

# **A GUIDE TO PPP PROJECT PROPOSAL**



**Public Private Partnership Cell  
Planning and Development Board  
Government of the Punjab**

## EXECUTIVE SUMMARY OF PPP PROJECT PROPOSAL

As per PPP Act, 2019, the Punjab PPP Authority will identify and conceptualize potential projects which relate to development activities falling within sector or geographical area of the PPP project. The Authority shall prioritize the projects and prepare project proposals, using criteria such as supply and demand gaps, social and economic benefits, financial attractiveness, risks and uncertainties involved and readiness for implementation.

A PPP project proposal shall consist of, amongst other things, an analysis of feasibility and sustainability of the project including detailed business case and financial model, risk analysis, environmental impact assessment, need for Government support, determination of PPP modality and bid documents including a draft PPP agreement.

**A brief detail (which may vary from project to project) of each requisite of PPP project proposal is appended as below:**

- Project description: technical features, design parameters (at this stage, project description is for preliminary design and subject to change at the time of submission of RFP)
- PPP suitability and affordability, justification about the project's suitability in relation to the public sector's general policies / strategic plan
- Description of the need being fulfilled by the project. Main economic impact factors and socio-economic benefits of the project. Economic feasibility also needs to be provided
- Description of potential interest from private investors/promoters and potential appetite of the private sector (in case of solicited project).
- Similar precedents/case studies (both successful precedents and unsuccessful precedents)
- Other relevant information in relation to suitability, financial & economic soundness, project readiness, risk of failure in project delivery/implementation, and so on.
- Risk Assessment
- Draft Concession Agreement
- Bid documents including Request for Proposal (RFP) in case of solicited proposal.
- Environment Report

**FINANCIAL FEASIBILITY & MODEL MAY COMPRISE OF THE FOLLOWING BUT NOT LIMITED TO:**

- Detailed business case/financial model justifying project's financial and economic viability over the expected duration of the project
  - Soft copy of unlocked financial model (including detailed assumptions) should be provided
  - Financial Model Inputs:
    - ✓ Project Costs (construction cost, interest during construction (IDC), cost escalation, financing fees, insurance fees etc.) and by the time period incurred
    - ✓ Funding / Capital structure (Debt-Equity Ratio)
    - ✓ Debt service arrangements and costs (type of debt and interest rate including spread, grace and repayment period)
    - ✓ Project timelines (for both construction and operational period)
    - ✓ Revenue stream (including escalation)
    - ✓ Operating and Maintenance costs (including escalation)
    - ✓ Major Maintenance cost / Replacement Capex, if applicable
    - ✓ Tax rates
    - ✓ Depreciation
    - ✓ Cost of Equity
    - ✓ Weighted Average Cost of Capital (WACC)
  - Financial Model Outputs:
    - ✓ Income Statement and Balance Sheet
    - ✓ Project Cash Flow
    - ✓ Cash Flow Available to the private party
    - ✓ Cash Flow Available to GoPb, if applicable
    - ✓ Financial Viability (Project NPV, Project IRR, Equity NPV, Equity IRR, GoPb NPV, GoPb IRR)
    - ✓ Project & Equity payback periods
  - Sensitivity Analysis should be done
  - Determination of need for Government Support, if any.
  - Value for Money (VfM) Analysis should be done.
  - Financial Feasibility report needs to be submitted.
  - Direct & Contingent Liability of GoPb should be explicitly stated in PKR terms.

- Justification of Government support (If any)
  - Details of Government support required
  - Is VGF support requested?
  - If yes, when is VGF required (upfront or during operational years)
  - In which form is VGF required (e.g Grant, Loan etc)
  - VGF justification should be provided.
  - What is economic justification of the project?

### **ECONOMIC ANALYSIS**

- Economic and Social viability of the project
- Economic IRR and Cost Benefit analysis should be provided

### **RISK ASSESSMENT/ ANALYSIS & RISK MITIGATION STRATEGY**

- Risk allocation (demand, design, operation, construction, financing, environment, exchange rate, political force majeure, non-political force majeure etc.) between private party and GoPb
- Risk mitigation strategy for each risk
- Risk assessment report may be incorporated in feasibility reports

### **OPTION ANALYSIS TO DETERMINE BEST AVAILABLE PPP MODALITY**

- All possible PPP modalities may be explored
- Best PPP modality may be recommended

### **ENVIRONMENTAL IMPACT ASSESSMENT REPORT**

The unsolicited/solicited project proposal shall be accompanied by submission of an Environmental Impact Assessment (EIA)/or Initial Environmental Examination report based upon the category of the project as specified in IEE/EIA Regulations, 2000 (available at EPD Punjab website). The main chapter of an EIA/IEE are as under:

- Executive summary
  - Project title with location
  - A brief outline of the proposal with proposed activities, anticipated environmental Impacts and recommended mitigation measures
  - Proposed monitoring
- Introduction
  - Purpose of report
  - Identification of project and proponent
  - Details of consultant

- Brief description of nature, size, and location of project
  - ✓ Project objectives, categorization, alternatives considered realistically
  - ✓ Location and Site Layout of the project, land use on the site
  - ✓ Road access, vegetation features of the site
  - ✓ Cost and Magnitude of operation and schedule of implementation
  - ✓ Restoration and rehabilitation plans
  - ✓ Government approvals

*(Site Selection should include: suitability of the site (shall not be prohibited, environmentally sensitive, incompatible to surroundings and unsuitable).*

- Description of Environment
  - Clear-cut picture of existing environmental resources e.g. Physical, Ecological, Socioeconomic resources and quality of life values
  - Lab reports of environmental analyses
- Involvement of Stakeholders/Public consultation
  - Comments sought from project the responsible authority & other departments, environmental practitioners and experts, affected and wider community, NGOs, and others
  - Grievance redress mechanism
- Screening of Anticipated Environmental Impacts and Mitigation Measures
  - Identification of impacts and recommended mitigation measures for the due to project's location, design, construction phase and operational phase.
  - Potential Environmental Enhancement Measures
- Environmental management and monitoring plan
  - Institutional capacity & training schedules
  - Summary of Impacts and their mitigation measures
  - Environmental budget
  - Conclusion & Recommendations

### **BID DOCUMENTS**

- RFQ Package
- Prequalification criteria
- Basis of disqualification
- Data sheet/forms
- Undertakings templates
- RFQ Advertisement
- Invitation to bid

- Instructions to bidders
- Bid Evaluation Criteria
- Reference Design parameters [In construction projects ‘minimum design and performance standards and specifications’]
- Any other document that may be required in such transactions

### **DRAFT CONCESSION PPP AGREEMENT**

The draft Concession Agreement shall clearly define, *inter alia*, the legal relationship between the Authority/Government Agency and the private party, their rights and responsibilities, including specific Government support, if required, for the PPP.

Following provisions are typically required to be set out in a draft Concession Agreement:

- Description of the Project;
- General contractual terms and conditions of the contract;
- Special conditions of the contract setting out project specific requirements and conditions;
- Scope of work and services to be provided under the PPP Project;
- Main technical specification and performance standards;
- Environmental and safety requirements;
- Implementation milestones and completion date of the PPP Project;
- Cost recovery schemes through user levy, including mechanism for periodical adjustment;
- Performance bonds for construction works and operations;
- Minimum insurance coverage;
- Acceptance tests and procedures;
- Rights and obligations of the parties, including risk sharing;
- Type and amount of Government support;
- Amount of availability based payments (on annuity basis);
- Transfer of assets, if any, at the conclusion of the term of the Concession Agreement;
- Warranty periods and procedures after the transfer;
- Requirements and procedure for variations of the Concession Agreement;
- Procedures and venue for dispute resolution;
- Financial reporting by the private party; and
- Supervision mechanism of the Punjab PPP Authority/Government Agency
- Key Performance Indicators along with penalties
- Govt and private party event of default along with termination payment & mechanism

# **PROCESS FLOW OF SOLICITED AND UNSOLICITED PPP PROJECT PROPOSAL**

## **SOLICITED PROJECT PROPOSAL:**

The solicited project is identified/conceptualized by Punjab PPP Authority/Government Agency (Subject to prior approval of PPP P&M Board) and project proposal is developed by Punjab PPP Authority/Government Agency by itself or through hiring of Transaction Advisory Services. The requisites of solicited project proposal have been explained in aforesaid document along with details.

## **APPRAISAL:**

- The developed PPP project proposal is appraised by Punjab PPP Authority/Government Agency and submitted to PPP Cell along with its recommendations.
- PPP Cell & RMU will appraise the project proposal in terms of technical, financial, legal fitness as well as risk assessment/contingent liabilities
- Subject to rectification of observations of PPP Cell & RMU, the proposal will be placed before Project Review Committee (PRC) of PPP P&M Board
- Recommendation of PRC will be placed before PPP P&M Board for its concurrence

## **BIDDING:**

After approval of the project proposal, bidding process will be initiated by Punjab PPP Authority /Government Agency as follows:

- National/International Advertisement
- Scrutiny for Pre-Qualification
- Receipt of bids
- Grievance Redressal
- Selection of successful bidder
- Approval of the Board (If required)

## **AWARD OF PROJECT:**

- Issuance of LOI
- Negotiations with Successful bidder
- Signing of Concession Agreement

### **UNSOLICITED PROJECT PROPOSAL:**

A project proposal submitted by a person as its own initiative to the Punjab PPP Authority/Government Agency for a project, together with a written confirmation that it is economically viable, shall be considered as an unsolicited proposal. The project proposal will be developed with same requisites as in case of solicited project proposal except the bidding documents which will be prepared by Punjab PPP Authority/Government Agency.

### **APPRAISAL:**

- Punjab PPP Authority/Government Agency shall consider an unsolicited proposal from all aspects including technical, environmental and financial, and in case of requirement of additional information, the Punjab PPP Authority/Government Agency may request for submission of an amended or modified proposal from the private party.
- The Punjab PPP Authority/Government Agency shall evaluate the unsolicited proposal and, if it is found to be economically, technically and environmentally feasible and the information submitted by the person about his own legal, technical, managerial and financial capability is satisfactory, the unsolicited proposal will be submitted to PPP Cell for its review.
- PPP Cell & RMU will appraise the project proposal in terms of technical, financial, legal fitness as well as risk assessment/contingent liabilities
- Subject to rectification of observations of PPP Cell & RMU, the proposal is placed before Project Review Committee (PRC) of PPP P&M Board
- Recommendation of PRC will be placed before PPP P&M Board for its concurrence

### **BIDDING**

- After approval of the project proposal, bidding process will be initiated by Punjab PPP Authority/Government Agency on the same lines as of solicited project proposal
- Following advantages will be given to the person submitted the unsolicited project proposal:
  - Already prequalified (In case of prequalification)
  - 5% additional weightage in technical scoring
  - first right to match or improve the best bid received
  - Reimbursement of the cost of project development in case the bid fails to match

### **AWARD OF PROJECT:**

- Issuance of LOI
- Negotiations with Successful bidder
- Signing of Concession Agreement