



The Malawi Government



PublicPrivate
Partnership
Commission

TERMS OF REFERENCE

FOR THE

**PROVISION OF PPP TRANSACTION ADVISORY SERVICES FOR THE
CONSTRUCTION OF 300 STAFF HOUSES, RECREATION FACILITY AND
SHOPPING COMPLEX FOR THE MALAWI UNIVERSITY OF SCIENCE AND
TECHNOLOGY IN THYOLO**

1. BACKGROUND

The Public Private Partnership Commission (PPPC) on behalf of the Government of Malawi wishes to invite proposals from qualified consultants to provide PPP transaction Advisory Services for the Construction of 300 Staff Houses, Recreation Facility and Shopping Complex at the Malawi University of Science and Technology (MUST) main campus in Thyolo District, Southern Region of Malawi. The Malawi University of Science and Technology is a public university in Malawi which was established on 17th December 2012 and started its operations and enrolment in April 2014. Its vision is to be “*a world class centre of science and technology education, research and entrepreneurship*” through the provision of a conducive environment for quality education, training, research, entrepreneurship and outreach activities.

The Government wishes to implement the Staff Housing, Recreation Facility and Shopping Complex Project through a Public Private Partnership (PPP) arrangement as envisaged in the PPP Act of 2022. Through this, the Government hopes to optimise efficient delivery of the following services for the staff members and students at MUST;

- i. Accommodation facilities (300 staff houses)
- ii. Recreation facility including amenities such as gymnasium, indoor sports activities, and other entertainment and athletic facilities.
- iii. Shopping complex including shops, restaurants, salons and other establishments including a parking area.

The University’s primary goal of the project is to provide quality, sufficient well managed and well-maintained staff houses at a reasonable price; a recreation facility to promote active lifestyles for the staff members and students and a shopping complex that will provide an easy and convenient shopping area and other associated services. Staff housing demand for affordable accommodation is rising, with most staff members commuting from Blantyre district every day. Most students and staff members commute to Blantyre to buy their goods and access other services as these are scarce in Thyolo. The University would prefer that this project be completed as soon as possible to alleviate some of these accommodation challenges and inadequate recreational facilities the students and staff members are facing. Land for this purpose will be allotted within the MUST campus.

The University’s consideration of PPPs in the construction of 300 staff houses is in line with the following policy and legal instruments;

- Public Private Partnership Act (2022)
- Malawi 2063 Agenda through the Malawi Implementation Plan I (MIP 1)
- Sustainable Development Goals (2016 - 2030)

2. OBJECTIVES

The objectives of this assignment are to recruit feasibility and transaction advisors, referred to herein as Advisors, who will assist MUST and the PPP Commission in the development and implementation of the assignment:

- To determine the technical, legal, financial, economic and environmental feasibility of constructing 300 Staff Houses, a Recreation Facility and Shopping Complex on a PPP arrangement. The study will come up with a PPP Options report which will recommend the best way to structure the PPP;
- To support MUST in identifying the private partner to design, finance, construct, operate and transfer the required housing accommodation, shopping and recreational facilities.

3. SCOPE OF WORK

The scope of work for the Advisors is as follows:

3.1 Phase 1: Feasibility Study

The Advisor is required to undertake a comprehensive feasibility analysis for MUST to establish the viability and affordability of constructing 300 staff houses, recreation facility and shopping complex in its main campus. The analysis will include an assessment of the viability of developing the project through a PPP arrangement and will include, among others, the following components:

- Specific analysis into the feasibility of executing this project as a PPP in consideration of both the lifecycle costs and revenue streams,
- An assessment of various class requirements of the 300 houses/flats including the need for additional accommodation for visiting professors/research fellows, and an assessment of the amenities to be included in the recreation facility and shopping complex. The consultants

- must propose a maximum of three alternative Sketch Plans for the houses/flats, the recreation facility and shopping complex,
- c. Design options for a “green building” to create a safe, healthy and natural environment. The Advisors will also provide the associated cost impact analysis,
 - d. Financing options for the Project,
 - e. An assessment of the affordability limits from the users’ perspective in regard to the income likely to be required by the investor. The income will include rental fees from staff members; user fees for the recreational amenities,
 - f. A PPP Options Report which will include the full identification and allocation of transaction risks to both the public and private parties. The allocation will be based on who is best placed to manage the risks. In other words, the allocation will reflect the comparative or relative ability of each party to address a specific risk. The allocation will also set out how the risk allocation impacts on the transaction;
 - g. Establishing that the Staff Housing, Recreation Facility and Shopping Complex proposal delivers Value-for-Money for the Contracting Authority, MUST; affordable rentals and user fees for the users, and at the same time provides an acceptable return on investment to the investor,
 - h. Economic, Environmental and Social Appraisal of the recommended option,
 - i. An assessment of the legal and institutional adequacy for the project and if there are gaps, provide mitigation measures
 - j. An assessment of any potential contingent liabilities and its quantification,
 - k. An assessment of any need of Viability Gap Funding and its magnitude,
 - l. Local market sounding and investment promotion meetings for the purposes of gauging investment appetite for the transaction and its proposed structure,
 - m. The Advisor shall prepare Request for Expression of Interest (REoI) (or request for prequalification) and Request for Proposal (RFP) documentation in accordance with international best practice. The documentation shall concisely set out:
 - i. Brief description of the project.

- ii. The output specifications for the private party to meet;
 - iii. Requirements for compliant bids;
 - iv. A risk profile as established in the feasibility study;
 - v. The payment mechanism;
 - vi. The bid process;
 - vii. Evaluation criteria;
 - viii. Bidder communication systems;
 - ix. Draft Agreement;
- n. Any other matter that may have a material impact on any element of the Project.

3.2 Phase 2: PPP Procurement

If, on the basis of the feasibility study, a PPP solution is considered an optimal solution for the project, and if the Client opts to proceed to the procurement stage after obtaining all necessary approvals, the Advisors may be required to provide the necessary technical, legal and financial advisory support for the procurement of the private partner to design, finance and develop the complex. All activities shall comply with the provisions of the PPP Guidelines and Procedures Manual and other applicable procurement and PPP principles and regulations.

The Advisors shall provide the PPC with all the bidding administrative support necessary including advertising, bidder communication, drafting and other administrative support for the entire procurement process to the highest standards of efficiency, quality and integrity.

3.2.1 Administration of the Bidding Process

The Advisors will provide all necessary administrative support to the PPC for the efficient and professional management of the bidding process. This includes managing a data room and/or information memorandum, facilitating structured engagement between the PPC and bidders, helping the PPC to communicate effectively with bidders, and receiving bids.

3.2.2 Evaluation of Bids

An Evaluation Team comprising various stakeholders, assisted by the Advisors, will evaluate the bids following guidance given in the Bid Procedures. A Best and Final Offer (BAFO) process should be assumed. When costing this phase, the transaction advisor must allow for the possibility of administering BAFO processes. If there is no BAFO process, the Advisors' remuneration will be adjusted accordingly.

3.2.3 PPP Agreement Negotiations

The Advisors will assist the PPPC in the final negotiations with the preferred bidder. This will involve categorizing issues appropriately, developing timelines for completion, and planning negotiation strategies and processes for reaching an effective agreement. The Advisor must ensure that all agreements reached are incorporated into appropriate financial, commercial and legal documentation, and must assist with drafting the necessary and related correspondence.

The final terms of the agreements, each as negotiated with the preferred bidder, must be submitted to the PPPC and MUST, along with the PPP agreement management plan for the construction of the Staff Houses, Recreation Facility and Shopping Complex for approval. The Advisors are responsible for compiling the necessary submissions for the PPPC and MUST to obtain this approval.

The Advisors will submit a close-out report for the procurement of the private investor which will be a confidential document of the PPPC and MUST.

4. TIMELINES FOR DELIVERABLES

The timelines for deliverables covering the scope presented above is presented below:

Part	Item	Deliverable	Timeline
Phase 1 Feasibility Study	1	Inception Report	2 weeks after Commencement of services
	2	Needs Analysis Report culminating in to proposed 3-D Sketch Plans for the 300 Staff Houses, Recreation Facility and Shopping Complex.	8 weeks after Commencement of services
	3	Draft Final Report covering all aspects of PPP; legal and regulatory; technical and financial findings and proposals	10 weeks after Commencement of services
	4	Final Report as a revised version of the draft Final Report based on stakeholders' comments	13 weeks after Commencement of services
	5	Draft Bidding Documents	15 weeks after Commencement of services

Approval of the Detailed Feasibility Study by the Ministry of Finance and Authorization to proceed to Procurement Stage. Issuance of Notification to the Advisors engaging them to proceed to the next stage.

Part	Item	Deliverable	Timeline
Phase 2 Administering the Procurement of the private party	6	Floating Adverts requesting Expressions of Interest or Prequalification	5 weeks after Notification
	7	Managing the Procurement Process. The Advisors participate in the shortlisting or prequalification of applicants and draft the required evaluation reports. Thereafter the consultant shall revise and finalize the RFP. The Advisors shall also draft bid communications such as responses to request for clarifications. The Advisors shall also, to mention but a few, facilitate bid conferences, carry out multi-stage technical evaluations (including bidder interviews) and conduct contract negotiations.	20 weeks after Notification
	8	Contract signed and Procurement Close-out Report	27 weeks after Notification

Notes:

- a. Further details of the components of the detailed feasibility study reports are presented in Annex 1;
- b. All reports, market sounding and investment promotion meetings under Part 1 will be delivered in Malawi;
- c. Similarly, for Part 2, the Advisors have to make adequate provisions to be present in Malawi for submitting deliverables, holding or attending evaluation meetings, bid conferences and contract negotiations, among several;
- d. The Procurement Phase is provisional and will only be implemented subject to conditions in paragraph 3.2. However, bidders are requested to make detailed, separate provisions and costing for each of the two phases in their submissions.

5. FORMAT FOR SUBMISSION OF REPORTS

All reports must be submitted in a Microsoft Word format (with relevant annexures) and delivered as both electronic and hard copy documents. The hard copy documents for the Detailed Feasibility Study Report, the Bid Documentation, the PPP Agreement and the Closeout Reports shall comprise six copies. The feasibility study must be presented with a thorough executive summary and must be accompanied by a PowerPoint presentation containing all the key features of the study. The executive summary and PowerPoint presentation must be compiled in such a manner that they can be used for decision-making purposes. All financial models must be in Excel format, and clearly set out all assumptions made, sensitivity analyses carried out, and model outputs. The financial models must be sufficiently adaptable for use by others at later stages.

6. DURATION

The duration of the advisory services is expected to be approximately ten months.

7. TRANSACTION ADVISOR QUALIFICATIONS AND EXPERIENCE

The Advisors, a firm or an association of firms, shall comprise a team managed by an individual Lead Advisor. The firm shall have a demonstrable experience of at least seven years of providing similar services, that is PPP detailed feasibility studies and PPP Procurement support, to either the public or private sectors or both. Knowledge of

the African operating environment as it affects the implementing of PPPs in office accommodation transactions will be an added advantage. The team shall provide evidence of a proven track record in successfully transacting PPPs in the ranges of US \$30 million and above in the past ten years in various sectors. The members of the team will have both the skills and experience necessary to undertake the range of tasks set out in these terms of reference. The Lead Advisor will be held accountable, in terms of the Advisors contract, for ensuring that all project deliverables are submitted in time, in good quality and within cost. He will also ensure the professional conduct and integrity of his or her team.

The skills and experience required within the team are as follows:

- a. Financial analysis, with relevant PPP and project finance experience;
- b. PPP procurement and structuring;
- c. Legal and regulatory expertise;
- d. Economic, Social and Environmental Analysis
- e. Planning management;
- f. Facilities management;
- g. Relevant expertise in the construction and the maintenance of commercial and personal real estate including shopping centers, housing estates and recreational facilities. These shall include civil engineering, architecture and quantity surveying;
- h. Contract negotiations;
- i. Contract management and;
- j. Project management.

7.1 Team Composition

It is the responsibility of the Advisors to propose and use a team which is appropriate for this engagement.

The team should comprise, at a minimum, of the following. The Advisor will propose at least one candidate for each position or role listed:

- Project team leader with a minimum of 10 years' experience in housing projects and/or shopping centers and/or recreational facilities under PPP framework.

- PPP expert with a minimum of 10 years of developing, analysing and structuring PPP transactions;

- Financial and Risk Analysis expert with minimum of 10 years in analysing PPP financial viability, economic appraisal and developing financial models for infrastructure projects;
- Legal expert, knowledgeable in Malawi Law, with 10 years' experience in project finance, legal and regulatory analyses and reviews and PPP contracting;
- Architects familiar with the Malawi operational environment, with at least 10 years' experience;
- Town Planner with a minimum of 10 years' experience;
- Interior designer with a minimum of 10 years' experience;
- Quantity Surveyors with a minimum of 10 years' experience;
- Structural Engineer with a minimum of 10 years' experience;
- Services Engineer with a minimum of 10 years' experience;
- Environmental & Social Specialist with a minimum of 10 years' experience.
- Land Surveyor with a minimum of 10 years 'experience.

8. STAKEHOLDERS IMPLEMENTATION ARRANGEMENTS

The following are the stakeholders and proposed implementation arrangements for the Project.

8.1 GOVERNMENT OF MALAWI

The Government of Malawi, specifically through MUST, is the owner of the Project and will be the contracting authority for the PPP. The private sector party or investor will enter into contract and report to the University throughout the project lifecycle. The University will also take a prominent role in technical supervision of the transaction. Their responsibilities include securing the land, finalizing or approving building drawings, supervising the provision of utilities, et cetera.

8.2 THE PUBLIC PRIVATE PARTNERSHIP COMMISSION (PPPC)

The Mandate of the PPPC is to facilitate private sector participation by administering the PPP Act. The Commission achieves this by supporting Contracting Authorities (CAs) during the PPP cycle covering concept development, feasibility analysis, procurement, contracting and monitoring. The PPPC will be the contract holder for the transaction advisory services but not for the PPP contract. For the Advisors' contract, the PPPC will be responsible for nominating a contact or desk officer and convening stakeholders' meeting for deliverable reviews and other project activities.

8.3 Management of the Advisors by the PPPC

Overall responsibility for the Project will reside amongst the stakeholders' principals namely, the Vice Chancellor of MUST and the PPPC Chief Executive Officer. The PPPC will appoint a desk officer for day-to-day management of the services. Other measures will be as follows:

- a) There will be a loose working committee appointed by the principals above which will review the progress made by the Advisors, coordinate the allocation of resources for the project and discuss preliminary findings and provide initial approval of and feedback on the deliverables.
- b) The PPPC will also assist the consultants in sourcing reports and other literature from public sector stakeholders. The PPPC will also make the initial introductions and arrange for stakeholder meetings.
- c) To facilitate the execution of the assignment, the PPPC will aid the Advisors in arranging meetings and access to the relevant information.
- d) Feedback to reports shall be submitted within two weeks and the Advisor shall be allowed one week to submit revised reports. Payment for deliverables will be subject to the submission of acceptable reports.

9. SELECTION METHOD

The consultant shall be selected in accordance with the **Quality and Cost Based Selection (QCBS)** under the Public Procurement and Disposal of Public Assets Act of 2017.

10. CONSULTANT'S RESPONSIBILITY

All information, data and information obtained from the client shall be properly reviewed and analyzed by the consultant. All such information, data and reports shall be treated as confidential. The consultant shall make their own arrangements for document reproduction, printing and reproduction of all reports during the assignment. The consultant shall be self-sufficient in office accommodation, internet and communications.

ANNEX 1: Proposed Checklist (Components) of the Feasibility Study Report

Contents of the Report

1. Introduction

- a. Executive summary
- b. Introduction
- c. Project background
- d. Approach and methodology in terms of the feasibility study.

2. Needs analysis

- a. Institution's strategic objectives
- b. Proposed Budget for the project
- c. Institutional analysis
- d. Output specifications
- e. Scope of the project
- f. Review of existing housing, shopping and recreational infrastructure

3. Solution options analysis

- a. List of options considered
- b. Evaluation and assessment of each option
- c. Summary of findings
- d. Recommendation of a preferred option.

4. Project due diligence

- a. Legal aspects
- b. User rights
- c. Regulatory matters
- d. Site enablement
- e. Economic Appraisal
- f. Social and Environmental Analysis

5. Value assessment

- a. Public Sector Comparator model
- b. Technical definition of project
- c. Discussion on costs (direct and indirect) and assumptions
- d. Discussion on revenue (if relevant) and assumptions made

- e. Discussion on all model assumptions made in the construction of the housing, shopping and recreational facilities, including inflation rate, discount rate, depreciation and budgets
- f. Summary of results from the base PSC model: NPV
- g. PPP reference Model
- h. Discussion on proposed PPP type
- i. Proposed PPP project structure and sources of funding
- j. Payment mechanisms
- k. Risk assessment
- l. Comprehensive risk matrix for all project risks
- m. Summary of the institution's retained and transferable risks
- n. The NPV of all risks (retained and transferable) to be added onto the base PSC model
- o. The NPV of all retained risks to be added onto the PPP reference model
- p. Risk-adjusted PSC model
- q. Summary of results: NPV
- r. Risk-adjusted PPP-reference
- s. Summary of results: NPV, key indicators
- t. Sensitivity analyses
- u. Statement of affordability
- v. Statement of value for money
- w. Viability Gap Funding (if need be)
- x. Potential Contingent Liabilities
- y. Recommended procurement choice
- z. Information verification