

# Presentation Of Public Private Partnership Authority

Manila, Philippine



# Sequence of Presentation

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1. Background
2. Provincial Laws
3. Federal Law on PPP
4. Projects

# 1. Background

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- Infrastructure Project Development Facility (IPDF) was established by Finance Division, with approval of the PM, in November, 2006 as a Company
- Primary objective of IPDF was to facilitate Government agencies in developing, structuring and procuring infrastructure projects on PPP basis
- The operations of IPDF was supported by the PPP Policy 2007 and 2010
- IPDF continuously performed its mandated tasks till 8<sup>th</sup> June 2018 (the date of establishment of the PPP Authority)

- IPDF provided advisory services to Federal and Provincial Implementing Agencies
- The Finance Division also established a high powered Task Force comprising of members from all four provinces in IPDF
- The Task Force helped the provinces to formulate their PPP policies and laws
- During the course of its existence over 200 infrastructure projects were evaluated, screened, structured financially and legally by IPDF
- There are success stories as well

## 2. Provincial Laws

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- Due to the efforts of IPDF and the Task Force, following provinces introduced firstly their PPP policies:
  - PPP Policy of the Province of Punjab introduced in year 2009 and later a PPP Law was introduced in 2010
  - PPP Law of Sind was enacted in 2010.
- All the regulatory regimes such as Risk Management Unit and Viability Gap funds are in place

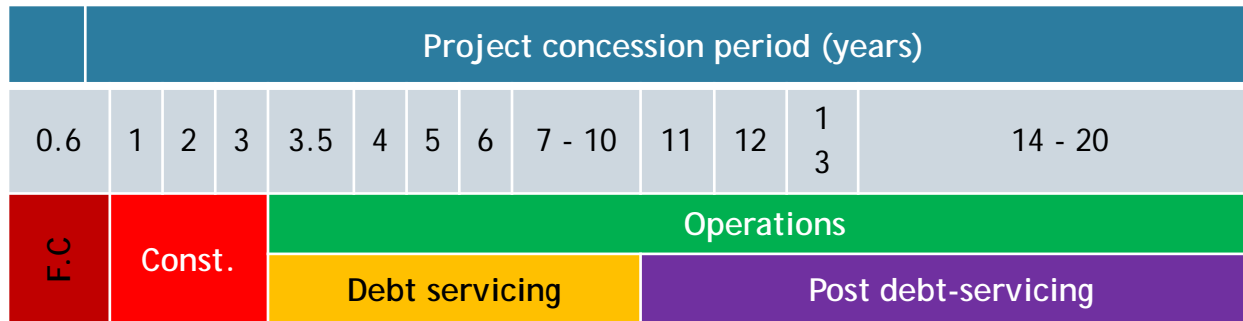
## 2. Federal PPP Law

- The Federal PPP Law titled “Public Private Partnership Authority Act, 2017 was promulgated in 30<sup>th</sup> March 2017
- The PPPA Act converted the erstwhile IPDF into an Authority
- The role of the Authority has now changed as it has now regulatory powers as well. The new functions of the Authority, *inter-alia*, are:
  - Provision of advisory services
  - Acting as a gate-keeper
  - Monitoring of PPP projects
  - Approvals of the PPP projects through its Board
  - Risk management
  - Management of Viability Gap Fund
- Certain procedural rules were drafted and are pending for the approval of the Board for notification
- Currently, it is fully functional and operational, undertaking PPP projects

# 4. Showcasing the Project

## Overlay & Modernization of Lahore-Islamabad (M-2) Motorway Project

- National Highway Authority (NHA) intended to carry out overdue full scope resurfacing and modernization of 367 KM motorway
- First opened in 1997, it has established traffic over 33,000 vehicles per day
- Basic time-lines are:



## Financial Aspects

Capital costs and financing structure			
Description	PKR million	Description	Unit
Construction & allied cost	24,300	Equity (PKR million)	11,047 (30%)
Allied infra.	7,139	Debt (PKR million)	25,778 (70%)
NHA upfront revenue share	9,500	Toll during construction	9,182
Project cost before IDC	40,939	Total	46,007 (100%)
IDC	5,068	Cost of equity	20%
Total project cost	46,007	Cost of debt (KIBOR + 3%)	15%

- NHA expects to earn USD 2.08 Billion over the term of 20 years of Concession Period (including 42% revenue share after debt service)
- Considering the project, all the risks were to be borne by the Private Party except for the Change in Law and Political Risk
- There were no guarantees given or extended by Government
- The Project was designed under BOT modality



## Lahore Sialkot Motorway Project

- It is 90 KM long green field motorway to be constructed on BOT basis at a cost of USD 430 Million
- The Project Concession Period is 25 years (including two years of construction period)
- Project time lines is as follows:

Project concession period (years)													
0.6	1	2	3	3.5	4	5	6	7 - 10	11	12	1 3	14 - 25	
F.C	Const.			Operations									
	Debt servicing							Post debt-servicing					

- Project financing structure:

Capital costs and financing structure			
Description	PKR million	Description	Unit
Construction & allied cost	41,087	Equity (PKR million)	6,813 (16%)
		Debt (PKR million)	12,575 (29%)
		Toll during construction	1,459 (3%)
		NHA subsidy	18,000 (41%)
Allied infra.	854	NHA loan	5,000 (11%)
<b>Project cost before IDC</b>	<b>41,941</b>	<b>Total</b>	<b>43,847 (100%)</b>
IDC	1,906	Cost of equity	17%
<b>Total project cost</b>	<b>43,847</b>	Cost of debt (KIBOR + 3%)	9.5%

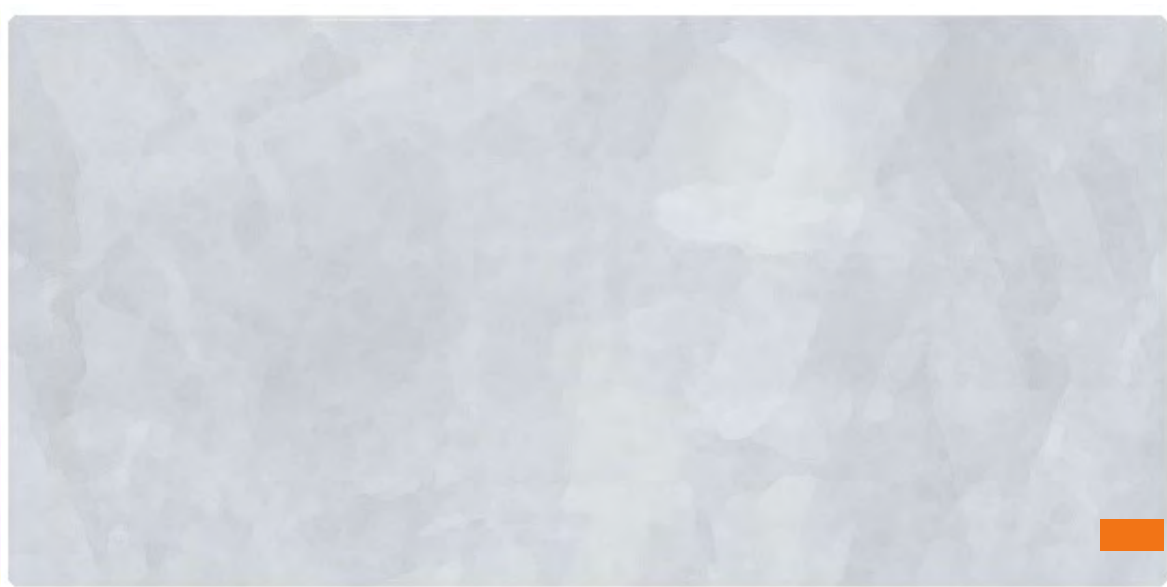
- No guarantees were issued in favour of Private Party
- There is a probability of sharing of revenue with NHA in case the Private Party earns more than its expected IRR
- NHA loan will be repaid in the Concession Year 20 to 25 with an interest of 6.5% per annum

## Pipeline Projects

- Hyderabad Sukkur Motorway project (300 KM)
- Karachi Northern Bypass (57 KM)
  - Feasibility Studies are to be completed in September 2019



# QUESTIONS



Thanks

