

Pursuant to Article 32 paragraph 3 of the Law on Public-Private Partnership (“Official Gazette of Montenegro”, number 073/19), the Council of the Montenegrin Investment Agency **passed** the

**RULEBOOK
ON THE FORM OF PUBLIC-PRIVATE PARTNERSHIP FEASIBILITY ANALYSIS**

Article 1

The public-private partnership feasibility analysis (hereinafter: “Feasibility Analysis”) shall include in particular the information referred to in Form 1 which is an integral part of this Rulebook.

The contracting authority may submit the feasibility analysis and other information in addition to the ones provided in Form 1, in accordance with the subject matter of the public-private partnership.

Article 2

Small-scale feasibility analysis may be prepared in such a way that it does not include the listed elements referred to in Form 1 of this Rulebook.

Small-scale feasibility analysis shall contain the elements referred to in Appendix 1, which is an integral part of this Rulebook.

Article 3

This Rulebook shall be published in “Official Gazette of Montenegro”, and shall enter into force on 6 July 2020.

Number: 08-078/20-22/13

Podgorica, 1 June 2020

**PRESIDENT OF THE COUNCIL
Ljubo Knežević**

PUBLIC-PRIVATE PARTNERSHIP FEASIBILITY ANALYSIS
--

<p>1. Introduction;</p> <ul style="list-style-type: none"> - Introductory remarks – linking with the legal obligation to prepare a Feasibility Analysis – linking with the provisions of the Law on Public-Private Partnership and other relevant legal regulations and acts; - Note on the purpose of preparing the Feasibility Analysis.
<p>2. General information about the public partner/contracting authority;</p>
<p>3. Project title;</p> <ul style="list-style-type: none"> - Titles of the project, indicating whether it is a project of construction of certain public infrastructure and facilities or it is primarily a project of providing a certain public service, and a description thereof.
<p>4. Project description, project value assessment, location of activities and goals achieved by project implementation;</p> <ul style="list-style-type: none"> - Indicate the key characteristics of the project; - Estimated value of the project in terms of expected investment (capital expenditures), and a description of the assumptions taken into account in the calculation; - Indicate the location of the activity; - Indicate which goals the project intends to achieve.
<p>5. Overview of the proposed model, subject matter and type of public-private partnership;</p> <ul style="list-style-type: none"> - Detailed description of the proposed PPP model with an indication of the obligations that will be assumed by the public partner and the private partner in the project implementation, in particular in relation to the payment obligation, i.e. the investment repayment model.
<p>6. Financial analysis and feasibility analysis;</p> <ul style="list-style-type: none"> - Detailed description of financial model assumptions (with a clear indication whether the model plans to refinance the project after the construction period); - Capital expenditures and projection of assets depreciation; - Operating costs; - Operating income; - Structure of sources of financing and debt amortization projections; - Cash flow analysis; - Projection of financial statements; - Project liquidity analysis; - Profitability analysis; - Analysis of project funding source coverage; - Payment structure: - Analysis of funding sources.
<p>7. Analysis of potential project implementation through other alternative models (public procurement and direct financing);</p> <p>Analysis of the current situation, identification of gaps and needs to be addressed or met by the project;</p> <p>Analysis of possible alternative models of project implementation;</p>

<p>Giving arguments why, in the opinion of the contracting authority, the public-private partnership is a more favourable model of project implementation compared to other alternative models.</p>
<p>8. Value-for-money analysis;</p> <ul style="list-style-type: none"> - This analysis is performed in accordance with the guidelines and instructions set out in a special act, "Methodology for calculating the value for money".
<p>9. Assessment of the planned dynamics of the public-private partnership project development;</p> <ul style="list-style-type: none"> - Development of a time frame for the implementation of all activities (Gantt chart) until the moment of the expected conclusion of the public-private partnership contract.
<p>10. Type and amount of security provided by public partner and private partner;</p> <ul style="list-style-type: none"> - Detailed description of the proposed model of public-private partnership with an indication of the obligations that will be assumed by the public partner and the private partner in the implementation of the project, in particular in relation to the payment obligation, i.e. the model of investment repayment.
<p>11. Impact on the budget of Montenegro and public debt;</p> <ul style="list-style-type: none"> - Analysis of fiscal effects of the public-private partnership project proposal; - Analysis of fiscal availability, sustainability and feasibility, and direct and indirect fiscal effects and risks; - Analysis of compliance with economic and fiscal policy guidelines; - Analysis of the expected statistical treatment of the project and potential risks to public debt of the State.
<p>12. Proposed term of the public-private partnership contract;</p> <ul style="list-style-type: none"> - Indication on the expected term of the public-private partnership contract, as well as an explanation therefor.
<p>13. Business plan, which includes technical, financial, economic and legal analysis;</p> <p><u>Technical analysis of the project includes:</u></p> <ul style="list-style-type: none"> - Project background, and description of areas and activities; - Location and land, and all other information relevant to the construction and/or reconstruction of the facility and the provision of service; - Local conditions; - Technical, structural and functional description of the project; - Estimated time frame (in months); - Estimate of capital expenditures. <p><u>Financial and economic analysis of the project which includes:</u></p> <ul style="list-style-type: none"> - Definitions, assumptions and description of methodology; - Estimate of direct investment costs; - Estimate of direct costs of project maintenance for the contracted project term; - Estimate of direct operating costs related to day-to-day project management; - Estimate of indirect project costs, including financing costs; - Project revenues, in particular relating to the type and amount of security provided by the public partner and the private partner; - Identification and allocation of project risks, and analysis of the impact of these risks on project implementation; - Assessment of the following financial performance indicators: cash flow, net current value of the project, internal rate of return, pay-back period, cost-benefit ratio, which prove, among other things, the economic viability and suitability of the project for

financing by project sponsors, banks and other financial institutions;

- Project sensitivity analysis;
- Assessment of financial risks and impacts on the budget of Montenegro, i.e. on the local government budget, with an analysis of the public partner's ability to pay.

Legal analysis of the project that includes:

- Legal feasibility of the project with regard to applicable law;
- Analysis of special possible legal requirements and conditions that need to be met in accordance with special regulations;
- Analysis and description of the proposed private partner procurement model;
- Analysis and proposal of criteria for selection of the most advantageous bid in the case of PPP model;
- In the case of the concession model, analysis of the conditions related to the concession fee, analysis of the concession fee as a criterion for awarding the contract, and assumptions included in the financial and PPP model;
- Estimate of the value of the contract for the needs of the public bidding procedure;
- Defining the minimum conditions for participation of a private partner in the public procurement procedure;
- Minimum contract structure – defining the obligations and risks that must be undertaken by the public partner in the implementation of the contract;
- Analysis of arrangements related to the condition and disposal of facilities within the project after the expiration of the contract.

14. Excerpt from the spatial planning documentation, ownership structure and manner of resolving property law relations, as well as data on infrastructure and other facilities located in the area envisaged for the implementation of the public-private partnership contract;

- Determining the link of the project with the appropriate spatial planning documentation;
- Determining the resolution of property law relations at the location of the project, with an indication of possible restrictions in this regard;
- Proposal for resolving the above restrictions;
- Determining the existence of the necessary infrastructure (e.g. access roads, electricity connections, etc.), as well as other facilities at the project site that may be important for the project implementation.

15. Environmental impact;

- The environmental and social impact of the project should be prepared in accordance with applicable regulations;
- The study identifies possible negative or detrimental effects on environmental components, but not limited to the following: population, air, soil, water, fauna, flora, aspects of biodiversity, including endangered species, vulnerable ecosystems and identification of those legally protected.
- Preventive measures to be taken to ensure compliance with EU environmental standards;
- The study takes into account social aspects, such as the protection of human rights and community health, security, labour issues and, where appropriate, the impact on vulnerable groups, land acquisition and unintentional relocation, protection of cultural property and heritage.
- If it is a concession PPP model, analysis of the feasibility of the projects (in PPP and

<p>alternative models) at the prices paid by end users for services provided through the project.</p>
<p>16. If there are comparable projects in the country, region or economy, as well as a description of the relevant conclusions in the context of the project.</p>
<p>17. Possibility that the contract may allow the private partner to perform other commercial activities or to build other facilities within the implementation of the public-private partnership project in order to generate income;</p>
<p>18. Economic viability and suitability of the project for financing by banks and other financial institutions;</p>
<p>19. Alignment of the project with strategic goals at the state and local levels;</p> <ul style="list-style-type: none"> - Key strategic goals of the project, and linking the project with the relevant strategic documents (at the state and local levels) that are relevant to the implementation of the project.
<p>20. Assessment of market demand and market potentials for the implementation of the project proposal;</p> <ul style="list-style-type: none"> - Analysis of markets and sectors and activities within which the project is implemented; - Analysis of the macroeconomic context and socio-economic factors affecting demand; - Conclusions of this analysis and assumptions used in financial modelling of the project; - The level of possible demand for the project in terms of sufficient market interest (building forms, service providers depending on the type of project, financial institution, etc.), to participate in the tender and in the process of contracting and project implementation.
<p>21. Assessment of the capacity of the contracting authority and the public sector for the preparation and implementation of project proposals;</p> <ul style="list-style-type: none"> - Assessment of the capacity of the contracting authority related to the preparation, contracting and implementation of public-private partnership contracts, including the level of existence of internal and outsourced capacities (external experts, consultants, etc.); - Description of the proposed team of the public partner and the general organization of the project implementation, including a plan for the involvement of all necessary participants in the project; - Description of project implementation costs.
<p>22. If the project is the result of a project proposal proposed by the initiative of the interested person – briefly describe the differences between such project in relation to the conclusions from this Analysis;</p>
<p>23. Final assessment and conclusions of the feasibility of the PPP transaction;</p> <ul style="list-style-type: none"> - Conclusions related to technical, economic, financial feasibility of the project; - Presentation of the recommended project structure.
<p>24. Other information;</p>
<p>25. Appendices.</p>

APPENDIX 1

The feasibility analysis for small-scale public-private partnership projects must contain the following elements:

- subject matter and type of public-private partnership, assessment of the project value, location of activities and goals achieved by the project implementation;
- business plan, which includes the expected estimate of capital expenditures, financing costs, operating costs, as well as expected revenues;
- project risk identification and allocation;
- types and amounts of security provided by public partner and private partner;
- assessment of financial risks and impact on the budget of Montenegro, i.e. on the budget of local government, with analysis of the public partner's ability to pay;
- the proposed term of the public-private partnership contract;
- excerpt from the spatial planning documentation, ownership structure and manner of resolving property law relations, as well as data on infrastructure and other facilities located in the area provided for the implementation of the public-private partnership contract;

economic viability and suitability of the project for financing by banks and other financial institutions.