Drafting of Feasibility Study RFP and TOR for the Residential Complexes Project in Iraq

November 21-22, 2011
Request for Proposal
Letter of Invitation

• The Ministry of Construction and Housing (MOCH) has issued this RFP for a feasibility study into a series of residential complexes in Iraq.

• The RFP includes the following documents:
  – Section 1 - Letter of Invitation
  – Section 2 - Instructions to Consultants (including Data Sheet)
  – Section 3 - Technical Proposal - Standard Forms
  – Section 4 - Financial Proposal - Standard Forms
  – Section 5 - Terms of Reference
  – Section 6 - Standard Forms of Contract
Instructions to Consultants

• The shortlisted Consultants are invited to submit a **Technical Proposal** and a **Financial Proposal**, or a Technical Proposal only, as specified in the Data Sheet, for consulting services required for the assignment.

• Before submitting the proposal, Consultants should obtain first-hand information on the assignment, and are encouraged to visit the Client and to attend a pre-proposal conference.

• The Client will timely provide at no cost to the Consultants the inputs and facilities specified in the Data Sheet, assist the firm in obtaining licenses and permits needed to carry out the services, and make available relevant project data and reports.

• Consultants shall bear all costs associated with the preparation and submission of their proposals and contract negotiation.

• Consultants must provide **professional, objective, and impartial advice**, strictly avoid conflicts with other assignments or their own corporate interests and act without any consideration for future work.

• Consultants participating must adhere to the **highest ethical standards**, both during the selection process and throughout the execution of a contract.
Instructions to Consultants (cont’d)

• Consultants shall provide information on commissions and gratuities, if any, paid or to be paid to agents relating to this proposal and during execution of the assignment if the Consultant is awarded the Contract.
• Shortlisted Consultants may only submit one proposal.
• The Data Sheet indicates how long Consultants’ Proposals must remain valid after the submission date and indicates the format of the Technical Proposal.
• Consultants may request a clarification of any of the RFP documents up to the number of days indicated in the Data Sheet before the proposal submission date.
• The Technical Proposal shall not include any financial information.
• The Financial Proposal shall list all costs associated with the assignment, including (a) remuneration for staff and (b) reimbursable expenses indicated in the Data Sheet.
• The Consultant may be subject to local taxes on amounts payable by the Client under the Contract.
Instructions to Consultants (cont’d)

• The **evaluation committee** shall evaluate the Technical Proposals on the basis of their responsiveness to the TORs, applying the evaluation criteria, sub-criteria, and point system specified in the Data Sheet.

• Following the ranking of technical Proposals, the first ranked Consultant is invited to **negotiate** its proposal and the Contract.
  – Negotiations will be held at the date and address indicated in the Data Sheet.
  – Negotiations will include a discussion of the Technical Proposal, the proposed technical approach and methodology, work plan, and organization and staffing.
  – Negotiations will conclude with a review of the draft Contract.

• The Consultant is expected to commence the assignment on the date and at the location specified in the Data Sheet.
The Standard Form for the Technical Proposal shall include:

- **Technical Proposal Submission Form**
- **Consultant’s Organization and Experience**
  - A Consultant’s Organization
  - B Consultant’s Experience
- Comments or Suggestions on the **Terms of Reference** and on Counterpart Staff and Facilities to be Provided by the Client
  - A On the Terms of Reference
  - B On the Counterpart Staff and Facilities
- **Description of the Approach, Methodology and Work Plan** for Performing the Assignment
- **Team Composition** and Task Assignments
- **Curriculum Vitae (CV)** for Proposed Professional Staff
- **Staffing Schedule**
- **Work Schedule**
Financial Proposal

The Standard Form for the Financial Proposal shall comprise:

• Financial Proposal Submission Form
• Summary of Costs
• Breakdown of Costs by Activity
• Breakdown of Remuneration
• Reimbursable Expenses
• Appendix: Financial Negotiations - Breakdown of Remuneration Rates
Terms of Reference
Overview of Housing Complexes Project

• **Private investment is sought for a series of multi-storey residential complexes**, including social infrastructure and services such as schools and clinics, to be built on land allocated in five Iraqi provinces.

• **The estimated budget for one sample housing complex containing 656 housing units on 158,000m² is $51 million.**

• **This opportunity for public-private partnership (PPP) arises in a context of keen interest by foreign investors** for the low-cost housing sector in Iraq.

• **The project vis-à-vis the Iraqi development strategy:**
  – **Infrastructure construction and maintenance** has been neglected for more than 25 years in Iraq due to historical circumstances
  – The **housing sector** in Iraq suffers from severe shortages due to a lack of construction over a long period of economic difficulty
  – The **development of municipal services** is another priority.
  – Budgetary funds sufficient to produce **6,000 public housing units** have been allocated annually, but this number is insufficient given the estimated shortfall of at least 2 million units
Overview of Housing Complexes Project (cont’d)

• The overall objective is to construct housing complexes in the five following provinces: *Wasit/Kut, Najaf/Kofi, Dhi Qar/Suq Al-Shiukh, Diwaniya/Al-Iskan*, and *Salah al-Din/Dujail*

• Every residential complex consists of a multi-storey residential building (four floors) with two types of residential building (A & B):
  – Type A contains two apartments per floor area of 150m2.
  – Type B contains four apartments per floor area of 130m2.

• Each complex includes public buildings as illustrated in the table below:

<table>
<thead>
<tr>
<th>Type</th>
<th>Building</th>
<th>Number</th>
<th>Area in M2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Kindergarten</td>
<td>1</td>
<td>950</td>
</tr>
<tr>
<td>2</td>
<td>Elementary school</td>
<td>1</td>
<td>1700</td>
</tr>
<tr>
<td>3</td>
<td>Middle school</td>
<td>2</td>
<td>2*1400</td>
</tr>
<tr>
<td>4</td>
<td>Mosque</td>
<td>1</td>
<td>300</td>
</tr>
<tr>
<td>5</td>
<td>Market</td>
<td>1</td>
<td>1200</td>
</tr>
<tr>
<td>6</td>
<td>Health Center</td>
<td>1</td>
<td>500</td>
</tr>
<tr>
<td>7</td>
<td>Administrative Building</td>
<td>1</td>
<td>240</td>
</tr>
<tr>
<td>8</td>
<td>Guardian’s office</td>
<td>2</td>
<td>2*30</td>
</tr>
</tbody>
</table>
Project Site and Deficit of Housing Units Needed

The following table illustrates the proposed areas of the residential complexes in the five provinces:

<table>
<thead>
<tr>
<th>Type</th>
<th>Province</th>
<th>Location</th>
<th>District</th>
<th>Number</th>
<th>Area (m²)</th>
<th>Old Ownership</th>
<th>New Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Wasit</td>
<td>Kut</td>
<td>(37) Om Hillel</td>
<td>1/196</td>
<td>150,000</td>
<td>Kut Municipality</td>
<td>Ministry of Construction and Housing / Public Authority for Housing</td>
</tr>
<tr>
<td>2</td>
<td>Najaf</td>
<td>Kofi</td>
<td>(26) Abo Madi</td>
<td>66/12m</td>
<td>87,500</td>
<td>Kufa Municipality</td>
<td>Ministry of Construction and Housing / Public Authority for Housing</td>
</tr>
<tr>
<td>3</td>
<td>Dhi Qar</td>
<td>Suq al-Shiookh</td>
<td>(22) the first compound Hassan</td>
<td>6576/5 County Solid 22</td>
<td>95,000</td>
<td>Nasiriyah Municipality</td>
<td>Ministry of Construction and Housing / Public Authority for Housing</td>
</tr>
<tr>
<td>4</td>
<td>Diwaniyah</td>
<td>Al-Iskan</td>
<td>Sader Yusufiya (18)</td>
<td>22/5464</td>
<td>57,500</td>
<td>Ministry of Finance</td>
<td>Ministry of Construction and Housing / Public Authority for Housing</td>
</tr>
<tr>
<td>5</td>
<td>Salah al-Din</td>
<td>Dujail</td>
<td>(9) Tal Sakina</td>
<td>3/1147/3418/33</td>
<td>80,000</td>
<td>Dujail Municipality</td>
<td>Ministry of Construction and Housing / Public Authority for Housing</td>
</tr>
</tbody>
</table>

The table below illustrates the deficit in the number of housing units required in the five provinces:

<table>
<thead>
<tr>
<th>Province</th>
<th>Deficit in Housing Units up to 1997</th>
<th>Deficit in Housing Units up to 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>63,415</td>
<td>152,775</td>
</tr>
<tr>
<td>2</td>
<td>38,420</td>
<td>72,330</td>
</tr>
<tr>
<td>3</td>
<td>70,863</td>
<td>164,634</td>
</tr>
<tr>
<td>4</td>
<td>41,269</td>
<td>81,398</td>
</tr>
<tr>
<td>5</td>
<td>52,652</td>
<td>198,563</td>
</tr>
</tbody>
</table>
Overall Objective of the Project

• The MOCH objective is to develop a feasibility study for establishing urban areas for residential use in cities within the Wasit/Kut, Najaf/Kofi, Dhi Qar/Suq Al-Shiukh, Diwaniya/Al Iskan, and Salah al-Din/Dujail provinces/areas through the establishment of multi-story residential complexes including appropriate land, infrastructure and services.

• The target audience of the Feasibility Study includes businesses, banks, guarantee agencies, legal advisors, and other potential key parties in the financing and insurance of the projects.

• The feasibility study should:
  ✓ Create a bankable document that will allow the ministries to approach potential investors for funding
  ✓ Convince potential investors that the projects are attractive investment opportunities
  ✓ Motivate potential investors to seek further information and engage in initial contact with the Government of Iraq and potential consortium partners and insurers in order to participate in competitive tenders for PPP arrangements
Scope of Work – Macro and Sector Specific Analysis

The scope of work assumes five independent feasibility studies, one for each location, based on the following:

**Macro Analysis (PESTEL)**
The PESTEL (political, economic, socio-demographic, technological, environmental and legal analysis) must ensure that there are clear administrative, legislative and planning frameworks, broken down across the following pillars:

- **Political environment**: including country’s political challenges and risk
- **Economic environment**: including GDP per sector, economic growth during the last 3-5 years per sector, major economic indicators of key sectors, investment growth, inflation, doing business analysis, etc
- **Socio-demographic**: population growth and demand for housing and migration trends to certain locations
- **Technological**: to consider construction technologies available, techniques and materials that are most cost-effective and reduce implementation time
- **Environmental**: to look at green technologies, and evaluate environmental impact
- **Legal Environment Analysis**: to consider legislative issues related to the residential complexes, including investment protection, intellectual property (patents, trademarks, copyrights), investment incentives, ownership and sureties, public law, contracts and defaults, arbitration, tax and customs law, environmental laws, decennial liability.

**Sector Specific Analysis**
- Sector-wide review of existing **infrastructure**, and predicted levels of **production** and **consumption**, to establish the corresponding infrastructure expansion requirements. This includes roads, wastewater, water, electricity, waste, maintenance of infrastructure, telecommunications, security, etc
- **Meetings with ministry representatives** focused on the overall policy and operational context in the sector
- **On-site inspection** of the specific existing infrastructure (existing residential complexes based on a similar model)
Scope of Work – Market and Location Assessment, Technical Requirements

**Market Assessment and Needs Definition**
The Market Assessment will focus on the current and future needs of the population and growth projections, including:
- Identifying the **major players** in the market
- Assessing the **global market size**
- Assessing the **main competitors** and pricing strategies
- Projected global and local trends for **tourists** and visitors over the next 10 years
- Definition of immediate and medium-term needs for the expansion projects, including technical specifications, technical assistance, training, operational changes, management changes, and other requirements
- Definition of a precise and detailed timeline for meeting the identified immediate and medium-term needs
- Gather information and data regarding the needed planning and zoning issues, the targeted consumers and their ability to pay for the costs of the housing including any costs related to basic services such as water and electricity.

**Location Assessment of Land**
- An analysis of the location of the land and how it links into the city at each of the five locations, including the infrastructure connecting these complexes to the city. Work and employment matters, as well as transportation and social and cultural aspects

**Technical and Operational Requirements**
- **Proposed facilities** and concentration
- Summary of **survey** of other similar housing complexes
- **Organizational and manpower requirements**
- **Facilities and infrastructure requirements**
- **Project development timeframe**
- Water and waste treatment within complexes (only 6% of the current Iraqi population receives their water from water treatment plants, placing a lot of pressure on the housing sector to provide all the essential needs of modern housing)
- Look at ways to use modern, safe and speedy building techniques
Scope of Work – Financial Analysis

Financial and Feasibility Analysis
This section aims at identifying the financial and feasibility configuration in which the Project is expected to operate. This will cover the following:

• Setting the investment requirements as follows:
  o Fixed assets
  o Pre-operating expense
  o Working capital requirements
• Discussing with the Promoters the financing alternatives; whereby the following capital structures will be identified:
  o 100% equity and internal cash flow
  o Debt- equity structure, taking into account the cost of finance and its terms and conditions
• Setting the revenues projections will be estimated for a period of 5 years based on client needs;
• Estimating the operating expenses that include cost of sales, manpower and other related expenses
• Estimating the marketing and selling expenses that include advertising, manpower, commissions, and other related expenses
• Estimating the general and administrative expenses that include manpower costs and benefits, and general expenses, e.g. marketing, governmental fees, professional fees, etc.
• Projecting the income statement for a period of 5 years
• Projecting the cash flow, whereby a 5 year cash flow statement will be prepared for the Project to indicate its cash status during the analysis period
• Projecting the balance sheet at the end-of-period for 5 years
Financial and Feasibility Analysis (cont’d)

- Conducting a financial analysis, in terms of:
  - Contribution margin
  - Return on Equity (RoE)
  - Return on Investment (RoI)
  - Break-even analysis
- Conducting the feasibility evaluation, in terms of:
  - Required Rate of Return (RRR) based on Iraqi Risk Free rate, Project Risk and Industry Premium
  - Present Value (PV)
  - Net Present Value (NPV)
  - Internal Rate of Return (IRR)
  - Profitability Index (PI)
  - Payback Period (PP)
- Financial ratios to examine average cost per resident and compare between models or suggested design and build methodologies
- Specifically, the financial analysis part of the feasibility study should take into account the following:
  - The project structure is to be determined in negotiations between potential private developers and the government, with a preference for initial homebuyer payments not exceeding 25% of purchase price followed by a payment schedule covering the remainder.
  - The land designated for the five projects will be transferred free of charge to the investor for the sole purpose of executing the licensed housing project. Construction is projected to begin in 2012.
  - The Government of Iraq will consider providing loan guarantees to encourage commercial banks to finance purchases, and may offer subsidies intended to reduce purchase prices; these questions will also be explored as part of negotiations with potential private developers.
Scope of Work – Other Analyses / Assessments

Cost-Benefit Analysis
• Economic analysis (cost/benefit analysis) of the new infrastructure and all reasonable alternatives.

Impact Assessments
• PESTEL impact assessment
• Please note that the PESTEL Impact Assessment is focused on post-implementation, and therefore looks at the impact once the project has reached the operational stage, whereas the earlier PESTEL analysis is focused on implementation and is therefore pre-project.

Risk Assessment Matrix
• Risk assessment matrix

Funding Options and Investor Identification
• Identification of the potential investors that the Ministry will be most likely to successfully involve in a PPP arrangement or of the development banks most likely to offer loans for the project. The Consultant will be expected to present justification for these recommendations and give guidance to maximize the chances of success
• Financial analysis of funding options for the new infrastructure, including PPP and development bank loans
• Creating a clear criteria to select investors (or consortia) based on experience, competences and capabilities

Suggestions for Sustainable Development
• Based on the proposed build-and-design models, suggest inputs to the Ministry’s long term vision regarding sustainable urban development and how to manage public interest while at the same time ensuring a financial return for the investor
Timeline and Expertise

- **Reporting Requirements and Timeline**
  - Appointed representative as a liaison
  - Monthly progress reports
  - The timeline is expected to begin first quarter 2012 and last for a six month period

- **Expected Level of Expertise**
  - Only international consulting firms are assumed to be qualified
  - Minimum of 10-years related international experience for Project Managers
Images of Residential Complexes
Thank You