Pakistan’s PPP Program

Presentation to UNESCAP –
Expert Group Meeting on
Infrastructure Public Private Partnership for
Sustainable Development

Nov11-13- Tehran, IRAN
Role, Supporting and legal Framework,

IPDF & PPP’s in Pakistan
Introduction

IPDF was created to act as a bridge between public and private sector for facilitating infrastructure development under PPP methodology

IPDF has a team of highly qualified financial, technical & legal professionals supported by Ministry of Finance

Approval of PPP policy by the Government in January, 2010

Framework for development of projects under PPP in place
Infrastructure challenges facing Pakistan

- Total last year PSDP spending on infrastructure USD 4 Bln.
- Total 5 year requirement on infrastructure USD185 Bln. or USD 37 Bln./yr
- The huge gap can only be bridged through sustained private sector participation
- Viable pipeline of USD 3 bln at various stages of completion
Infrastructure Project Development Facility (IPDF)

**Unit of GOP**
- IPDF is the central PPP unit of the GOP, incorporated by MOF to facilitate government departments/agencies in developing their infrastructure projects under PPP methodology.

**Inception**
- It was launched by the Prime Minister to act as a bridge between public & private sectors by facilitating infrastructure development under PPP methodology.

**Role of IPDF**
- To facilitate the preparation of PPP transactions & the promotion, generation & implementation of PPP projects.

**Sectors**
- Transport & logistics, Mass Urban public transport, municipal services, social sector, energy, etc.
Pakistan’s PPP Program — Overall Structure

- Project Development
- IPDF
- PPP POLICY
- Ministry of Finance
- PPP POLICY
- Project Financing
- IPFF
- Project Development Fund
- Viability Gap Fund

Task Force on Public Private Partnerships (PPP)

- Policy & Law
- Standard Provisions
- VGF
- Risk Management
- MOU signed with Punjab Urban Unit
  - Assisted the Punjab Government in setting up PPP unit within the P&D department

- Assisted the Sindh Government in setting up PPP unit within the P&D department

- Assisted the K.P. Government in building a PPP program
PPP Policy 2010 Objectives

- Faster project implementation
- Enhanced Transparency
- Leveraging public funds
- Better Project Management

- More Services
- Better Services
- Affordability
- Timely Delivery
• Project Inception Guidelines
• Project Preparation & Feasibility Guidelines
• Project Procurement Guidelines
• Viability Gap Funding Guidelines & Instructions
• Risk Management Framework
• Tariff guidelines
• Economic Cost-Benefit Guidelines
• Environment & Social Guidelines
• PPP Standardized Contractual Provisions on Annuity model
• PPP Standardized Contractual Provisions on User Pay model
Federal PPP Law to be introduced this year

First draft has been finalized
- Establishes the function of the Federal Government and responsibilities of the implementing agencies
- Provides legal protection to all stakeholders
- Develops clear legal framework for private sector investment in PPP projects - consistent with existing national and international regulatory practices

Until enactment of Federal PPP Law, all Federal PPP projects will be governed by contract law

Punjab Public Private Partnership for Infrastructure Act 2010 already in place based on first draft of Federal PPP law
IPDF’s Project pipeline

Project Pipeline, project briefs
IPDF - ACTIVE PROJECTS

- Karachi – Hyderabad M9 Motorway Project USD. 270 Mln
- Lahore-Islamabad M2 Motorway Project USD. 535 Mln
- Student Hostel Facility Construction USD. 6 Mln
- CAA - Fuel Farm & Hydrant Refueling System USD. 20 Mln
- Railways Track Access Project USD. 240 Mln
- CDA Bus Rapid Transit Project USD 78.7 Mln
- Hydro power projects- USD 730 mln
ROADS & HIGHWAYS PROJECTS

Project details, scope, status
# M-9 Karachi-Hyderabad Motorway

## Project Scope
- Rehabilitation of the existing highway, and extension of two lanes on both sides, construction of 11 bridges and 7 interchanges as well as construction of ancillary facilities.

## Project Highlights
- Awarded to Malaysian company M/s Binapuri Holdings.
- Concession period of 28 years on Build, Own, Transfer (BOT) basis.
- IPDF developed the financial model, concession agreement and assisted NHA in negotiations with the private party.

## Financial Highlights
- Project Cost - USD 272 million
- Project NPV – PKR 17.5 billion (USD 183 million)
- Project IRR – 21%
- Payback Period – 11 years

## Project Update
- The Concession Agreement was signed in march with financial close expected to be achieved within 6 months of the signing.
Lahore Islamabad M-2 Motorway

**Project Scope**
- Overlay of M-2 to improve ride quality to an international motorway standard
- Modernization of motorway facilities and allied equipment
- Upfront Payment of PKR 19 billion to NHA upon financial close.

**Project Highlights**
- Awarded to Frontier Works Organization (FWO).
- Concession period of 25 years on Build, Own, Transfer (BOT) basis.
- IPDF developed the financial model, concession agreement and is assisting NHA in negotiations with the private party.

**Financial Highlights**
- Project Cost - USD 530 million
- Project NPV – USD 87.1 million
- Project IRR – 16.33%
- Payback Period – 8 years

**Project Update**
- The Concession Agreement was signed in March with financial close expected to be achieved within 6 months of the signing.
Benazir Bhutto International Airport Link Roads

**Project Scope**

The Connecting Roads have a combined length of approximately 24 km and involve:

• Construction of three 2 – lane Link Roads connecting the New Airport to Islamabad and Rawalpindi.
• Widening of existing 4-lane link roads.

**Project Highlights**

• Awarded to Frontier Works Organization (FWO).
• Concession period of 25 years on Build, Own, Transfer (BOT) basis.
• IPDF developed the financial model, concession agreement and is assisting NHA in negotiations with the private party.

**Financial Highlights**

• Project Cost - USD 78.5 million
• Project NPV – USD 26.5 million
• Project IRR – 17.55%
• Payback Period – 10 years

**Project Update**

• Letter of Support has been issued to the winning bidder Frontier Works Organization (FWO).
• Contract Negotiations underway.
Habibabad Flyover

**Project Scope**
- Habibabad Flyover (Wan Radha Ram) is located on the main Grand Trunk Road (N-5).
- NHA is opting for construction of New 4 lane bridge with better geometry to prevent future accidents.

**Project Highlights**
- Awarded to Frontier Works Organization (FWO).
- Concession period of 10 years on Build, Own, Transfer (BOT) basis.
- IPDF developed the project feasibility, financial model, concession agreement and is assisting NHA in negotiations with the private party.

**Financial Highlights**
- Project Cost - USD 8.7 million
- Project NPV – USD 0.8 million
- Project IRR – 16.36%
- Payback Period – 5 years

**Project Update**
- Letter of Support has been issued to the winning bidder Frontier Works Organization (FWO). Contract Negotiations will begin soon.
OTHER INFRASTRUCTURE PROJECTS

Project details, scope, status
# Track Access Project

## Project Scope
- IPDF is assisting Pakistan Railways (PR) in feasibility and structuring of Track Access Project
- Private operator to operate freight & passenger trains on PR tracks
- Private operator will pay the relevant **Track Access Charge** to PR for utilizing its infrastructure

## Project Highlights
- Detailed financial feasibility prepared for commodities such as oil, general cargo, container cargo, rock phosphate, coal and cement

## Financial Highlights
- Project cost of USD. 240 million
- Finance, Own, Operate and Transfer

## Project Update
- Bids were evaluated jointly by IPDF and PR
- Three parties will be awarded the contract, with each party transporting two commodities
- PR in the process of issuing LOS and signing of the concession agreement
## New Islamabad Airport- Fuel Farm

### Project Scope
- Private operator will build fuel farms for storage and dispensing of aviation fuel and petrochemical products at the new BBIA.
- Further, the party establishing Fuel Farms shall also operate and Maintain (O&M) Hydrant Refueling System (HRS).

### Project Highlights
- Concession period of 30 years on Design, Build, Finance Operate and Transfer (DBFOT) basis.
- IPDF developed the project feasibility, financial model, concession agreement and assisted Civil Aviation Authority (CAA) in the evaluation of private party bids.

### Financial Highlights
- Project Cost - **USD 13 million**
- Project IRR – 17.36%
- Payback Period – 9 years

### Project Update
- Bidding was based on the throughput per liters shared with Pakistan CAA.
- The contract is set to be awarded to Pakistan State Oil (PSO) being the highest bidder.
## COMSATS Hostel & Food Court

<table>
<thead>
<tr>
<th>Project Scope</th>
<th>Developing hostels and a food court for 800 students at COMSATS Campus in Islamabad.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Highlights</td>
<td>The project is structured on Build Lease and Transfer (BLT) modality, where COMSATS will make fixed annual installments to Private Party.</td>
</tr>
<tr>
<td></td>
<td>Concession period of 12 years</td>
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<tr>
<td></td>
<td>IPDF developed the project feasibility, financial model, concession agreement and assisted COMSATS in the evaluation of private party bids.</td>
</tr>
<tr>
<td>Financial Highlights</td>
<td>Project Cost - USD 6 million</td>
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<td>Project NPV – USD 0.8 million</td>
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<td>Project IRR – 16.36%</td>
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<td>Payback Period – 5 years</td>
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<tr>
<td>Project Update</td>
<td>Bid was based on the lowest amount of annuity payment desired from COMSATS</td>
</tr>
<tr>
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<td>The contract is awarded to Meher Engineering Services</td>
</tr>
</tbody>
</table>
CDA BRT Project

A prefeasibility study is being undertaken jointly by Capital development authority, ADB and IPDF. PFS is financed through a technical grant funded by Asian Development bank through an initiative CDIA; based out of Manila.

**Project Details**

- **BRT network length**: 26.6 Km
- **Projected demand**: 42,000 passengers per day
- **33 Stations spread across the network**
- **Ave distance between stations**: 0.76 Km
- **1 strategically located “Park and Ride” station**
- **Preliminary “Capital Cost”**: in the region of PKR 7,000 million (USD 73.68m)
- **A fleet of 48 Buses**: operating on 5 routes across the network
- **4 Terminals, 01 Bus Depot & 1 Control Centre**
## Faisalabad Refuse Derived Fuel (RDF)

### Project Scope
- Development of a Solid Waste Management Plant to convert approximately 1,250 tones of municipal solid waste of Faisalabad City to Refuse Derived Fuel (RDF) for the production of electricity

### Project Highlights
- The project is structured on Design, Build, Finance and Operate (DBFO) modality.
- IPDF developed the project feasibility, financial model, concession agreement and assisted City District Government Faisalabad in the evaluation of private party bids.

### Financial Highlights
- Project Cost - USD 15 million
- Project NPV – USD 6 million
- Project IRR – 22.3%
- Payback Period – 6 years

### Project Update
- 12 major corporate houses participated in the prequalification. Request for Proposal was approved by the Punjab PPP Steering Committee.
HYDROPOWER PROJECTS

Power cell, Project details, scope, status
IPDF Hydropower Cell

IPDF has a fully capacitated hydro power cell which is involved in assisting WAPDA, SHYDO, PPDB and Energy & Power Department of Gilgit-Baltistan

Facilitate the preparation and improvement of PPP proposals submitted by public implementing agencies to ensure that the projects are viable;

Facilitate the promotion, generation and implementation of PPP projects by the contracting authorities

Provide guidelines to public sector implementation agencies, private sector sponsors
Structure transactions, implement projects to achieve financial close

Screen projects proposed by contracting authorities and propose them for PPP modality to Ministry of Finance, Planning Commission and CDWP
## HYDROPOWER PROJECTS BRIEF

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<tbody>
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Intended BRT Benefits for Islamabad

1. Reduces road congestion
2. Cleaner and greener environment
3. Provides reliable transport
4. Improves land values
5. Provide a catalyst for transit oriented development
6. Elevates city status and is a signature system that citizens can be proud of
Collaboration

- **October 2011**  
  IPDF approached Cities Development Initiative for Asia (CDIA) on behalf of CDA to request for assistance on BRT project

- **November 2011**  
  The request was approved by CDIA in November 2011

- **December 2011**  
  ToRs were jointly prepared by CDIA and IPDF and were approved by CDA  
  Technical assistance grant approved by CDIA

- **March 2012**  
  Tripartite Agreement Signed between CDA, CDIA & IPDF  
  Team mobilized