

**Belarus**  
**EU-Belarus Program for Private Sector Development**  
**PPP Component**

**Terms of Reference – Medical Diagnostics PPP: Project Scope, Financial Model, and Viability Study**

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**A. INTRODUCTION**

The EU-Belarus Program for Private Sector Development was launched in January 2019 and will be implemented over the next two years. The principal Government of Belarus (GoB) counterparts are the Ministry of Economy (MoE) and the National Agency for Investment Promotion and Privatization (NAIP). The line ministries and regional government agencies are also beneficiaries. The Program consists of four components as follows:

- i (i) SME Development Support (Component 1);
- ii (ii) Investment Attraction and Retention (Component 2);
- iii (iii) Capacity Building for PPPs (Component 3); and
- iv (iv) Paperless Trade Project (Component 4).

PPPs have the potential to inject much-needed capital and technical expertise into Belarus' economy. GoB launched its PPP program in 2013, motivated by two main factors: (i) insufficient public sector financing capacity for infrastructure; and (ii) a need to expand the scope of the private sector in the economy. The PPP program includes capacity building for line ministries and regional authorities. The Capacity Building for PPPs Component 3, therefore, comprises the following three sub-components:

- (i) Methodological Support in areas such as risk management, legal assistance and contract monitoring;
- (ii) Assistance with Project Preparation; and
- (iii) Capability Building for Staff, including training and study visits.

This Terms of Reference (TOR) document intended to develop a project scope, financial model, and viability study for a PPP project in the field of medical diagnostic services under Assistance with Project Preparation, subcomponent (ii).

**B. THE ASSIGNMENT AND OBJECTIVE**

**Global objective**

To provide the MoE, the Ministry of Health care (MoH) and NAIP with a project scope and viability study and financial model for a Public-Private Partnership (PPP) project in the field of medical diagnostic services. The study will consider a project for Magnetic Resonance Imaging (MRI) services, and will also consider whether other diagnostic services should be included in the project scope.

Specific objectives:

1. To perform the organisational and legal project evaluation, elaboration of the most effective legal forms and project schemes based on a detailed analysis of the existing Belarusian legislation.

2. To conduct the financial and economic evaluation of the proposed project (capital expenditure (CAPEX), revenue streams and operational expenditure (OPEX) including depreciation, taxes and financing costs, and calculation of standard financial and economic measures of viability including developing the most effective scheme of project funding based on the public-private partnership principles.
3. To conduct a technical evaluation of the existing technical documentation provided by the MoH.
4. To develop the specific mechanism of implementation of the project that can be replicated for other regions of Belarus.
5. To deliver the study, the financial model, user manual, and the financial and economic viability assessment in a consolidated report, including recommendation of the best option for the project scope and structure with a clear explanation of the benefits for PPP.

### **C. Scope of Work and Deliverables**

The scope of work comprises the following Tasks:

#### **C.1 Task 1: Presentation of best practices in the PPP Health infrastructure projects**

The Consultant shall present a review of best practices and lessons learnt regarding any recently successfully implemented PPP transactions in similar countries in the Health sector (at least three best applicable examples in more than one country), including general recommendations to use these best practices in the current project. Such recommendations shall be presented to the project and include, in particular, the following aspects:

- detailed analysis of socio-economic, technical, financial and economic (including mechanisms for repayment of investments), legal and organizational aspects of the implementation of this project, the best recommended solutions; overview of the public sector liabilities, guarantees and various forms of support used in these projects;
- overview of public sector obligations, guarantees and various forms of support used in these projects.

The output of this stage shall be the report Analysis of best practices in the PPP Health infrastructure projects.

#### **C.2 Task 2: Market analysis and Description of PPP project scope (goods, works, services).**

The main Tasks under Task 2 are:

- determination of the best location for the first project and the consumer groups of goods (works, services) that are in the sphere of influence of the project in consultation with MOH and MOE. The project will have a focus on MRI services, however the consultant will recommend the best mix of diagnostic services to optimize project viability;
- the presence of services that are already provided by competitors in this location and are planned for implementation within the project;

- assessment of the benefits of services planned for implementation within the project, compared with competitors already provided (implemented, provided);
- assessment of the current and potential level of demand for services, the provision (implementation, rendering) of which is planned within the framework of the project;
- assessment of the current level of prices (tariffs), including those regulated by the state, for goods (works, services) and forecasts for their change in the future, justification of approaches to their forecasting;
- a description of the services produced within the framework of the project, justification of the need to change their quantity and (or) quality (taking into account the needs of the population and organizations (hereinafter referred to as consumers), including operational characteristics, functional and other requirements), ensuring their availability (diversification);
- description of the scope of the project in which it is planned to produce goods and (or) perform work, provide services within the project;
- Description of potential project participants;
- the impact of government support for the project implementation industry on the final price level for consumers;
- the main methods used in the analysis of the market of services during the implementation of the project.

The result of this stage should be the report “Market analysis and description of the scope of the project for the provision of services to the population”

### **C.3 Task 3: Legal analysis**

The main Tasks under Task 3 are:

- based in the review performed under Task 1, to analyses and define the possible legal and contractual framework applicable to the Project, including analysis of the available under the local legislation alternative contractual arrangements for a PPP project;
- to recommend the best applicable contractual structure for the project.

The Consultant shall review the available national PPP legislation and shall define the general contractual framework that shall be used for the project. If necessary, the Consultant shall propose relevant amendments to the Project structure or the national legislation applicable to PPP to optimise the feasibility of the Project. The outputs of this Task shall be a Draft project legal feasibility chapter for the project.

### **C.4 Task 4: Financial and Economic analysis**

All the activities of financial and economic viability analysis shall be done in line with the Resolution of the Ministry of Economy of the Republic of Belarus №49 as of June 26, 2016.

The MoH and NAIP provide initial data for the development of a financial model.

The main tasks under this activity are:

- to develop the project Capital expenditure (CAPEX), Revenues and Operational expenditure (OPEX) model including depreciation and taxes and calculation of standard financial ratios and

- performance measures of the Project and define the optimal financial/capital structure of the Project from the public sector contracting authority's perspective;
- to develop the most effective project revenue stream based on the availability of financing from the regional and/or national budgets (data of the budgets to be provided by the MoE and NAIP);
  - to review and appraise the existing project financial documents to be provided by the MoE and NAIP;
  - to assess the Value for Money (VfM) of the Project under the envisaged PPP scheme and validate with the MoE and NAIP the financial feasibility of the Project in line with the budgeted expenses;
  - to define the terms of payment of the availability payment based on the optimal set of Key Performance Indicators to be proposed by the Consultant;
  - to analyse possible legal implications regarding the financial/capital structure of the Project;
  - take into account the possibility of providing additional paid services to the population using the Project.

The output of this stage shall be a Draft project financial viability chapter. It shall include the following elements:

- General economic hypotheses and assumptions over the Project implementation period. This includes forecasts of inflation, GDP growth, exchange rates of the local currency versus Euro, short term and long term reference interest rates;
- The financial structure of the private partner: capital leverage, margin assumption, capital IRR, dividend policy and other assumptions necessary to establish the business plan of the Project;
- The identification and classification (in qualitative and quantitative terms) of the risks of the Project, to use such data in the financial model and VfM exercise;
- Public support characteristics: possible levels of capital contribution during the creature phase, constraints regarding the profile and structure of the availability payment, possible types of indexations for both capital contribution and availability payment;
- Assessment of the socio-economic effect of the Project, which should also be used in the evaluation and financial modelling processes;
- Recommendation of the optimum Project budget envelope (the indicative breakdown of public costs throughout the Project);
- The output should also include the financial model allowing simulation of several scenarios and sensitivity analysis to optimise the planning process. The model should include CAPEX and OPEX Profit and Loss statement projection together with the cash flow projection and debt-service projection for the entire project life cycle;
- determination of the required volume of paid services in terms of additional income to assess the project payback.

The financial model should reflect best industry practice and be available in the local currency and Euro, the possibility of calculating several scenarios must be realized. It should contain the following information:

- Profit and loss projection table;
- Cash-flow projection table;
- Calculation of financial ratios including Debt Service Coverage Ratio (DSCR) and financial performance measures including FIRR, EIRR, ROA, ROE.

- A detailed log of assumptions; mechanism for transfer the financial model in another currency;
- A clear operating manual for the financial model.

It should not include any protection and will limit as much as possible the use of VBA Macro functions.

Using the financial model as a base, the Consultant shall undertake a “Value for Money ("VfM") exercise and check that under reasonable assumptions the Project implemented under a PPP scheme will deliver positive value for money in comparison with other possible contractual modalities (including direct public procurement).

If the VfM exercise shows that the expected Project VfM is negative, the Consultant shall analyse the reasons and suggest changes to the Project structure to achieve and maximise the Project value for money.

Using cash-flow information from the financial model and other market information, the Consultant shall propose to the MoH and NAIP the optimum financing structure for the Project: this shall detail the budget costs of the Project, and other types of support requested from the public sector to make the Project viable, efficient and attractive for both the public and private sectors. The Consultant shall produce recommendations for the best contracting approach to the Project.

When developing its recommendation, the Consultant shall aim among other things to optimise Project total costs, determine the appropriate balance of risks and incentives in the Project financial/capital structure, substantiate the attractiveness of the project for private investors and its budget availability.

### **C.5 Task 5: Technical viability analysis**

Technical model of the project and general description of the technical solutions for the project implementation during all stages, including the analysis of:

- Existing technical documentation related to the project;
- The necessary services compared to the actual demand for the services generated by the project in the region as estimated under Task 2 above;
- The necessary capacity of the facilities compared to the actual demand for the services generated by the project in the region;
- Roadmap of the development activities, roadmap of renovation activities during the project maintenance;
- Analysis of exploitation expenses.

The initial data for the development of the Task «Technical Viability Analysis» will be provided by the Ministry of Health, MoE and NAIP, including data on real estate and movable property included in the project, its condition and equipment utilities.

### **C.6 Task 6: Risk analysis**

The Consultant shall prepare a detailed Project risk matrix, setting out all the identified risks of the Project (legal, administrative, technical, financial, economic, environmental, etc.). The objective is to assign each risk to an owner who is best able to handle that risk and to distribute risks between Public and Private sectors to achieve maximum Value for Money for the Public sector, but also in a way which is bankable and commercially attractive to the private partner. Developing the risk matrix, the Consultant shall develop the risk transfer scenarios from the public sector to the private partner.

Risk analysis shall be done in line with the Resolution of the Ministry of Economy of the Republic of Belarus №49 as of June 26, 2016.

### **C.7 Task 7: Descriptive part of the Study**

The Consultant should develop a descriptive part of the Study following the requirements the Resolution of the Ministry of Economy of the Republic of Belarus №49 as of June 26, 2016.

The Descriptive part should consist of the following sections:

- Description of the Project (including: the number of health care institutions in which devices will be placed, the number of studies conducted on a paid basis, the number of studies conducted on a budgetary basis, the timing of the project, optimal cost of services);
- Description of goods (works, services). Market analysis;
- Technical and economic data and information on the object;
- Financial model of the Project;
- Contract prices for the purchase and installation of devices;
- Project Efficiency and Feasibility;
- Risk and comparative advantage assessment;
- The organizational structure of the Project.

The composition and content of each section are determined the Resolution of the Ministry of Economy of the Republic of Belarus №49 as of June 26, 2016.

### **C.8 Task 8: Workshop**

In coordination with the MoE and NAIP, the Consultant shall organise one training on the PPP Workshop for national and regional authorities and private sector representatives to be delivered by the project's expert team.

The workshop will be organised for one day for at least 30 attendees on the topic «Placement of magnetic resonance imaging devices in public health organisations on PPP terms. Practical aspects of using the financial model in work».

The training will use the results of the Study and present it in detail to the stakeholders to strengthen their practical skills to prepare and implement PPP projects.

The Consultant shall make logistical arrangements and cover costs associated with training, i.e. rent premises (centrally located) and presentation, sound and interpretation equipment; provide food (one coffee-breaks: snacks, coffee and refreshments; 1 business lunch for participants); prepare, translate and print out training materials; including operating manual for financial model; provide stationery (folders, pens and notebooks).

Final dates of the training shall be confirmed after the start of the activities in coordination with the MoH, the MoE and NAIP.

### **Required outputs:**

The Consultant is expected to develop a detailed Study of the Project and to provide, the MoH, the MoE and NAIP with the Final Report and the Financial Model as described above. The requirements for the reports and its main chapters are as below.

Final Report should consist of the draft key outputs of all the Activities as described above in section "Requested services", i.e.:

- a) Presentation of best practices and recommendations in the PPP Health infrastructure projects;
- b) Description of the project (including: the number of health care facilities in which MRI devices will be placed, the number of studies conducted on a paid basis, the number of studies conducted on a budgetary basis, the timing of the project);
- c) Project description of goods (works, services). Market analysis;
- d) Project legal analysis;
- e) Project financial analysis and financial model;
- f) Project technical analysis;
- g) User manual for the financial model.
- h) Risk matrix and any supporting documents as necessary;
- i) Specific findings and detailed recommendations for further Project implementation steps;
- j) Descriptive part of the Study.
  - k) Payment mechanism;
  - l) The effectiveness and viability of the project;
  - m) The organizational structure of the project.
  - n) An overview of public sector obligations, guarantees and various forms of support used in these projects.

### **D. Consultant qualifications:**

The Consultant is expected to be a firm or a consortium of firms.

The proposals will be evaluated on:

- Functional experience of the firm in all aspects of PPP projects with an emphasis on legal and regulatory aspects of PPPs.
- Experience of the firm in the Region and especially in countries with relevant legal frameworks and a track record of PPPs in the region.
- Functional and regional experience of the proposed staff.
- Language: Extensive capability in Russian and English.
- The team will at least include legal, financial and communication experts. The consultant team should include one or more international experts in the field of healthcare, economic and legal research, construction and technical expertise and have experience in both Western European and Russian legal PPP systems.

### **Evaluation criteria:**

The proposals will be evaluated according to the following notations:

- Technical proposition: 70%

- Financial proposition: 30%

### **Experience working with International Development Agencies:**

The Consultant is expected to have strong communication skills in Russian and English. Previous experience with the World Bank Group and/or other major international donors would be appreciated.

### **E. General information:**

The Consultants will detail the methodological approach for carrying out each task, with clear indications and justifications for the capacities and tools to be used.

The methodology should include a work plan, which should indicate the allocation of tasks among individual consultants and the time to complete each of the tasks.

The Consultants should also provide sequencing of the activities which will be carried out to achieve the expected outcomes of the assignment and a detailed implementation chart showing the critical implementation path.

For each component of the assignment, the Consultant is required to outline the number and level of qualification of the experts involved.

The Consultant will also have to work remotely and organise video conference with the World Bank and Belarus counterparts. Therefore, the Consultant has to indicate that it has the necessary technology.

To facilitate the execution of the assignment, the Consultant will be granted access to copies of the existing relevant reports and copies of statutory instruments and legal documentation.

### **F. Activity Supervision and Quality Assurance**

The Consultant will report to the World Bank Task Team Leader from whom all necessary approvals will be obtained.

The Consultant should note that this is a World Bank-executed activity. The World Bank team will be responsible for task management of the activity by procuring the consulting services, liaising with the consultants, reviewing the draft and final reports, payment of consultants and reporting.

### **G. Duration**

The consultancy is expected to be completed within six months. The consultants are expected to start the assignment within two weeks of signing the contract.