

# PROJECT PROPOSAL TEMPLATE

## Solicited Projects

TEMPLATE 1

### INTRODUCTION

The purpose of this document is to give contracting authorities wishing to pursue PPP projects a tool through which they can provide details on the proposed project's suitability to be implemented through the PPP framework.

#### 1. General Information

|   |   |
|---|---|
| A. <b>Project Name:</b> <i>(State the name of the project in full)</i>  |   |
| B. <b>Contracting Authority:</b> <i>(name of the government agency responsible for implementing this project)</i> | C. <b>Sector:</b> <i>(e.g. Transport, Energy, Water and Waste Management, Tourism, Agriculture, etc.)</i>                                   |
| D. <b>Project Category:</b> <i>(e.g. Road, Rail, Port, Power Plant, Health care facilities etc.)</i>              | E. <b>Project Location:</b> <i>(geographical location of the project by reference to the name of the locality – attach geophysical map)</i> |
| F. <b>Private Proponent/Consortium:</b>   |   |

#### 2. Prerequisite Conditions

Please provide information pertaining to the following:

- Evidence that the proposed project has been derived from the Contracting Authority's Medium-Term Expenditure Framework, Strategic Plan, County Integrated Development Plan or any other national development plan.
- Evidence that the project falls within the mandate of the Contracting Authority. .

### 3. Basic Project Information

#### Note to Contracting Authorities:

The first step in the screening process is the verification of strategic alignment of the project with the national development objectives and those of the implementing agency. For Ministries, Departments and Agencies (MCDAs), the proposed project must be aligned to the national development plans, sector plans and strategic plans as required under section 23(2) of the Public Private Partnerships Act, 2013. For County Governments, the project must be part of the current County Integrated Development Plan (CIDP). Contracting Authorities are expected to submit the relevant development plan together with the project proposal.

At this stage, assessment of a project's Economic Suitability is a critical consideration. The screening for economic suitability will aim to determine the economic soundness of a project for development as a PPP. The analysis will include an assessment of the economic justification of the identified service/need to establish if it fits within the definition of a public function, as per Schedule 4 of the Constitution of Kenya 2010, and whether the public sector has a clear role in a market economy such as Kenya to provide the service. Subsequently, the analysis will seek to confirm that PPP is the most suitable delivery model for the project vis-à-vis other project delivery models such as joint venture, government borrowing, privatization, creation of government owned enterprises, licensing, or outsourcing of a simple function of public service.

#### a. Project Description

- Provide a detailed description about the project
- Provide detailed information on the scope, nature, rationale and genesis of the project

#### b. Project Need/Benefits

The following aspects about the project should be covered:

- Description of project Need, that is, the problem the project is intended to address or solve
- Description of the benefits to be derived from implementing the project
- The project's contribution to the Government's general goals and policy
- Description of how the proposed technical solution fixes/solves the Project Need

#### c. Project Output Specifications and Performance Standards

- Describe what is intended to be delivered by the project, that is, the physical outputs to be met by the project (e.g., number of units to be constructed – with specificity whether the project is a greenfield or brownfield undertaking and if brownfield, what the scope of rehabilitation entails, quality of the built or rehabilitated project, specifications to be met during construction, technical functionality to be achieved, output capacity to be met, etc) – the Output Specifications
- Describe the performance requirements that the project asset must meet i.e., service levels to be met, operational standards to be met, maintenance requirements to be met
- List the key performance indicators to measure performance (including the indicators for measuring project performance, service levels, financial performance)

**d. Project Size/Estimated Project Cost:**

Please attach a detailed breakdown of the estimated project costs including operations and maintenance cost. Please also attach a financial model and a list of the bills of quantity for the project **if available**.

| <b>Cost Component</b>  | <b>Amount<br/>KShs. Million</b> |
|--|---------------------------------|
| Estimated Construction Cost (include Design and Supervision Cost) plus VAT |                                 |
| Other Costs ( <i>please define</i> )                                       |                                 |
| <b>Total Project Cost</b>  |                                 |
| Annual Operation and Maintenance Cost (per year)                           |                                 |

**e. Project Duration:**

- Construction period (years)
- Operations and maintenance period (years)

**f. Project Financing and Funding Requirements**

**Note to Contracting Authorities:**

The screening for financial suitability at this stage is designed to give preliminary indication of a project's affordability – i.e., a project's ability to raise project-level revenues sufficient to meet the cost of developing and operating the project as well as enable the private sector partner to earn a profit on its investment. The analysis will involve a high-level review of the financial characteristics of the project including projected costs, demand, size, attractiveness to the private sector and extent of government support (if required). As part of this analysis, significant emphasis will be given to whether the project has clear and identifiable revenue streams that can remunerate the private sector for capital investment (debt service cover and equity return), operating expenses and financing costs at the required risk adjusted rate of return. In the proposal, the Contracting Authority is expected to articulate probable capital and operating expenditures for the project and indicate how it expects to fund the revenues for the project. Revenues can be funded through availability payments or user charges or both. User charges are fees that are levied on the users for accessing the service provided, while availability payments can incorporate both user charges and direct budget support.

**i. Project Financing Sources**

- Provide an indication of the financing sources, structure and estimated financing costs (e.g. debt, equity, shareholder loans, mezzanine debt, Government Contribution etc.)

**ii. Revenue Profile**

- Indicate the revenue sources i.e. user charge, public sector budget (availability payments) or both.
- Indicate whether Government financial support will be required for the project e.g. capital contribution, viability gap funding e.g. tariff subsidies, etc.

- Indicate whether any legislative measure is required for the intended revenue assumptions to actualize (e.g., tariff revisions, enactment of new laws to empower a CA to levy a user fee, etc)

*(please attach the revenue potential assessment for the project, including all assumptions made. Please attach a financial model if available)*

#### **4. Affordability**

Provide the following information of the project's affordability; *(please attach the revenue potential assessment for the project, including all assumptions made)*

- a. If a User-pay PPP (i.e., dependent entirely on end-user fees, tariffs or levies)
  - Estimated average charges payable by the user
  - Estimated number of users (per day)
  - Willingness to pay assessment, if available
  - Ability to pay assessment, if conducted
  - Indication whether there will be a need for any viability gap funding from the public sector (indicate percentage of required viability gap funding against estimated total project cost)
- b. If a Government-pay (availability payment) PPP (i.e., dependent on a public fund or budget for project costs and/or revenues)
  - Confirmation that the Contracting Authority have a separate revenue raising power, or
  - Confirmation that the Contracting Authority have either a budget or other source of funds to meet payment obligations
  - Estimated number of users (per day) or volume of service consumption (e.g., water used, kilowatts of energy required, number of vehicles using a toll road or bridge, etc)

#### **5. Legal Aspects**

##### **Note to Contracting Authorities:**

The screening for legal suitability screening will aim to establish whether the Contracting Authority has the legal mandate to undertake projects in line with the laws of Kenya, especially the Constitution of Kenya, 2010, the PPP Act, 2013, the statutes that established the institution and the relevant sector laws. The assessment will include a preliminary legal review of the project to identify legal barriers and where applicable, recommend on a plan to address these barriers through appropriate administrative and legislative reforms, as appropriate.

In addition, the screening for legal suitability will also assess the legality of revenues to the project. In the case of user charges, the analysis will assess whether the charges can be levied by a PPP operator and assess regulatory frameworks or proposed contractual frameworks that provide a basis for tariff setting from time to time. For availability payment type of projects, an assessment will be made on the modalities for assuring payments by the Contracting Authority through dedicating revenues to service the payments obligations.

### Information required include:

- Confirmation that the existing sector laws, regulations or policies allow private sector participation in delivering these public services
- Information on whether any legislation/regulation needs to be enacted to allow private sector to deliver and charge for these services

## 6. Site Enablement/Land Status

### Note to Contracting Authorities:

Once a project is determined to be strategically aligned, the next step in the screening process will be verification of land availability for the project site. It is expected that Contracting Authorities will either have a valid title or lease to the land for the proposed project. If this is not the case, it is expected that the Contracting Authority will have made substantial and verifiable steps to acquire the requisite land for the proposed project.

Provide information on land availability as follows:

- Total Land required for the project
- Indicate the amount of land that is available for the project
- Indicate the amount of land that will need to be acquired for the project
- Is the required project land or site owned by another public agency?
- Relocation of existing Utilities
- Resettlement and relocation of persons along/within the project site/network
- Presence of vulnerable, marginalized or other protected social groups along the project's intended site or corridor

*Note: (If the Project does not require any land acquisition please provide evidence that the CA has a **valid title/lease** to the land,)*

## 7. PPP Delivery Model

The following information about the project should be included;

- Brief description of the allocation of roles and responsibilities between the public and private party
- The proposed PPP delivery model or contract structure as per the Second Schedule of the PPP Act, 2013
- Highlight any enabling infrastructure that needs to be implemented by the CA or another GoK Agency in support of the project (e.g., construction of access roads, provision of water supply, provision of electricity supply, etc)

## 8. Marketability

*(Please include any reference material i.e. project reports, website links etc)*

- a. Details of a similar project being delivered through a PPP model elsewhere in Kenya, Africa or anywhere else in the world.

- b. Confirmation whether the Contracting Authority has previously delivered similar services as envisaged under this proposal as a PPP or otherwise
- c. Findings from market sounding activities (if conducted)
- d. Evidence of private sector interest by way of previous unsolicited expressions of interest (if any)

**9. Environmental and Social Aspects**

*(Please describe and attach any further information or reference, if available)*

**Note to Contracting Authorities:**

The Environmental and Social suitability screening will aim to establish preliminary environmental and social impacts of the project. The aim is to identify at the onset, any potential positive, negative environmental, social impacts and set out mitigation measures that would be required to be set up in the implementation of the project downstream.

- a. Indicate any potential environmental issues that could be raised by the project – attach copy of an environmental impact assessment study, if available/done
- b. Indicate any potential social issues that could be raised by the project – attach copy of a social impact assessment study if available/done
- c. Does the project pass through or is located at an ecologically sensitive environment?
- d. Does the project require extensive, or complex, or socially objectionable resettlement of persons (e.g., vulnerable groups, marginalized communities, protected communities, etc)?

**10. Stakeholder Mapping**

- i. Provide a list and description of any/all project affected persons or institutions
- ii. Identify who the project benefits, who the project disadvantages
- iii. Highlight any other key stakeholders in the project both public, private and civil societies necessary for project success, together with clear disclosure of what their project role is.

| CONTRACTING AUTHORITY CONTACT DETAILS   |  |
|---|--|
| Please provide the following information for the Contracting Authority's contact person for the Project |  |
| Contact Person:   |  |
| Position:   |  |
| Mobile:   |  |
| E-mail:   |  |

## Checklist:

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Please check if you have attached the following supporting documents, where applicable:

- Prefeasibility study report or any other project document/report, ***if available***
- Project cost breakdown and assumptions (supported by a financial model, ***if available***) - reference section 3d
- User charging assumptions and revenue potential assessment together with evidence of existing legal basis for ability to levy a user fee or tariff - reference section 4
- Evidentiary material on Land ownership by the Contracting Authority - reference section 6
- Reference material on similar PPP project, if available - reference section 8
- Reference material on Social and Environmental aspects of the project, ***if available*** - reference section 9.

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For more information on PPP procedures and programmes,  
contact us on:

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