$Rd_{r\text{чп}t} = v_d \times rD_{r\text{чп}t}, \text{ where}$$

v_d – likely deviation of budget revenues from the use of a facility;

$rD_{r\text{чп}t}$ – budget revenues from the use of a facility when a project is implemented under PPP scheme taken into account in estimating the volume of liabilities of a public partner in case of emergence of risks, in Year t;

28.5. for other risks in Year t:

$$Rc_{r\text{чп}t} = v_c \times rC_{r\text{чп}t}, \text{ where}$$

v_c – likely deviation of other budget expenditures;

$rC_{r\text{чп}t}$ – other budget expenditures taken into account in estimating the volume of liabilities of a public partner when a project is implemented under PPP scheme in case of emergence of risks, in Year t.

29. In case of conventional execution of liabilities by a public partner arising in connection with the implementation of a project under PPP scheme as regards the expenditures on preparation and(or) design, creation, operation and(or) technical maintenance of a facility and other expenditures including compensation of revenues received by a private partner from the use of a facility, the anticipated budget expenditures related to execution of such liabilities should be reflected in whole in the amount of the respective budget expenditures taken into account in estimating the volume of liabilities assumed by a public partner in case of emergence of risks.

30. For the purposes of this Instruction, the likely deviations of budget expenditures and revenues taken into account in estimating the volume of liabilities of a private partner in case of emergence of risks in connection with the implementation of a project under PPP scheme pursuant to points 27 and 28 of this Instruction and the implementation of a project under the budget scheme pursuant to point 32 of this Instruction shall have equal values.

31. The aggregate liabilities of a public partner in case of emergence of risks

in connection with the implementation of a project under the budget scheme are estimated as follows:

$$PRV_{\text{бюдж}} = \sum_{t=1}^T \frac{Rp_{\text{бюдж } t} + Rb_{\text{бюдж } t} + Re_{\text{бюдж } t} + Rd_{\text{бюдж } t} + Rc_{\text{бюдж } t}}{(1+r_{\text{бюдж}})^t}, \text{ where}$$

$Rp_{\text{бюдж } t}$ – volume of liabilities of a public partner in case of emergence of risks in connection with preparation and(or) design in Year t when a project is implemented under the budget scheme;

$Rb_{\text{бюдж } t}$ – volume of liabilities of a public partner in case of emergence of risks in connection with creation of a facility when a project is implemented under the budget scheme in Year t;

$Re_{\text{бюдж } t}$ – volume of liabilities of a public partner in case of emergence of risks in connection with operation and(or) technical maintenance of a facility when a project is implemented under the budget scheme in Year t;

$Rd_{\text{бюдж } t}$ – volume of liabilities of a public partner in case of emergence of risks related to receipt of revenues from the use of a facility when a project is implemented under the budget scheme in Year t;

$Rc_{\text{бюдж } t}$ – volume of liabilities of a public partner in case of emergence of other risks in connection with the implementation of a project under the budget scheme in Year t.

32. The volume of liabilities of a public partner in case of emergence of risks in connection with the implementation of a project under the budget scheme taking into account the likely deviations of budget expenditures and revenues in Year t is estimated as follows:

32.1. for risks related to preparation and(or) design in Year t:

$$Rp_{\text{бюдж } t} = v_p \times P_{\text{бюдж } t};$$

32.2. for risks related to creation of a facility in Year t:

$$Rb_{\text{бюдж } t} = v_b \times B_{\text{бюдж } t};$$

32.3. for risks related to operation and(or) technical maintenance of a facility in Year t:

$$Re_{\text{бюдж } t} = v_e \times E_{\text{бюдж } t};$$

32.4. for risks related to receipt of revenues from the use of a facility in Year t:

$$Rd_{\text{бюдж } t} = v_d \times D_{\text{бюдж } t};$$

32.5. for other risks in Year t:

$$R_{C_{\text{бюдж } t}} = v_C \times C_{\text{бюдж } t}.$$

Table 1

List of indicators used for estimation of a comparative advantage

№	Indicator and its components	PPP scheme	Budget scheme
1	Net present expenditures of the budget		
1.1	Budget expenditures on preparation and(or) design		
1.2.	Budget expenditures on creation of a facility		
1.3.	Budget expenditures on operation and(or) technical maintenance of a facility		
1.4	Other budget expenditures		
1.5	Budget revenues		
2	Discount rate for budget expenditures and revenues		
3	Aggregate volume of liabilities assumed by a public partner in case of emergence of risks		
3.1	Risks related to preparation and(or) design		
3.2	Risks related to creation of a facility		
3.3	Risks related to operation and(or) technical maintenance of a facility		
3.4	Risks related to receipt of revenues from the use of a facility		
3.5	Other risks		
4	Comparative advantage ratio		

Table 2

Budget expenditure and revenue items taken into account in estimating the volume of liabilities assumed by a public partner in case of emergence of risks in connection with the implementation of a project

№	Types of risks	Budget expenditure and revenue items taken into account in estimating the volume of liabilities assumed by a public partner in case of emergence of risks in connection with the implementation of a project	
		under PPP scheme	under the budget scheme
1	Risks related to preparation and(or) design	Budget expenditures on preparation and(or) design related to conventional execution of liabilities of a public partner and(or) implementation of the respective activities by a public partner when a project is implemented under PPP scheme	Budget expenditures on preparation and(or) design in case a project is implemented under the budget scheme
2	Risks related to creation of a facility	Budget expenditures on creation of a facility when a project is implemented under PPP scheme related to conventional execution of liabilities of a public partner	Budget expenditures on creation of a facility when a project is implemented under the budget scheme
3	Risks related to operation and(or) technical maintenance of a facility	Budget expenditures on operation and(or) technical maintenance of a facility when a project is implemented under PPP scheme related to conventional execution of liabilities of a public partner Budget expenditures on operation and(or) technical maintenance of a facility when a project is implemented under PPP scheme related to implementation of these activities by a public partner	Budget expenditures on operation and(or) technical maintenance of a facility when a project is implemented under the budget scheme
4	Risks related to receipt of revenues from the use of a facility	Proceeds from sale of goods (works, services) resulting from the use of a facility expected to be transferred to the budget when a project is implemented under PPP scheme. Compensation of revenues received by a private partner from the use of a facility when a project is implemented under PPP scheme related to conventional execution of liabilities of a public partner	Proceeds from sale of goods (works, services) resulting from the use of a facility

5	Other risks	Other budget expenditures related to conventional execution of liabilities of a public partner when a project is implemented under PPP scheme	Other budget expenditures when a project is implemented under the budget scheme
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Annex 1
to the Resolution
of the Ministry of Economy
of the Republic of Belarus
27 July 2016 № 49

Form

Public-Private Partnership Project:
CONCEPT NOTE

full and abbreviated (if any) name of the public initiator or the interested body and(or) the private initiator (if the Concept Note is developed by the private initiator)

location and address, contact data of the public initiator or the interested body and(or) the private initiator (if the Concept Note is developed by the private initiator)

name, location, address and contact phone numbers of the developer of the Concept Note¹⁹

Chapter 1. Brief description of the public-private partnership project

1. Title of the public-private partnership project (“project”)

2. Project area pursuant to Article 5 of the Law of the Republic of Belarus of 30 December 2015 “On Public-Private Partnership” (National Legal Internet Portal of the Republic of Belarus, 1 January 2016, 2/2340) (“PPP Law”)

3. Project location (address or description of the location)

4. Brief description of socioeconomic development of the region (sector, area), demographic situation in the region

5. Description of the existing problems (contributing factors) which can be solved by the project _____

¹⁹ To be filled in case outside organizations or consultants are hired

6. Project objective and tasks (key indicators)²⁰ _____

7. Description of produced goods (works, services), justification of the need to change their quality (volume) and (or) accessibility) _____

8. Needs of the key target groups of customers²¹ affected by the project _____

9. Justification of demand for goods (works, services) produced (performed, delivered) under the project based on the initial findings of market surveys of the demand for such goods (works, services) _____

10. Information on whether the project contains the provisions (terms) inconsistent with the antimonopoly legislation _____

11. Estimation of socioeconomic efficiency of the project²² _____

Chapter 2. Description of the facility and technical and economic parameters

12. Brief description of immovable and(or) movable assets (“assets”) of the facility, land plot _____

13. Description of technical and operational requirements for the facility, its technical and economic parameters _____

14. Comparative summary of alternative technical solutions consistent with the declared technical and operational parameters of the project _____

²⁰ The project objective, key indicators and target values should be linked to the objectives of the state and other programs, strategic documents on infrastructure development in the Republic of Belarus

²¹ Range of users of the facility and(or) customers of goods (works, services) produced (performed, delivered) under the project

²² The initial qualitative and quantitative (if feasible at this stage) assessment of social effects generated by the project shall be carried out. Justification (estimation) of the indicators shall be enclosed as Attachment to the Concept Note

15. Ability of the project to involve state-owned assets, land plots (if needed)²³ taking into account the rights, encumbrances and restrictions applicable to the infrastructure facility

16. Need and possibility to transfer to the private partner of the exclusive right to intellectual property created, in whole or in part, with the proceeds of the republican budget and(or) local budget including the state targeted off-budget funds and the state off-budget funds; the holder of intellectual property rights

17. Identification of the need for design, construction and(or) reconstruction, restoration, rehabilitation, modernization, and technical maintenance and(or) operation of the facility by key implementation stages²⁴

18. Expected allocation of the key project implementation stages between the public and private partners

19. Environmental impacts of the project:
19.1 linkage of the project facility to the facilities for which an environmental impact assessment is undertaken

19.2 description of direct or indirect impacts from creation and(or) operation of the facility leading to the change of the environment:
removal of trees and vegetation

presence of protected wildlife and vegetation species

harmful air emissions

²³ A reference to the respective decision (if any) shall be made

²⁴ Key project implementation stages include:

- 1) preparation and design of the facility;
- 2) construction and(or) reconstruction, restoration, rehabilitation, modernization (further referred to as “creation of the facility”);
- 3) operation and(or) technical maintenance of the facility

anticipated volumes and uses of water resources _____

anticipated waste generation volumes _____

other (to be specified) _____

Chapter 3. Financial and economic data on the project

20. Project implementation period _____ years,
including creation of the facility: _____ years.

Expected project start date _____

Justification of the project implementation period in terms of availability of
budget funds and return on investment _____

21. Projected capital costs (incl. VAT) based on selected technical solution,
BYN mln./US\$ mln.²⁵ _____ / _____

22. Justification of projected capital costs²⁶ _____

23. Project financing at the investment stage²⁷, BYN mln./US\$ mln.:
preparation and design _____ / _____
creation of the facility _____ / _____

24. Project financing at the investment stage, BYN mln./US\$ mln.:

own funds of the private partner _____ / _____

credits attracted by the private partner _____ / _____

total budget funding _____ / _____

including:

republican budget _____ / _____

local budget _____ / _____

25. Expected terms and timing of credit attraction by the private partner

26. Project costs at the operation stage²⁸, BYN mln./US\$ mln.:

²⁵ BYN exchange rate to USD is provided for reference as of the date of preparation of the Concept Note.

²⁶ Availability of pre-design (pre-feasibility), design documents and other documents evidencing capital costs under the project shall be indicated

²⁷ Data in points 22-24 and 26-28 of the Concept Note are taken from Table 1 of the Form of the Concept Note of PPP project

per year _____ / _____
 for the period ²⁹ _____ / _____

27. Financing sources at the operation stage, BYN mln./US\$ mln.:
 own funds of the private partner (user fee)³⁰ :

per year _____ / _____
 for the period _____ / _____
 budget funding:
 per year _____ / _____
 for the period _____ / _____

28. Total budget funding³¹, BYN mln./US\$ mln.

_____ / _____
 including:
 at the investment stage _____ / _____
 at the operation stage _____ / _____
 compensation of costs incurred by the private partner at the investment stage

29. Justification of a mechanism of return on investments in the facility and
 cost financing at the operation stage

30. Assessment of project financial efficiency indicators³² _____

Chapter 4. Assessment of risks and comparative advantage

31. Initial allocation of risks between the public and private partners by key
 project stages³³ _____ implementation

32. Initial estimation of comparative advantage (efficiency of budget
 spending on the implementation of the project)

²⁸ In addition to direct costs of operation and(or) technical maintenance of the facility (inputs and materials, fuel and energy, wages with charges etc.), the cost of servicing the credit attracted by the private partner, and the private partner's remuneration shall be included.

²⁹ Expected period of operation and(or) technical maintenance in accordance with PPP contract.

³⁰ At the stage of operation and(or) technical maintenance the own funds of the private partner include the proceeds received by the private partner as payment for services delivered to customers (user fee).

³¹ The respective budget (republican or local) shall be indicated. If allocations from the republican and local budgets are expected for financing the project, it is needed to indicate the data by each budget and the total budget funding.

³² To be estimated in accordance with the Instruction on the methodology of evaluating proposals for the implementation of public-private partnership projects approved by the Resolution establishing these Requirements. Justification (estimation) of these indicators shall be enclosed as Attachment to the Concept Note

³³ Data in point 31 of the Concept Note are taken from Table 2 of the Form of the Concept Note of PPP Project

Chapter 5. Legal feasibility of the project

33. Analysis of the legislation to identify feasibility of the project

34. Analysis of the procedure of holding, administering and transferring the ownership right to the facility under the project set forth in the legislation of the Republic of Belarus _____

35. Analysis of potential legal restrictions impeding the implementation of the project _____

36. Development of recommendations on improving the legislation and entering amendments required for the implementation of the project

37. Decision-making level (normative legal act)³⁴ for the project implementation under PPP contract with indication of the government bodies and organizations authorized to make the decision _____

Chapter 6. Justification of PPP option of project implementation

38. Description of potential advantages of PPP option of project implementation _____

39. International experience of implementing similar projects

40. Justification of the need (if any) for hiring consultants for elaboration of the document package for the project proposal

³⁴ Pursuant to Article 16 of PPP Law

Attachments:

APPROVED:

Head (Deputy Head)
of the public or private initiator

(signature) (first, middle, last name) _____
date (day/month/year)

CLEARED:³⁵

Head (Deputy Head)
of the interested body

(signature) (first, middle, last name) _____
date (day/month/year)

³⁵ In case the Concept Note was developed by the private initiator and was supported by the interested body

Table 1

PPP Project Financing Amount and Sources

Items	Total	By years			
		1	2	...	n
I Investment stage					
1. Preparation, design – total					
including					
1.1 own funds of the private partner					
1.2 credits attracted by the private partner					
1.3 budget funding – total					
including					
1.3.1 republican budget					
1.3.2 local budget					
2. Creation of the facility – total					
including:					
2.1 own funds of the private partner					
2.2 credits attracted by the private partner					
2.3 budget funding – total:					
including:					
2.3.1 republican budget					
2.3.2 local budget					
3. Total investment stage					
including:					
3.1 own funds of the private partner					
3.2 credits attracted by the private partner					
3.3 budget funding - total:					
including:					
3.3.1 republican budget					
3.3.2 local budget					
II Operation stage					
4. Operation and(or) technical maintenance – total					
4.1 own funds of the private partner (user fee) ³⁶					
4.2 budget funding - total:					
including:					
4.2.1 republican budget					
4.2.2 local budget					
<i>For reference:</i>					
5. Budget funds for reimbursement of costs incurred					

³⁶ At the stage of operation and(or) technical maintenance the own funds of the private partner include the proceeds received by the private partner as payment for services delivered to customers (user fee)

<i>by the private partner at the investment stage – total:</i> <i>including:</i> 5.1 republican budget 5.2 local budget					
6. TOTAL budget funding for the project (line 3.3 + line 5) <i>including:</i> 6.1 republican budget (line 3.3.1 + line 5.1) 6.2 local budget (line 3.3.2 + line 5.2)					

Table 2

List of PPP project risks

№	Description of risks	Responsibility	
		Private partner	Public partner
1.	Design related risks		
1.1.	Design		
1.2	Clearance of design documents and cost estimates		
1.3	Design timing		
1.4	Change of design norms		
2.	Risks related to location of a land plot (preparation)		
2.1	Encumbrance (servitudes)		
2.2	Restricted access to the site		
2.3	Site safety		
2.4	Environmental restrictions		
2.5	Previous subsurface works		
2.6	Unknown and hidden defects		
3.	Construction risks		
3.1	Compliance with construction norms and requirements		
3.2	Design cost overruns		
3.3	Construction time overruns not related to financing		
3.4	Infrastructure construction time overruns		
3.5	Delays and lags related to the activity of the government bodies		
3.6	Macroeconomic situation impact on construction timing		
3.7	Availability of inputs, materials and labor		
3.8	Losses and damages caused by third parties		
3.9	Contractor (subcontractor) related risks		
4.	Force majeure		
4.1.	Act of Providence		
4.2	Political, legislative and social changes		
5.	Revenues risks		
5.1	Timing for start of sale of goods (works, services)		
5.2	Volume of sale of goods (works, services)		
5.3	Period of sale of goods (works, services)		

5.4	Price (tariff) changes		
6.	Facility management risks		
6.1.	Facility operation and(or) maintenance risks		
7.	Other market risks		
7.1	Interest rates at the moment of credit (loan) attraction		
7.2	Exchange rate fluctuations		
7.3	Inflation		
8.	Strategic corporate risks		
8.1	Corporate structure changes		
8.2	Shareholder (owner) conflicts		
9.	Macroeconomic and other risks		
9.1	Budget forecasts		
9.2	Legislative changes affecting the project		
9.3	Change of tax rates, taxation system		

Notes:

1. The List of risks under each project shall be adjusted depending on its specifics.

2. Expected risk allocation between the private and public partners is reflected by marking the “responsibility” column (“private partner” and(or) “public partner”) with «+». If needed, the same risk may be assumed both by the private partner and the public partner.

Annex 2
to the Resolution
of the Ministry of Economy
of the Republic of Belarus
27 July 2016 № 49

Requirements for the feasibility study of the proposals for
the implementation of public-private partnership projects

1. These Requirements establish the uniform requirements for the feasibility study of the proposals for the implementation of public-private partnership projects (further referred to as “Feasibility Study”) including the financial model and are intended for:

the government bodies and other government organizations subordinate to the President of the Republic of Belarus, the republican government bodies and other government organizations subordinate to the Council of Ministers of the Republic of Belarus, local executive and administrative authorities;

legal entities including the National Agency of Investment and Privatization, banks and non-bank credit and financial institutions and other entities willing to finance and implement a public-private partnership (PPP) project, foreign unincorporated entities, individual entrepreneurs;

2. The Feasibility Study including the financial model is prepared as part of the proposal package by the public initiator with involvement, if needed, of PPP project consultants (“consultants”) or the private initiator (in case the proposal is initiated by the private partner).

The Feasibility Study should be based on the key provisions of the Concept Note of PPP project (if it is prepared), the findings of technical, technological and marketing surveys for a PPP project and legal analysis.

Preparation of the Feasibility Study includes the elaboration of the PPP project passport which is a resulting document of the feasibility study and which contains, if needed, selected provisions of the draft PPP contract using the Form provided in the Resolution approving these Requirements. If needed, the PPP project passport may contain additional data, points and(or) subpoints determined by the public or private initiator.

In preparing the Feasibility Study, a public initiator makes assumptions concerning the obligations of a private partner (taking into consideration the project terms and risks) based on the analysis of international experience of the implementation of similar projects and the market of available capital including the borrowed capital.

The Feasibility Study should contain the data allowing to make a comprehensive evaluation of a PPP project.

3. Preparation of the Feasibility Study should follow the Instruction on the methodology of evaluating proposals for the implementation of public-private partnership projects approved by the Resolution establishing these Requirements (“Methodology”), other normative legal acts and the following data sources in respect of a public-private partnership project (“project”):

the project documents (permits, contracts, cost estimates and calculations, specifications, price lists);

accounting, statistical and departmental records;

findings of analytical studies conducted by independent experts having the required qualification and experience including special surveys for a project;

sectoral, marketing, financial and other analytical periodicals;

other documents containing the data needed for the preparation of the Feasibility Study.

4. The Feasibility Study should contain the following parts presented as separate volumes:

Description;

Financial model;

documents supporting the baseline data provided in the feasibility study.

The Feasibility Study should be written in Russian. In case the documents are written in another language, they should be accompanied by the translation into Russian.

5. The Description shall contain the following sections:

Project description;

Description of goods (works, services). Market analysis;

Technical and economic data on the facility;

Project efficiency;

Assessment of risks and comparative advantage;

Project institutional arrangements.

The Description shall include:

the title page (with the project title, “APPROVED:” stamp with indication of the public or private initiator, endorsement signature of the head (deputy head) certified with the seal, and the date of approval of the Feasibility Study);

table of contents (indicating the volume number and title, main sections and subsections, attachments and page references).

If consultants are hired for the preparation of the Feasibility Study, the title page should contain “APPROVED:” stamp with the endorsement signature of the public initiator; the line below should indicate the name of the developing organization³⁷, first, middle and last name of the head (or deputy head) or an individual entrepreneur (if an individual entrepreneur is hired as a consultant), signature certified with the seal, and the date of approval of the Feasibility Study).

In case the proposal is prepared by a private initiator, the title page should contain “CLEARED:” stamp with indication of the head (or deputy head) of the

³⁷ In case legal entities and unincorporated foreign entities are hired

interested body, signature certified with the seal and the date of approval of the Feasibility Study.

6. The section “Project Description” shall contain the following data:

project area pursuant to Article 5 of the Law of the Republic of Belarus “On Public-Private Partnership” (National Legal Internet Portal of the Republic of Belarus, 1 January 2016, 2/2340);

brief description of socioeconomic development of the region and demographic situation in the region;

socioeconomic development trends in the region;

description of the existing problems (contributing factors) which can be solved by the project;

title of the state or other program to which the project contributes and(or) strategic documents on infrastructure development in the Republic of Belarus in which the project is included;

project objective and tasks with key indicators³⁸.

7. The Section “Description of Goods (Works, Services). Market analysis” shall present the findings of marketing surveys and shall contain the following data:

description of the services (works, goods) delivered under the project, justification of the need to change their quantity and(or) quality (taking into account the needs of households and entities (further referred to as “customers”) including operational parameters, functional and other requirements), and to ensure availability (diversification);

description of the project focus area for expected production of goods and(or) performance of works, delivery of services under the project;

identification of the groups of customers of goods (works, service)³⁹ under the project;

assessment of competition in the project area, main competitors;

presence of substituting products in respect of goods (works, services) which are already supplied (performed, delivered) by competitors and planned under the project;

assessment of advantages of the goods (works, services) planned under the project relative to the goods (works, services) already supplied (performed, delivered) by competitors;

assessment of current and potential demand for goods (works, services) expected to be supplied (performed, delivered) under the project;

assessment of current level of prices (tariffs) of goods (works, services) including prices (tariffs) regulated by the government and projections concerning potential changes, and justification of forecasting methods;

description of potential project participants;

³⁸ The project objective, key indicators and target values should be linked to the objectives of the state and other programs, strategic documents on infrastructure development in the Republic of Belarus in which the project is included

³⁹ Range of users of the facility and(or) customers of goods (works, services) produced (performed, delivered) under the project

impact of the state support of the project sector on final user prices;
 key methods used in analysis of the market of goods (works, services) under the project.

The marketing surveys shall also include an analysis of the provisions (terms) of the project for potential inconsistency with the antimonopoly legislation of the Republic of Belarus including the information on the contracts, actions of the public initiator agreed with other government body or economic entity which result or may result in prevention, restriction or elimination of competition and are aimed at:

division of the product market by territorial principle, types and volumes of deals, types, volume and range of goods and prices(tariffs), vendors or customers;

restriction of access to the product market, exit from the product market or ousting of economic entities from the product market;

setting of different prices (tariffs) on the same good which is not justified economically, technologically or otherwise;

illegitimate increase, decrease or support of prices (tariffs) of goods.

It is also required to provide information about expected adoption, if needed, by the government bodies, unless otherwise is set forth in the Presidential edicts, of legislative and other legal acts, conclusion of agreements, taking other measures restricting independence of economic entities, creating discriminatory environment for certain economic entities, in particular:

unreasonable impeding of establishment of new economic entities in the respective sector;

banning certain activities of economic entities including production of particular goods;

illegitimate restriction of the rights of economic entities to conclusion of deals;

banning or restricting free movement of goods, introducing other restrictions on the rights of economic entities to sale, purchase and other acquisition and exchange of goods;

giving instructions to economic entities concerning prioritized supply of goods to particular customers or prioritized conclusion of contracts;

providing to an economic entity a priority access to information;

granting state preferences except cases specified in the legislation.

8. The Section “Technical and Economic Data on the Facility” shall contain the following data:

brief description of the current state of immovable and(or) movable assets of the facility, land plot;

justification of the need for design, construction and(or) reconstruction, restoration, rehabilitation, modernization, and technical maintenance and(or) operation of the facility by key implementation stages⁴⁰;

⁴⁰ Key project implementation stages include:

design and preparation;

construction and(or) reconstruction, restoration, rehabilitation, modernization of the facility (further referred to as “creation of the facility”);

- description of technical, operational and other requirements for the facility;
 - justification of technical (technological) solutions, also versus the alternative options, use of innovations – of their advantages relative to the existing technical (technological) solutions;
 - assessment of project environmental impacts in the project region;
 - justification of the possibility of allocating (if needed) a land plot to the private partner for accommodation of the infrastructure facility;
 - justification of the possibility of transferring to the public partner into ownership or use including gratuitous use of the republican or municipal infrastructure facility, exclusive right to intellectual property needed for the fulfillment of obligations under the PPP contract;
 - assessment of rights, encumbrances and restrictions in respect of the facility;
 - justification of the need for inputs, labor and other resources required for the project;
 - availability of pre-design (pre-feasibility), design and other documents for the facility;
 - allocation of responsibilities between the public and private partners by the main project implementation stages;
 - need for licenses (permits) on undertaking an activity under the project;
 - description of permissible changes in respect of the facility, also resulting from consultations with potential private partners and other stakeholders reflected in the draft decision on PPP project implementation and in the bidding documents.
9. The Section “Project Efficiency” shall contain (based on financial and economic estimations in the financial model):
- expected investment costs under the project (at the investment stage) and justification of financing sources (own funds, debt financing, budget funding and other resources);
 - assessment of financial efficiency including net present value (NPV)⁴¹, design payback period (DPP)⁴², internal rate of return (IRR)⁴³, profitability index (PI)⁴⁴, discount rate (r), and analysis of project sensitivity to the change of the baseline data;
 - assessment of socioeconomic efficiency of the project based on the estimation of qualitative (quantitative) social effects and monetary social effects (if applicable).
10. The Section “Assessment of Risks and Comparative Advantage” shall contain:
- description of the assessment techniques and methodologies which have been used (within the qualitative and quantitative analysis);

operation and(or) technical maintenance of the facility

⁴¹ net present value

⁴² design payback period

⁴³ internal rate of return

⁴⁴ profitability index

description of risks and estimation of impacts (magnitude of potential losses) in case of emergence of risks, and the strategies which can mitigate the respective risks;

justification of likely deviations of the budget expenditures and revenues;

findings of the project risk assessment in value terms and expected allocation of risks between the public and private partners (Risk Matrix) based on financial and economic estimates in the financial model;

findings of the estimation of the comparative advantage using the Form provided in the Table in these Requirements;

estimation of the comparative advantage based on the techniques summarized in the Methodology.

11. The Section “Project Institutional Arrangements” shall contain the following data:

expected structure and staffing of the organization;

legal aspects of project implementation including the main terms of the PPP contract and justification thereof;

expected project supervision arrangements;

communication plan of the project;

other data.

12. The information on the financial model which should be generated, as a rule, in Microsoft Excel (Version 2007 or later version) shall be structured as follows:

contents;

description of assumptions concerning the baseline project data (“baseline data”);

financial and economic estimates.

13. The first spreadsheet of the financial model shall contain its contents specifying all spreadsheets provided in the financial model. Each item of the contents should contain a reference to the respective spreadsheet of the financial model; each spreadsheet of the financial model should contain a reference to the item of the contents for convenience of cross-reference between the spreadsheets of the financial model.

14. The financial model should be generated based on the following general requirements:

forecasts and estimates in the financial model should be made solely for the project i.e. based on cash flows which will be generated (spent) solely under the project (it is expected to establish ad-hoc project implementation entity which will not run any other activity);

the baseline data and assumptions and the forecast results used in the financial model should be consistent with the data provided in the Description Chapter of the Feasibility Study;

cells (margins) containing different types of the baseline data should be highlighted in different fonts (colors) to differentiate them visually;

different fonts (colors) should be used for different cells which refer to the spreadsheet with the baseline data and assumptions and which are changed with the change of other cells through formulas, macros, control forms or through other programming tools, which contain outlier baseline data or calculations generated by value macros, reserve and supporting cells, modifiable parameters for sensitivity analysis, and other logic groups of cells;

the principles of uniformity and consistency should be followed in estimations and formatting; continuity of formulas for estimating the financial and economic indicators for all periods should be ensured;

there should be an option for modification of the initial baseline data and assumptions, as well as an option for automatic recalculation of all estimated data and analysis of project sensitivity to changes of any baseline data and assumptions.

In generating the financial model it is prohibited:

to make circular references (sequence of references under which the formula makes a reference (via other references or directly) to itself). If needed, circular references shall be allowed through macros;

to use the estimated time period of different duration within the same spreadsheet;

to make references to the external files.

15. Assumptions should be provided in the separate spreadsheet(s) and should contain:

15.1. description of methodological assumptions based on the following approaches:

the forecast period – not less than the design payback period (or repayment of debt financing) plus three years or other reasonable period;

the start of the forecast period – at least six calendar months before the day of submission of the documents to the government bodies listed in point 13 of the Provision on the procedure of preparation, examination and evaluation of the proposals for the implementation of public-private partnership projects approved by the Resolution of the Council of Ministers of the Republic of Belarus of 6 July 2016 № 532 (National Legal Internet Portal of the Republic of Belarus, 21 July 2016 № 5/42369);

estimation step at the stage of design and(or) creation of the facility – not more than a quarter; at the stage of operation and(or) technical maintenance of the contracted facility – not more than a year, in case of monthly (quarterly) seasonality – not more than a month (quarter);

a year for which the project efficiency and comparative advantage are estimated – the last year of the forecast period;

currency of projected baseline data and payments – BYN with an account for projected inflation rate;

forecast options – in case of financing the project from the budget or with the external government loans, external guaranteed loans (if they are repaid from the budget) (further referred to as “budget scheme”) and financing of expenditures in case of the implementation of a public-private partnership contract (further

referred to as “PPP scheme”) taking into account the risks assumed by the public and private partners with volumes, prices, parameters and quality of goods (works, services) delivered (performed, supplied) to the customers being equal.

15.2 the following time periods planned under the project:

duration of a PPP contract;

project implementation period;

preparation;

design;

creation of the facility;

operation and(or) technical maintenance of the facility;

15.3. macroeconomic data shall be taken as follows:

exchange rate (in case of the use of foreign currencies, such as USD, Euro, RUR) – based on the forecasts of the Ministry of Economy and(or) the National Bank of the Republic of Belarus;

inflation forecasts – based on the forecasts of socioeconomic development of the Republic of Belarus and(or) other forecast (program) documents;

15.4. justification of the forecast data across the following indicators with a reference to the respective sources and the date on which the information is provided and taking into account the expected changes in the accounting policy:

output and sales of goods (works, services);

prices (tariffs) of goods (works, services);

input and material needs (with indication of consumption norms for key inputs and materials per unit of the goods (work, service), price of key inputs and materials);

fuel and energy costs (with indication of consumption norms and tariffs);

labor costs (with indication of the average staff numbers and wages);

other costs constituting a major share in the cost of goods (works, services);

amortization (by key asset types and with indication of the annual amortization norm and amortization policy);

payments to contractors (terms of deferral and advances in payments to suppliers and contractors, customers, budget and staff) and(or) turnover norms;

project investment costs including capital costs and financing sources⁴⁵ (with indication of the terms of mobilization and repayment of the borrowed funding (if any));

tax and non-tax compulsory payments to the republican and(or) local budget including the state targeted budget funds and the state off-budget funds pursuant to the legislation (with indication of the tax rate, tax base, tax period and other parameters, and the information on exemptions, if any);

other indicators relevant for the sector and reflecting specifics of the project;

15.5. description of algorithm and principles of project efficiency estimation (NPV, discount rate, payback period, financial ratios and other indicators)

⁴⁵ Time frameworks for mobilization of financing should be linked to the investment period

including description of the methodology of estimating the indicators of social effects in monetary terms;

15.6. other project related information, if appropriate.

16. The financial and economic estimates shall include the following estimates (by years of project implementation) to be provided in separate spreadsheet(s) of the financial model:

projected baseline data by indicators listed in subpoint 15.4 of point 15 of these Requirements;

projected annual financial reporting;

financial efficiency and socioeconomic efficiency of the project;

comparative advantage;

other project indicators, if needed;

results of the check for consistency of the baseline and estimated data.

17. The projected annual financial reporting shall include:

17.1. the projected profit and loss statement containing, among other, the following financial indicators:

proceeds from sale of goods (works, services) under the project including proceeds from sale of paid goods (works, services);

cost of sold goods (works, services);

gross earnings;

other current revenues and expenditures;

of which – revenues in the form of state support intended for procurement of inventories, payment for works and service and financing of current costs;

current earnings (losses);

current earnings (losses) plus amortization;

revenues from shareholding in other entities;

interest payable;

tax payments within other expenditures;

other revenues and expenditures (related to investments and(or) financial activity) (if needed);

earnings (losses) before taxes;

earnings before interest, taxes (EBIT)⁴⁶ equaling earnings (losses) before taxes plus interest payable;

earnings before interest, taxes, depreciation and amortization (EBITDA)⁴⁷, EBIT plus amortization;

profit tax;

other taxes and fees charged from earnings (revenues);

net earnings;

net revenues (net earnings plus amortization).

17.2. the projected cash flow statement containing, among others, the following indicators:

⁴⁶ earnings before interest, taxes (EBIT)

⁴⁷ earnings before interest, taxes, depreciation and amortization (EBITDA)

- 17.2.1. current (operational) cash flows:
 revenues from sale of goods (works, services);
 revenues from rent, license payments, royalty, commission and other similar charges;
 budget revenues at the operation stage⁴⁸;
 payments to suppliers (contractors) for inputs, materials, works, services;
 staff remuneration;
 social and compulsory insurance charges;
 profit (revenues) tax payments;
 VAT payable to the budget;
 real estate tax payments;
 land tax payments;
 other payments;
 current (operational) cash balance;
- 17.2.2. investment cash flows:
 costs related to procurement, creation, modernization, reconstruction and preparation of long-term assets for use;
 payments related to sale of long-term assets;
 investment cash balance;
- 17.2.3. financial activity cash flows⁴⁹:
 budget revenues at the investment stage;
 receipt of credits and loans;
 monetary contributions of founders (shareholders);
 issue of shares, increase of shareholding;
 issue of bonds, promissory notes and other debt securities;
 other proceeds;
 repayment of the principal under long-term credits and loans;
 repayment of interest under long-term credits and loans;
 payment of dividends and other charges from the earnings to the founders (shareholders);
 other payments;
 cash balance under financial activity;
 total cash balance;
 cumulative cash balance.

At the end of each forecast year the cumulative cash balance cannot be negative. In case of cash deficit in any year, mobilization of additional financing sources should be projected;

17.3. the projected balance⁵⁰ containing the following financial indicators:

- 17.3.1. long-term assets:
 fixed assets;

⁴⁸ To be provided for reference if included in revenues from sale of goods (works, services)

⁴⁹ To be projected based on current (operational) and investment cash flows

⁵⁰ The key balance indicators should be provided. Depending on the project specifics, the indicators included in other items (long-term assets, short-term assets) shall also be disclosed

non-material assets;
 other long-term assets.
 17.3.2. short-term assets:
 inventories;
 short-term receivables;
 monetary funds and equivalents;
 other short-term assets;
 17.3.3. own capital:
 authorized capital;
 unallocated profit;
 other own capital;
 17.3.4. long-term liabilities:
 long-term credits (loans);
 other long-term liabilities;
 17.3.5. short-term liabilities:
 payables;
 other short-term liabilities.

18. The financial model should estimate the indicators of the project financial efficiency using the methods indicated in Chapter 2 of the Methodology.

The following indicators shall be estimated for the assessment of the project financial efficiency:

free cash flow (FCF)⁵¹;
 discount rate (r);
 net present value (NPV);
 design payback period (DPP);
 internal rate of return (IRR);
 profitability index (PI);
 debt service coverage ratio (DSCR)⁵²;
 sales profitability estimated with EBIT and EBITDA and with net earnings and other indicators, if needed.

The financial model shall also analyze sensitivity of the project to the change of the following baseline data:

project implementation period;
 capital costs;
 time framework for commissioning of the facility;
 costs during each year of operation and(or) technical maintenance of the facility;
 proceeds from sale of goods (works, services) due to the change of the volume of sale of goods (works, services) and(or) due to inconsistency with the projected parameters of the project;
 terms of borrowing;

⁵¹ free cash flow

⁵² debt service coverage ratio

key macroeconomic parameters;
 other baseline data (if needed).

The range of the change of the baseline data shall be set depending on the degree of accuracy and reasonableness in the Feasibility Study and specifics of the project.

The recommended range of the baseline data which are most susceptible to changes shall be from -50% to +50% with the estimation step of 5% or 10%. The results of the estimations may be presented in the financial model also in graphical form.

Provided the baseline data are available, the financial model should estimate socioeconomic efficiency of the project (depending on its specifics) using the indicators of the monetary social effects of the project listed in Chapter 3 of the Methodology or other techniques.

19. For estimating the comparative advantage, the financial model should be generated based on the techniques described in Chapter 4 of the Methodology and should estimate the following indicators (by key project implementation stages):

amount of project financing with the own funds of a private partner under PPP scheme;

amount of project financing with borrowed funds under PPP scheme and the budget scheme;

amount of project financing with the budget funds under PPP scheme and the budget scheme;

budget expenditures and revenues formed under the respective budget expenditure items (budget revenues) when a project is implemented under the budget scheme and PPP;

the rate of discounting the budget expenditures and revenues when a project is implemented under the budget scheme and PPP scheme;

net present expenditures of the budget when a project is implemented under PPP scheme and net present expenditures when a project is implemented under the budget scheme;

allocation of risks between the public and private partners and likelihood of emergence of the respective risks and deviations of the budget expenditures taking into account the most essential factors when a project is implemented under PPP scheme (Risk Matrix);

volume of liabilities assumed by a public partner in case of emergence of risks when a project is implemented under PPP scheme and the budget scheme;

other indicators, if needed.

The estimates shall generate the value of the comparative advantage ratio (k_{cp}) that would meet the requirements listed in point 21 of the Methodology.

20. The discount rates and discounted cash flows should be of the same type: the discount rate for a private partner and free cash flow to a private partner under the project;

the rate of discounting of budget expenditures and revenues and net present expenditures of the budget when a project is implemented under PPP scheme or net

present expenditures of the budget when a project is implemented under the budget scheme.

21. The financial model shall have the User Guidelines.

The User Guidelines should contain:

detailed description of the design and functions of the financial model including description of all macros (if applicable);

guidelines on the use of functions of the financial model including a sensitivity analysis and (if applicable) a scenario analysis;

contact data of persons responsible for provision of clarifications on the financial model.

22. The Feasibility Study should be provided to the users based on the following requirements:

Description – in electronic form in Microsoft Word (2007 or later version) on CD-R or DVD-R (or on USB) and in a hard copy as a bound book;

the financial model – in electronic form in Microsoft Excel (2007 or later version) on CD-R or DVD-R (or on USB) and in a hard copy as a report form containing the baseline data and assumptions as well as the results of financial and economic estimates as a bound book;

copies of the documents evidencing the baseline data – in electronic form (scanned images) in PDF format on CD-R or DVD-R (or on USB) and in a hard copy as a bound book;

documents submitted in hard copies should have clear print;

names of electronic files should be consistent with the names in hard copies.

23. An electronic medium should contain two versions of the financial model files:

without restrictions on changes and copying, as well as hidden spreadsheets, any encrypted or password protected information;

with restrictions on changes and copying, without hidden spreadsheets, any encrypted or password protected information.

Results of the estimation of comparative advantage

№	Indicator and its components	PPP scheme	Budget scheme
1	Net present expenditures of the budget		
1.1	Budget expenditures on preparation and(or) design		
1.2.	Budget expenditures on creation of a facility		
1.3.	Budget expenditures on operation and(or) technical maintenance of a facility		
1.4	Other budget expenditures		
1.5	Budget revenues		
2	Discount rate for budget expenditures and revenues		
3	Aggregate volume of liabilities assumed by a public partner in case of emergence of risks		
3.1	Risks related to preparation and(or) design		
3.2	Risks related to creation of a facility		
3.3	Risks related to operation and(or) technical maintenance of a facility		
3.4	Risks related to receipt of revenues from the use of a facility		
3.5	Other risks		
4	Comparative advantage ratio		

Annex 3
to the Resolution
of the Ministry of Economy
of the Republic of Belarus
27 July 2016 № 49

Form

Public-Private Partnership Project Passport

full and abbreviated (if any) name of the public initiator or the interested body and(or) the private initiator (if the Concept Note is developed by the private initiator)

location and address, contact data of the public initiator or the interested body and(or) the private initiator (if the Concept Note is developed by the private initiator)

name, location, address and contact phone numbers of the developer of the Feasibility Study⁵³

1. Project Description

1.1. Project title

1.2. Project area pursuant to Article 5 of the Law of the Republic of Belarus “On Public-Private Partnership” (National Legal Internet Portal of the Republic of Belarus, 1 January 2016, 2/2340) (“PPP Law”) _____

1.3. Brief description of socioeconomic development of the region and demographic situation in the region _____

1.4. Title of the state or other program to which the project contributes and(or) strategic documents on infrastructure development in the Republic of Belarus in which the project is included and their target indicators _____

1.5. Project objective and tasks (key indicators) _____

1.6. Ensuring (conducting) by the private partner in respect of the facility (if appropriate) of:

design of the facility _____

creation of the facility _____

financing, in whole or in part, of the operation and (or) technical maintenance of the facility _____

transfer of the facility into the ownership of the public partner _____;

1.7. The need for the public partner to finance, in whole or in part, creation of the facility and its operation and(or) technical maintenance (if expected)

⁵³ To be filled in case outside organizations or consultants are hired

2. Brief description of goods (works, services), market:.

2.1. Description of the services (works, goods) delivered under the project; the user requirements and the operational requirements _____;

2.2. Statistical data on the number of customers of goods (works, services), sufficiency of the said goods (works, services) for the population of the region _____;

2.3. Key entities providing similar services to the population in the project region _____;

2.4. Summary of demand for goods (works, services) produced (performed, delivered) under the project based on the findings of market surveys of the demand for such goods (works, services) _____;

2.5. Triggers of demand growth (contraction) and description of the affecting factors _____;

2.6. Information on whether the project contains the provisions (terms) inconsistent with the antimonopoly legislation _____.

3. Information on the facility and technologies used by the project:

3.1. Description of the current state of immovable and(or) movable assets (further referred to as “assets”) of the facility, and the land plot _____;

3.2. Address (location) of the facility _____;

3.3. List of assets expected to be created under the project _____;

3.4. Main technical, technological and operational requirements for the facility _____;

3.5. Brief description of technical (technological) solutions proposed by the project and alternatives (if the facility can be created using different technical and(or) technological solutions) _____;

3.6. Information whether there are rights of third parties, encumbrances and restrictions applicable to the facility _____;

3.7. Availability of pre-design (design) and other technological documents for the facility (with a reference to electronic versions, if appropriate) _____;

3.8. Description of permissible changes in respect of the facility resulting from consultations with private sector _____

_____;
3.9. Normative and legal requirements, technical permits and licenses required for the project _____

_____;
3.10. Description of project related environmental impacts in the project region _____

4. Temporary project implementation parameters:

Table 1

Parameter	Unit	Value
Project implementation period	years	
Start date of facility construction	year	
Duration of investment stage (capital costs)	years	
Date of commissioning	year	
Duration of operation stage	years	
Last year of PPP contract implementation	year	

5. Project revenue forecasting:

Table 2
(unit)

Indicator	Year of implementation	Value of the indicator
Output of goods, works, services		
Unit cost of goods (works, services)		
Proceeds from sale of goods (works, services) under the project		
Proceeds from sale of paid goods (works, services)		
Tax revenues to the budget		
Non-tax revenues to the budget		

6. Expected amount of project financing:

Table 3
(unit)

Indicator	Year of implementation	Value of the indicator
Total financing	x	
Financing of the facility creation including preparation and(or) design		
Financing of the facility operation and(or) technical maintenance		
Project financing with the own funds of the private partner		
Budget financing of the facility creation including preparation and(or) design		
Budget financing of the facility operation and(or) technical maintenance		
Project financing with credits (loans)		

Terms of credit (loan) attraction and repayment:
--

7. Summary of project financial efficiency:

Table 4

Indicator	Year of implementation	Value of the indicator
Discount rate (rate of return for the private partner)	%	
NPV (net present value)		
IRR (internal rate of return)	%	
DPP (design payback period)	years	
PI (profitability index)	index	

8. Socioeconomic efficiency of the project:

8.1. Findings of the estimation of qualitative (quantitative) social effects

_____;

8.2. Findings of the estimation of monetary social effects (if the estimation was conducted)_____

9. The project comparative advantage and risks assumed by the public partner under the project:

9.1. Comparative advantage ratio _____;

9.2. Description and amount of liabilities assumed by the public partner in case of emergence of risks in connection with:

preparation and(or) design _____

creation of the facility_____

operation and(or) technical maintenance of the facility _____

project revenues _____

other risks_____.

10. Legal feasibility of the project:

10.1. Legal restrictions impeding the implementation of the project

_____;

10.2. Proposals for improvement of the legislation needed for the implementation of the project _____

_____;

10.3. Decision-making level (normative legal act) for the project implementation under PPP contract with indication of the government bodies and organizations authorized to make the decision _____

_____.

APPROVED:

Head (Deputy Head)
of the public or private initiator

(signature) (first, middle, last name) _____
date (day/month/year)

CLEARED:⁵⁴

Head (Deputy Head)
of the interested body

(signature) (first, middle, last name) _____
date (day/month/year)

Note:

The PPP Project Passport may contain, if needed, other data by adding the respective points and(or) subpoints.

⁵⁴ In case the Feasibility Study was developed by the private initiator and was supported by the interested body

Annex 4
to the Resolution
of the Ministry of Economy
of the Republic of Belarus
27 July 2016 № 49

Requirements for the Bidding Documents

1. The bidding documents shall be prepared based on the decision on the implementation of the public-private partnership project in line with the following documents:

Decision of the Interdepartmental Infrastructure Coordinating Council established by the Resolution of the Council of Ministers of the Republic of Belarus of 27 May 2014 № 508 “On Interdepartmental Infrastructure Coordinating Council” (National Legal Internet Portal of the Republic of Belarus, 4 June 2014, 5/38933) (further referred to as the Interdepartmental Council) on approval of the proposal;

Feasibility study (containing, *inter alia*, the financial model of the public-private partnership project (PPP project);

PPP project passport;

Draft public-private partnership contract;

other documents containing the information needed for preparation of the bidding documents.

2. The bidding documents should contain the following structural components:

2.1. a preamble with the approval stamp of the organizer of the bidding indicating the bidding method, title of documentation and name of the infrastructure facility for which the bidding is conducted;

2.2. abbreviations used in the bidding documents;

2.3. information about the procedure of the bidding including:

2.3.1. general provisions reflecting:

authorization to conduct the bidding;

terms of the bidding determined by the tender commission (reflected in the bidding data sheet);

subject and terms in respect of the subject of the bidding;

terms of access to and participation in the bidding;

bidding participation costs;

requirements for the information to be provided by the bidders;

2.3.2. the bidding documents reflecting:

procedure of the issue of the bidding documents;

procedure of clarification of the bidding documents;

procedure of entering changes and(or) additions to the bidding documents;

- procedure of publication of the invitation to bid;
- 2.3.3. preparation of the proposal (bid) including:
 - general requirements for the proposal (bid);
 - official language of the bidding;
- 2.3.4. submission and receipt of proposals (bids);
 - requirements for the formulation of proposals (bids);
 - furnishing of proposal (bids);
 - venue, date and time for the submission of proposals (bids);
 - registration of proposals (bids);
 - procedure of the modification or withdrawal of proposals (bids);
 - late proposals (bids);
- 2.3.5. examination of proposals;
- 2.3.6. terms and procedure of the issue of the bidding documents;
- 2.3.7. examination of bids;
- 2.3.8. procedure of appealing against the decisions of the tender commission;
- 2.3.9. procedure of return of the security;
- 2.3.10. negotiation of the term of PPP project implementation;
- 2.3.11. conclusion of PPP contract;
- 2.3.12. requirements for the fulfillment of obligations;
- 2.4. data sheet of the bidding;
- 2.5. form of the proposal;
- 2.6. form of the bid;
- 2.7. list of documents constituting the proposal (bid);
- 2.8. form of the questionnaire for the bidder;
- 2.9. Terms of Reference for the infrastructure facility;
- 2.10. Draft PPP contract containing the terms of the public-private partnership contract specified in Article 29 of the Law of the Republic of Belarus of 30 December 2015 “On Public-Private Partnership” (National Legal Internet Portal of the Republic of Belarus, 1 January 2016, 2/2340);
- 2.11. procedure of the evaluation of proposals (bids).
- 3. Depending on PPP project specifics, the bidding documents may contain additional data determined by the public initiator.