



## **Guidelines and minimum requirements for the presentation of Public Initiatives**

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## Content

Introduction .....	3
Documents and minimum information the initiative must have .....	4
I. Description of the situation and the solution proposal .....	4
1. Description of the situation .....	4
2. Description of the proposal to solve the situation .....	5
II. Justification of the use of the public private partnership (PPP) mechanism as most appropriate modality to execute the initiative .....	5
III. Technical analysis .....	6
1. Specification of technical, engineering, design, operation and maintenance requirements and standards of the project .....	6
2. Levels of expected service and performance key indicators .....	6
3. Development of subsoil, geotechnical, topography, network survey study or any other study considered relevant for the initiative .....	7
IV. Financial Analysis .....	7
1. Development of Demand Studies .....	7
2. Presentation of Financial Model .....	8
3. Financing of the Project .....	8
V. Risks Analysis .....	9
1. Identification and quantification of risks .....	9
2. Prioritization and allocation of risks .....	9
VI. Environmental Analysis .....	9

## **Introduction**

The following document presents the guidelines and requirements for the proper presentation of public initiatives, based on the provisions of Law 47-20 regarding Public-Private Partnerships (the “Law”) and its applicable regulation (the “Regulation”).

The initiatives presented to the Agency of Public-Private Partnerships, for their admission, must be supported by current official national or international statistics, or by statistics collected during studies carried out by professionals of recognized technical capacity, notwithstanding the provisions of article 34 of the Law.

Each initiative must include an executive summary that includes: the description of the initiative, duration of the initiative, the situation and its proposed solution, summary of the financial results and summary of the tangible and intangible contributions of the private and public sectors to the initiative.

This is the first version of this document which may be updated in time according to the best international practices and the findings arising from the experiences of the Agency of Public-Private Partnerships in the presentation and evaluation of initiatives. Updates to these guidelines will be announced on all our digital media in a timely manner and will be effective immediately upon publication. Initiatives that have been submitted and admitted according to a version will continue to be governed by those guidelines and may not be dismissed and returned to the agent who submitted it due to updating of the guidelines.

## **Documents and minimum information the initiative must have**

### **I. Description of the situation and the solution proposal**

#### **1. Description of the situation**

The initiative must fully and precisely describe the situation to be resolved and the need for the good or service of social interest, including the characterization of the context in which it occurs. Without limitation, this description must indicate:

- Affected population and its demographic and socioeconomic characteristics, including the description of the specific manifestations of the situation or need in segments and subpopulations, when relevant (children, youth, women, elderly people, among others);
- Relevant actors and their areas of interest, perception and positions regarding the situation to be resolved and the project;
- Background, studies, diagnoses and other similar ones, on the situation to be solved or the need for the good or service of social interest, as well as interventions that have been carried out previously and currently, related or connected;
- Characterization of the situation to be resolved and of the need for the good or service of social interest, through variables, indicators and relevant evidence, preferably quantitative, that allow assessing the existence and magnitude of existing needs and gaps, and the incidence of these in the affected population.
  - The variables, indicators and evidence chosen and presented must be relevant and pertinent to the description of the situation to be resolved and the need for the good or service of social interest.
  - The variables, indicators and evidence chosen and presented must be comparable to the variables, indicators, standards and the like that will eventually be used to measure the performance, results and impacts of the project.
  - When appropriate, the originator must indicate the existing information gaps with respect to other variables, indicators, evidence or history that would allow a better assessment of the situation and the need.
- The originator must indicate all sources of information and references used, indicating their location or repository and consultation dates in compliance with the standards of paragraph I, of Art. 34 of Law No. 47-20.

## **2. Description of the proposal to solve the situation**

- When the situation to be resolved and the needs of the good or service of social interest can be met through more than one solution proposal, the agent presenting the initiative must carry out a description and comparative analysis of at least one possible solution alternative, which will include:
  - Main technical characteristics of the solution alternatives (engineering and technologies used, scope, forms of provision of the good or services, expected service levels, performance indicators, among others);
  - Main social and economic costs and benefits;
  - Financial indicators (IRR, NPV, among others);
  - Indication of the preferred solution alternative, and its detailed description; indication of the alternatives whose execution may be viable (second best options) and of the discarded alternatives, as well as the criteria and factors adopted for said decision.
- An adequate description of the project must be presented, and sufficient information provided to justify its execution.
- The initiative must describe the beneficiary population, location, coverage, technical needs, demand, rates and commercial exploitation mechanisms.
- The feasibility of implementation in the territorial space in which the intervention is expected to take place must be presented.
- The initiative must present, if it exists, a study of the affected population that includes possible remediation and mitigation actions.
- The initiative must specify to what extent or magnitude the project will resolve the situation or provide the need raised.
- The proposal to resolve the situation should be based, if it exists, on successful experiences of projects or interventions that similarly address a situation analogous to the one to be resolved, and/or on studies that demonstrate the validity and/or efficacy of this type of intervention.
- The public agent must indicate the extent to which the project contributes to achieving relevant development objectives: Sustainable Development Goals, National Development Strategy (at the level of specific objectives and lines of action), objectives in sectoral, institutional, provincial or municipal strategic plans, or in other instruments of the National Planning and Public Investment System, as appropriate.

## **II. Justification of the use of the public private partnership (PPP) mechanism as most appropriate modality to execute the initiative**

1. The public agent must describe the modality and mechanisms of remuneration of the private agent, with express and detailed indication of how this remuneration is linked

to the standards of availability of goods or services of social interest, with the levels of quality and technical specifications, or with other key performance indicators that may be established in the contract, as well as the description of the minimum obligations of administration and supervision of the contract by the contracting authority.

2. If applicable to the project in question, examples of PPP projects developed to solve similar situations in countries similar to the Dominican Republic must be presented.
3. Describe the activities of the private agent, the responsibilities of the parties and the form of remuneration of the private agent.

### **III. Technical analysis**

#### **1. Specification of technical, engineering, design, operation and maintenance requirements and standards of the project**

- A complete compendium of standards and technical requirements appropriate for the type of project must be presented.
- If existing and applicable, the technical manuals issued on the matter by national and territorial authorities, the manuals and guidelines established by the respective technical associations or academia, and the best international practices that have been implemented in other countries must be included.
- A detailed list of the licenses, permits and authorizations that the project must obtain for its realization must be presented, indicating:
  - Norms that regulate the procedure;
  - Competent authority;
  - Information and required documents, indicating those that exist and are available and those that are missing;
  - Moment in which said licenses, permits and authorizations must be included.
  - The legal requirements or legal situations that could affect the development of the project must be indicated in a precise and detailed manner.
- Any government action required during the life of the project must be detailed.

#### **2. Levels of expected service and performance key indicators**

- The goal should be presented against the level of service that is expected to be provided and how that service will be measured.
- In case management indicators are presented, these should be oriented to all stages of project management.
- Service indicators must be linked to the payment mechanisms of the contract.

### **3. Development of subsoil, geotechnical, topography, network survey study or any other study considered relevant for the initiative**

- In the case of initiatives that involve construction, the following must be submitted:
  - Engineering studies necessary for the development of the project.
  - Aspects of technical design that remain under the responsibility of the public sector to decide.
  - Technical requirements of the initiative given its characteristics, as well as the required permits.

## **IV. Financial Analysis**

### **1. Development of Demand Studies**

In this study, a preliminary estimate of the demand and income for the services that the project will provide must be made, also identifying the current and projected supply. Likewise, the capacity and willingness of users to pay rates or prices for the good or service in question must be evaluated. At least the following aspects must be covered:

- Definition of the Study Period: The studies presented must cover at least the term of the contract.
- Estimation of Current Demand and Projection of Demand:
  - Identification and estimation of the appetite or current interest in the good or service in question.
  - Conducting field studies and / or market surveys to measure current demand.
  - Projection of the demand for each year of study, for the good or service of social interest; presentation and justification of the variables and assumptions that cause the future demand to be different from the current one.
  - Sensitivity analysis that includes baseline, pessimistic and optimistic.
- Analysis of the Existing Offer and Projection of the Offer:
  - Identification of the current status, capacity and remaining useful life of the remaining infrastructure.
  - Identification of projects in the planning or construction stage that constitute direct or complementary competition.
  - Identification of similar or replacement services that constitute or may constitute competition to the project.
- Estimation of Direct Income:
  - Definition and analysis of user fees
  - Projection of user income
  - Elasticity of demand in relation to rates and other economic factors

## **2. Presentation of Financial Model**

The financial model must be presented in a Microsoft Excel spreadsheet with all the formulas used to obtain the results presented. The model must consist of several tabs in which they will include, as a minimum:

- User manual: explanation of the construction of the financial model structure and of the relevant aspects for the manipulation of the model by third parties, such as the process of using macros, among others.
- Macroeconomic assumptions: includes the parameters of economic activity that will be used to project future cash flows such as the exchange rate, inflation rate, tax rates, among other relevant variables.
- Costs associated with the investment stage of the project: estimates of investment costs in capital of the project.
- Operation and maintenance costs: cost estimates that the investor will incur during the operation of the project.
- Project income and/or resources: estimates of income that the investor will collect during the operation of the project, including the flows of firm or contingent public resources (if applicable).
- Assumptions in financial structuring: estimation of debt structuring costs or commissions, debt structure by type of financing, debt repayment term, principal amortization profile, coverage ratios, among others.
- Discount Rate: interest rate to discount future cash flow and estimate their Present Value.
- Results:
  - a. Projection of the Investor's Financial Statements. Including the Balance Sheet, Income Statement and the Cash Flow Statement which will be constructed based on the projected cash flows and the investor's capital contributions.
  - b. Simple evaluation of the investor's cash flow, presenting the Net Present Value (NPV) and Internal Rate of Return (IRR) indicators.
  - c. State Cash Flow, summary of the income that the State could have, and expenses and commitments assumed associated with the execution of the project.
  - d. Sensitivity Analysis: The model must define a base case and must allow flexibility to carry out sensitivity and scenario analysis so that the Agency of Public-Private Partnerships can calibrate and analyze different financing structures for the project.

## **3. Financing of the Project**

- It is necessary to specify the sources of financing for the project, identifying how much will be debt and how much will be capital.
- A proposal on the financing of the project throughout its useful life must be included, including in a preliminary way the different options by which the resources can be mobilized and managed.



## V. Risks Analysis

### 1. Identification and quantification of risks

- It is necessary to identify all the events that may have an impact on the performance of the project.
- All elements that may negatively affect the project's timeline, cost and viability must be identified.
- The identified risks must be specific, measurable, attributable, relevant and temporarily identifiable.
- Each identified risk must be classified based on its probability of occurrence and its magnitude of impact.
- The identification and quantification of risks must be done following what is stated in the risk analysis methodology issued for these purposes.

### 2. Prioritization and allocation of risks

- The most relevant risks should be established based on the combination of the probability of occurrence and the magnitude of the impact.
- The risk analysis must include in detail the allocation of each risk between the public and private agent, in line with what is described in the initiative.
- For each identified risk, it must be allocated what percentage the public agent must retain and what percentage the private agent.
- The ranking and the allocation of risks should be done following the provisions of the risk analysis methodology issued for these purposes.

## VI. Environmental Analysis

- A preliminary description of the environment in the project area must be made, including for applicable cases:
  - Characterization of the flora, estimation of the effects of the project on it, and its corresponding mitigation or compensation.
  - Characterization of the fauna, estimation of the effects of the project on it, and its corresponding mitigation or compensation.
  - Characterization of the soil and its current and proposed uses, management of soil and materials of the earth's crust, estimation of the effects of the project on it, and its corresponding mitigation or compensation.
  - Characterization of the hydrology within and near the area of influence of the project, including underground water bodies, storm drains and

flood risks, estimation of the effects of the project on it, and its corresponding mitigation or compensation.

- Areas or spaces of environmental interest or with a level of special protection (protected areas, mangroves, wetlands, floodplains, dunes, etc.), estimation of the effects of the project on it, and its corresponding mitigation or compensation.
  - Basic services to be used in the construction and operation phases (drinking water, wastewater, storm drainage, electricity, fuels, solid waste), estimation of the effects of the project based on these requirements, and their corresponding mitigation or compensation.
- If it exists, all the existing and available basic information or documentation that is required for the process of obtaining the environmental authorization that would correspond to the project must be provided, according to the Regulation of the Environmental Authorization System, and its annexes, of the Ministry of Environment and Natural Resources. Likewise, the missing information and documentation to carry out said procedure must be indicated in detail, indicating the actions necessary to obtain this information and documentation, its person in charge and estimated times of obtaining it.
  - It should be specified if there is a need to develop prior public hearings, establish the strategy and socialization needs of the project with the affected communities.

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