

Section 1

Invitation to Bid

Date: 27.09.2012

Contract name: Provision of advisory services

Contractor: Consolidated IFAD Program Implementation Unit (CPIU-IFAD),
mun.Chişinău, bd. Ştefan cel Mare, 162, office 1303.

Tel/Fax: 022 21 00 56; 22 50 46.

Dear Sir/Madam:

The Consolidated IFAD Program Implementation Unit (CPIU-IFAD) is seeking proposals for Elaboration of Pre-investment feasibility studies for pre-qualified infrastructure projects received by CPIU from groups of agriculture producers for financing and construction in 2013.

1. The dead line for submission of Bids is **November 9th 2012, by 10.00 a.m.** The bids opening and evaluation will take place (at the CPIU-IFAD address mentioned above).
2. More details on the required services are specified in the Terms of Reference attached hereto.
3. Service providers will be selected in compliance with the Quality and Cost-based Selection procedures, described in the ToR attached hereto.
4. The CPIU-IFAD invites you to a consultative-information meeting on aspects and details about the infrastructure projects that will be financed under the on-going IFAD programs and requirements for Elaboration of Pre-investment feasibility studies During the meeting you will have the opportunity to ask questions/precisions/suggestions or other relevant details. Meeting will be held on **October 25th 2012, at 3:p.m at the CPIU-IFAD premises, office 1304.**
5. The following documents are attached hereto:

Section 2: Bidding Data

Section 3: Technical bid – Standard Form

Section 4: Financial bid - Standard Form

Section 5: Terms of reference.

Section 2

BIDDING DATA

1. Contractor: **CPIU-IFAD** (Consolidated IFAD Program Implementation Unit)
 2. Selection method: QCBS (**Quality and Cost-Based Selection**)
- Title of Recommendations: „ Recommendations for Procurement of Goods, Works and Advisory Services from IFAD Loans and Grants” (2005).
3. Are the Technical and Financial Bids required: **Yes, in separate envelops.**
 4. Bids shall be submitted in the following languages: **State language.**
 5. Taxes: **Remuneration received by the selected Service provider shall be tax exempted in accordance with the legislation in force of the Republic of Moldova.**
 6. Consultants shall indicate the price for the proposed services in **USD.**
 7. Consultants shall submit the **original** and a **copy of each Bid: Technical and Financial.**
 8. Bids shall be submitted not later than the following date and time: 26 October 2012, 10.00 a.m..
 9. Address to which the bid will be sent to the Contractor is as follows:
Consolidated IFAD Program Implementation Unit (CPIU-IFAD),
mun.Chişinău, bd. Ştefan cel Mare, 162, office 1303.
Tel/Fax: 21 00 56; 22 50 46.
 10. The number of points to be awarded under each of the evaluation criteria is:

Points awarded:

(A)	Practical experience of the company in similar Works	- 25
(B)	Time requirement (number of days) for development of one Pre-investment feasibility study	- 10
(C)	Qualifications and competence of key personnel for this Work	- 65
	Total:	100

The number of points to be awarded under each of evaluation sub-criteria for Qualifications and competence of key personnel are:

- Qualifications and experience of the Team leader **35**
- Qualifications and experience of the other team members **25**
 - a) *General qualification* **10**
 - b) *Compliance for the project* **15**
- Working experience in similar projects **5**

Minimum technical score required for admission: **70**

Single currency for price conversion is: **MDL.**

Source of official sales rates is: **National Bank of Moldova.**

Exchange rate Date is: **Date of bid submission.**

Formula for determining of financial score is:

$$Pf = 100 \times Fm/F,$$

Where:

***Pf** – is financial score,*

***Fm**- is the lowest price, and*

***F** – is price of the bid under examination*

Score awarded for Technical Bid is: **0.7**

Score awarded for Financial Bid is: **0.3**

Address where negotiations will be conducted is:

Consolidated Unit for the Implementation of IFAD programs in Moldova (CPIU-IFAD),
mun. Chişinău, bd. Ştefan cel Mare, 162, office 1303

Tel/Fax: 21 00 56; 22 50 46.

Section 3
Technical Bid
(Standard Form)

- 3A. Technical Bid submission Form
- 3B. Company's data.
- 3C. Team structure and CVs attachment.
- 3D. Schedule/DURATION of activities.

3A. TECHNICAL BID SUBMISSION FORM
[Consultant's letterhead]

Date: _____

To:
Consolidated IFAD Program Implementation Unit (CPIU-IFAD),
mun.Chişinău, bd. Ştefan cel Mare, 162, office 1303

Dear Sir/Madam:

We, the undersigned, offer to provide advisory services on development of Pre-investment feasibility studies for pre-qualified infrastructure projects for client-groups who applied for 2013 financing in compliance with your Invitation and our Proposal.

We hereby submit our Proposal which includes Technical and Financial Bids sealed in separate envelops.

We understand that you are not obliged to accept any Proposal you receive.

Sincerely,

Authorized signature: _____

Name and title of the signatory: _____

Name of the company: _____

Address: _____

P.S.

3B. COMPANY'S DATA

This chapter includes information on the company's experience and relevant services similar to those proposed carried out in the past five years proving in the best way Qualification

Authorized signature: _____

Name and title of the signatory: _____

Name of the company: _____

Address: _____

P.S.

3C. TEAM COMPOSITION AND PROJECT TASKS. ATTACHMENT OF CVs IS MANADATORY.

Technical/Managerial staff proposed for service provision		
Name	Title, position	Tasks, responsibilities

Authorized signature: _____

Name and title of the signatory: _____

Name of the company: _____

Address: _____

P.S.

3D. SCHEDULE/DURATION OF ACTIVITIES (FOR THE 1 INVESTMENT PROJECT).

We, the undersigned, commit ourselves to develop each Pre-investment feasibility studies for pre-qualified infrastructure projects (including site visits) within up to: _____ (working days).

Authorized signature::_____

Name and title of the signatory: _____

Name of the company: _____

Address: _____

P.S.

**Section 4
Financial Bid
(Standard Form)**

4A. FINANCIAL BID SUBMISSION FORM

[Consultant's letterhead]

Date: _____

To:
Consolidated IFAD Program Implementation Unit (CPIU-IFAD),
mun. Chişinău, bd. Ştefan cel Mare, 162, office 1303

Dear Sir/Madam:

We, the undersigned, offer to provide advisory services on development of Pre-investment feasibility studies for pre-qualified infrastructure projects for client-groups who applied for 2013 financing in compliance with your Invitation and our Proposal (Technical Bid and Financial Bid). Financial Bid will include costs related to elaboration of one Pre-investment feasibility study for pre-qualified infrastructure project and technical and economic argumentation of investment.

Our Financial Bid is being presented in the Table from below and refers to development of one infrastructure project:

Cost for development of one Pre-investment feasibility study for pre-qualified infrastructure project is

----- USD

We understand that you are not obliged to accept any Proposal you receive.

Sincerely,

Authorized signature: _____

Name and title of the signatory: _____

Name of the company: _____

Address: _____

P.S.

Section 5.

Terms of Reference

Pre-investment feasibility study for pre-qualified infrastructure projects

Location: All geographical zones of Republic of Moldova,

Background:

Rural Financial Services and Agribusiness Development Project (RFSADP) and Rural Financial Services and Marketing Program(RFSMP), financed by the International Fund for Agricultural Development and implemented by the Consolidated IFAD Program Implementation Unit, are designed to contribute to reducing rural poverty in Moldova, through facilitating access of SME to a full range of appropriate and mainstreamed financial services, and removing infrastructure imitation that constrain theirs access to markets and stimulating rural employment..

Scope of work:

The Pre-investment feasibility study of investment infrastructure projects should design the economical and financial impact of it. It will help the Selection Committee to make the right investment decision with the objective to obtain the major economical impact for the most vulnerable and poorest groups in rural areas. Pre-selected group of clients will provide the service provider with an estimated cost calculation of investment developed by licensed expert, which will be used by service provider when preparing the pre-feasibility study.

Tasks of the assignment:

The Pre-investment feasibility study of infrastructure project should include:

- (i) Briefly describe the current socio-economic conditions of applicants area (village/association);
- (ii) Describe the proposed investment (including preliminary estimation of investment cost and benefits);
- (iii) Assess the financial/economic feasibility of the proposed investment;
- (iv) Appraise the possible production patterns and existing/potential marketing channels;
- (v) Assess the proposed operation and maintenance practice; and
- (vi) Include written commitment of applicants for contribution.

The Pre-investment feasibility study for infrastructure projects shell include all technical, agricultural, financial and other data of the client-group.

The proposed content of the Pre-investment feasibility study infrastructure project is as follows:

- Introduction
- Background and Proposal
 - existing socio-economic conditions
 - detailed description of proposed infrastructure investment
- Preliminary estimated cost and benefits
 - Calculation of the costs and identified benefits that would arise “with” the proposed investment and the situation as it would be “without” the investment
- Marketing Assessment
 - Production
 - Processing
 - Export
- Financial Analyses
- Post construction infrastructure operation and maintenance
- Environmental impact
- Written Commitment of the Applicant for Contribution
- Conclusions and Recommendations

Brief description of the Pre-investment feasibility study of the infrastructure project content:

Introduction

Includes general information about the applicants area such as region, village, main geographical and climatic data, distance from main and regional cities, direct and indirect beneficiaries, total number of population within the community, population served by proposed investment and other relevant information.

Background and Project Proposal

- a) General information on the community where the infrastructure will be build. The existing socio-economic conditions need to be described, including number of households, main agricultural activities and production pattern, arable land area (irrigated/non irrigated), average area of private land per household, cropping pattern, irrigation practice, livestock, number of acting agricultural and other businesses in the village, main source of income, availability of basic social and economic infrastructure such as fresh water supply, sewage network, natural gas and energy supply, telecommunication, public transport, schools, kindergartens, health care centers etc.
- b) General information of the client-group.
Description of the client-group should include details on: applicant's status, members and structure of client-group, type of legal entities, formal association, informal group of producers, village authority etc. Special attention should be paid describing business activities of the members of client-group, volume of production and sales, existing infrastructures, constraints, benefits and opportunities. A SOWT analyze will be developed to analyze the client-group strengths, weaknesses, opportunities, and threats in relation to the proposed infrastructure to be built.
- c) Description of proposed infrastructure project. Investment should be as detailed as possible. It should describe the infrastructure current condition including all institutional arrangements and possible technical data. For example, in case of irrigation the proposal should include information about the ownership of the scheme, current operation and maintenance practice, irrigation tariffs, source of water, technical characteristics and number of pumping stations, irrigation practice and on-farm equipment, length of the scheme and number of pumping stations proposed to rehabilitate, preliminary estimation of investment cost and other relevant data.

Preliminary Estimated Costs and Benefits

Financial analyses of infrastructure investment proposals to be undertaken to estimate costs and benefits, to take decision on investment. In this section therefore the costs and benefits of a proposed infrastructure investment must be clearly identified and valued.

Marketing Assessment

Based on the data collected (meetings with farmers, visits to local wholesale and retail markets, discussions with processing companies and on the data available from the other relevant sources) the main production pattern need to be identified.

Production

- *Suitable agro-ecological zone*, e.g. to what extent the project area is suitable for particular agricultural production based on its agro-ecological conditions;
- *Possible revenue*, e.g. what could be the farmer's revenue if he/she would be involved in certain agricultural production (based on farm-gate prices and wholesale market prices);
- *Local capacity*. This criterion characterizes the extent to which the farmers in the project area are familiar with the technology of the proposed production in question.

Processing

- *Demand from processors*, e.g. to what extent the processors are prepared to purchase the proposed products from producers. For example, are the wineries of the region willing and ready to purchase more volumes of grapes than produced without investment/improvement;
- *Added value*. This criteria evaluates how deep the yield of a particular crop/livestock production can be processed and what will be the added value. For example, grapes are used to produce wine with a high

added value. The most approximate estimate shows that the price of 1 kg of grape processed into wine increases by 5 – 6 times.

Export

- What is the nature of demand for certain products in the neighboring countries' market? What is the current wholesale marketing practice and what are the expectations? What are the main identified challenges concerning the agricultural production (traditional or new varieties of crops, availability of seeds and seedlings, current technologies, storage capacity, packaging, international quality and safety standards, competitiveness in Russia and other CIS countries markets with the growing intervention of Chinese, European Chilean and other producers)? What are the main opportunities for members of the Client-group for export?

Financial Analyses

Based on the identified and valued proposed investment costs and benefits and market opportunities assessment the financial analyses, including sensitivity analyses, should be carried out and Internal Rate of Return (IRR) determined.

The internal rate of return (IRR) will be used in financial analysis to assess the viability and robustness of proposed investments. The IRR is a measure of the proposal's worth that in this case compares the return on the investment with the best alternative use of the funds, i.e., in this case if the money were deposited in a bank. The selection criterion for the IRR is to accept all proposals for which the IRR is above the opportunity cost of capital (10% for the current case in Moldova). Using the IRR as the measure, the project's sensitivity to changes in parameters would be assessed by varying the cost of investments and estimated revenues (sensitivity analysis).

Key Assumption for Infrastructure Investment Financial Analyses

Straight line depreciation of any Programme investment will be taken into account and included in the operation and maintenance cost of rehabilitated/constructed infrastructure.

Main Steps in Financial Analyses

1. The first step in analyses, as it was mentioned earlier in this manual is identifying the costs and benefits associated with the proposed investment and value them using current market unit prices.
2. The second step is to calculate the *Net Revenue* per unit (e.g. per hectare for crops) "with" proposed investment and "without" it and to determine the *Incremental Net Revenue* per unit.
3. The third step is to determine the required investment costs.
4. The fourth step is to develop *Net Incremental Benefit Stream* (for infrastructure projects usually for 20-25 years).
5. The fifth step is to calculate the Net Present Value (NPV) and Internal Rate of Return (IRR) for the proposed investment.

The most straightforward discounted cash flow measure of investment worth is the net present value (NPV). This is simply the present worth of the incremental net benefit or incremental cash flow stream. NPV may be interpreted as the present worth of the income stream generated by an investment. In financial analysis, it is the present worth of the income stream accruing to the individual or entity from whose point of view the analysis being undertaken (farm family or processing firm). The formal selection criterion for the NPV measure of investment worth is to accept all investments with zero or greater NPV when discounted at the opportunity cost of capital (in our case 10%). The formal mathematical statement of the NPV is:

$$NPV = \sum_{t=1}^n \frac{B_t - C_t}{(1 + i)^t}$$

Where:

B_t – benefit in each year;

C_t – cost in each year;

i – interest (discount) rate;

n - number of years;
t=1,2,3,...,n.

Another way of using the incremental net benefit stream or incremental cash flow for measuring the worth of the investment is to find the discount rate that makes the net present worth of the incremental net benefit stream or incremental cash flow equals zero or internal rate of return (IRR). In other words it is the maximum interest that a proposed investment could pay for the resources used if assuming that all investment funds are borrowed money. The formal selection criterion for the Internal rate of return measure of investment worth is to accept all investments having an internal rate of return equal to or greater than the opportunity cost of capital (in our case 10%). From the definition it is obvious that the mathematical statement of IRR is:

$$\sum_{t=1}^n \frac{B_t - C_t}{(1 + i)^t} = 0.$$

Note: The formulas are provided just for general idea about the NPV and IRR. Microsoft Excel software has functions for calculation of NPV and IRR, so in practice we just need to calculate the incremental net benefit stream or incremental cash flow.

One of the techniques of careful financial analysis of proposed investment is to test what would happen to the earning capacity of investment if events differ from guesses made about them in planning stage. How sensitive the NPV and IRR to increased construction costs, or to a fall in prices? In other words reworking an analysis (sensitivity analysis) to see what happens under these changed circumstances. In infrastructure investment projects usually increase in investment costs, decrease in anticipated revenue (benefit) and delay of construction period are assumed for sensitivity analyses.

Post construction Infrastructure Operation and Maintenance

The essential requirement for the competitive contributory infrastructure investment grant award is the proposal for operation and maintenance of infrastructure after investment completed. The investment infrastructure project shall describe the existing O&M practice and the proposed improvements (if any) and the way financial means required for O&M would be obtained. The applicants must present a formal agreement with the responsible local authority (owner and authority responsible for operation and maintenance) on revaluing the rehabilitated infrastructure (fixed assets) on their balance sheet as per legislation of the Republic of Moldova and redness to provide required operation and maintenance of the rehabilitated infrastructure. The agreement could be in a form of formal letter addressed to CPIU-IFAD Director.

Environmental Impact assessment

Environmental impact assessment (EIA) is an important procedure for ensuring that the likely effects of the infrastructure project development on the environment are fully understood and taken into account before the investment it is done. Assessment is used to describe the whole process about the environmental effects of a project and should make recommendation for a decision on whether the project should go ahead or not.

Environmental analysis may indicate ways in which the project can be modified to avoid possible adverse effects, for example through considering more environmentally friendly alternatives. One of the aims of a good environmental statement should be to enable beneficiaries of the infrastructure projects to understand for themselves how its conclusions have been reached, and to form their own judgments on the significance of the environmental issues raised by the project they plan to develop in the community.

The environmental impact assessment shall identify, describe and assess in an appropriate manner, in the light of each individual case, the direct and indirect effects of a project on the following factors:

- human beings,
- material assets
- fauna and flora;
- soil, water, air, climate and the landscape;

Conclusions and Recommendations

In this section conclusions of the Business Development Service Provider assisted in the investment infrastructure project preparation and recommendations for follow up steps should be presented concerning the proposed investment.

The prime source for data and information for Business Development Service Providers for The investment infrastructure project preparation could be data provided by the applicant group, local processors, Primaria, other donor funded projects, Moldova Department of Statistics and Sociology, Ministry of Agriculture and Food Industry or other relevant sources.

Request for proposals:

To be considered interested companies would submit:

1. A proposal which will include technical and financial bid for the presented assignment, **in separate sealed envelopes**, in original and a copy.
2. The **Technical Bid** of the interested companies should include information about the qualification and performances related to this assignment (company profile, reports, brochures, description of similar assignments, experience, information about the involved team and CVs, etc.), as well as a preliminary training program according to above provided requirements.
3. The **Financial Bid** will include the cost for development of one Pre-investment feasibility study per geographical areas. The cost of services will be provided in **US Dollars** by applying **0% VAT¹**.

The evaluation criteria:

- The consulting company will be selected in accordance with the procedures set out in the current edition of IFAD Procurement Guidelines.
- Selection of companies to provide afore-said consulting services will be made based on selection method “Quality and Cost Based Selection” (QCBS), the final score obtained by each company being composed of 70% of the score for the parameter „Quality” (evaluated based on technical bid) and 30% - score obtained for the parameter „Cost” (established based on financial bid).
- Provided technical offers will be examined to ensure that they would pass the minimum technical score of 70 points, to allow the opening of financial offers.

Location and other aspects:

- Payments will be disbursed in installments upon submission and approval of deliverables and certification by CPIU-IFAD coordinator, that the services have been satisfactorily performed.
- Proposal should be submitted no later than **November 9th 2012, 10:00 a.m.** at the following address:
CPIU-IFAD, office 1303,
162, Stefan cel Mare si Sfint bld,
MD-2004 Chisinau, Republic of Moldova

Any request for clarification must be sent in writing by standard electronic communication to office@ifad.md or by phone at (373 022) 21 00 56.

¹ As per the GoM Decree no.246 dd. 08.04.2010 procurement of goods and services under the IFAD-funded programmes shall be carried out applying 0% VAT.