

MINIMUM REQUIREMENTS FOR SUBMISSION OF FINANCIAL MODELS

- The Financial Model must be submitted in hard copy along with electronic form.
- The Financial Model should not be password protected/locked in order to enable CA to access the Model in order to verify and validate the calculations.
- The electronic form submission shall be in Microsoft Excel format with traceable formulae, for each Quarter or Annually (as required) until the end of the Term of the Project.
- The Financial Model should be for the period of concession commencing from the Financial Close.
- The Financial Model shall contain the details of macros, if any including name of the macros, shortcut of macros, hyperlinks of the locations within the sheets, explanation on functionality of the macro, etc.
- The Financial Model shall contain separate sheets for assumptions, inputs, calculations and outputs including financial statements such as projected P&L, projected cash flows, projected balance sheet, key ratios, and the Bid parameters including the NPV calculation. The currency for projections in the Financial Model shall be UGX and/ or USD as per the requirement of the project
- The Financial Model shall not contain automatic links to information in another workbook.
- The Financial Model shall not include any circular references.
- The Financial Model shall not include any hard coding of outputs.
- The Financial Model shall be supported by a Financial Model Data Book which provides a brief description of the main features of the Audited Financial Model including but not limited to:
 - Model overview
 - Colour-codes
 - Worksheets description
 - Macros
 - Exchange rates
 - Periodicity
 - Inflation
 - Project overview
 - Key assumptions
 - Project time table including but not limited to dates for:
 - Financial Close
 - Start of Early Works (if applicable)
 - Completion of Early Works
 - Start of Construction for each phase
 - Completion of Construction for each phase
 - Commencement of Operations for each phase
 - End of Term of the Project
 - Construction cost assumptions including but not limited to:
 - Bill of Quantities (BOQ) in accordance with technical plan
 - Unit Prices of BOQ
 - Engineering Costs
 - Insurance
 - Costs Contingencies
 - Financial Project Costs (construction, land, engineering, surveys etc.) and by the year incurred
 - Financing assumptions including but not limited to:
 - Project Financing on a number of scenarios

- Types of Equity
- Debt to Equity Ratio (usually varies between 80:20 and 60:40, commonly 70:30)
- Debt service arrangements and costs (types of debt and interest rates, grace and repayment periods)
- Weighted average (opportunity) cost of capital
- Interest rates
- Loan tenors
- Grace periods (if applicable)
- Loan repayment method
- Dividend policy
- Success Fee/ Upfront fees etc
- Revenue Assumptions including but not limited to;
 - Demand projections
 - Rates applicable (tariffs (by type) and tariff escalation formula(s))
 - Revenue Streams
 - Other revenues
- Operating assumptions
 - Operating Cost Assumptions (Fixed and Demand Linked) (base year estimate plus an inflation related increase or can be related pro rata to the inflation related revenue)
 - Routine Maintenance Assumptions
 - Periodic Maintenance Assumptions
 - Overhead Assumptions
 - Working Capital Assumptions
 - Reserve Accounts
 - Depreciation Assumptions
 - Tax Rate
- Output results including but not limited to:
 - Sources & Uses of Funds
 - Balance Sheet
 - Profit & Loss Statement Profitability/Viability: The Financial Internal Rate of Return/Return on Equity (project FIRR/or ROE).
 - Cash Flow Statement
 - Key Ratios and Returns including but not limited to Annual DSCR, Project IRR, UGX Equity IRR, USD Equity IRR and Equity IRR, as applicable
 - Cost recovery; the number of years to pay back the equity investment (the norm is 5-7 years for commercial projects but infrastructure projects may only generate payback over 10-15 years or more).
 - Debt Service Cover Ratio (the projected cash flow must, at a minimum, be adequate to finance the projected debt service. (The usual requirement is that the net cash flow each year must be at least 1.2 times (depends on the risk profile) the debt payment due in that year)
 - The estimated FNPV. (It may be useful to distinguish the NPV from the SCBA and financial analysis by using ENPV and FNPV).
 - Quantitative risk analysis are also increasingly standard model outputs.
- Sensitivity analysis on key ratios and its results

- Bid parameters
- NPV of projected payments by GCA or Private Partner
- Fiscal commitments and contingent liabilities for the GCA
- Charts and Graphs

The financial model structure, and these types of inputs, will be largely similar for all PPP projects. Costs can be calculated by building up direct, indirect and overhead costs based on historic data or more usually as a percentage of project costs or as a percent of revenue. It should be noted that historic/actual data is paradoxically usually quite unreliable and the percentage (rule of thumb) basis at least as good and much easier to generate at this stage. All projects suffer from forecasting difficulties and this should be borne in mind at both the modelling stage and risk assessment stage where inaccuracies in demand forecasts may substantially outweigh uncertainties in other model inputs/assumptions. Project costs will be initially in base year values (i.e. when the analysis is undertaken) but price contingency will be added for each construction year and revenue and costs inflated by an appropriate index. The Request for Proposals (RFP) should include the proposed index, or the proposed tariff escalation rates, which will be allowed under the contract. Tariff escalation should be a criterion in bidder procurement allowing bidders to compete on initial as well as future tariffs.

Models can be used to assess the:

- Length of contract needed to generate an acceptable return on equity.
- The financial impact of different types of debt and equity and thus the optimum debt equity ratio.
- Losses in early years (if applicable) that need to be met by the PPP concessionaire (and/or by fiscal support/guarantees).
- Fiscal support that may be needed (and as input to the projection of the cost of guarantees)
- The financial impact and the subsequent optimum timing of the 'claw back' of subsidies (fiscal support).
- Corporate Tax revenue to government (when profits are made).
- Impact of changing key variables such as tariff, projects costs etc.
- Government returns if an equity participant (and if on different terms to the private sector e.g. secondary equity). Hence key parameters are input to the model which then produces the financial estimates from which decisions on the PPP project can be made.

Generally, if a project is financially viable, it is usually economically viable. However, an economically viable project may or may not be financially viable as the revenue may not be adequate (Traffic or Tariff or both).