



Public Private Partnership (PPP) Handbook



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

www.ppp.punjab.gov.pk



Message from Member (PPP), P&D Board

Recognizing the importance of Public Private Partnerships (PPPs) for economic growth of the province, the Government of Punjab has taken significant steps to develop an enabling environment for PPPs, including a comprehensive legal framework and a robust institutional structure.



Within the Punjab PPP institutional framework, PPP Cell has the mandate of policy and project advisor. The Cell also serves as the secretariat to the PPP Steering Committee, a statutory forum headed by Minister for Planning & Development, which is the apex body in the province with regards to PPP projects. A PPP toolkit for facilitating each step of project lifecycle is available online as well as in printed format along with templates of various essential documents.

PPP Cell is proactively engaged in capacity building of government agencies by providing technical support and guidance regarding all stages of PPP lifecycle. This handbook is another milestone in our efforts to facilitate relevant stakeholders and promote Public Private Partnerships in Punjab.

The handbook provides an overview of PPP processes from project identification to transaction execution and will serve as a ready reference for PPP practitioners and interested parties alike.

The PPP Cell team is always available for assistance and guidance regarding any aspect relating to Public Private Partnerships in the Province.

Agha Waqar Javed
Member (PPP), P&D Board
Head of PPP Cell
Government of the Punjab

DISCLAIMER

This PPP Handbook is intended to facilitate stakeholders to develop their understanding of the essential elements of the Punjab PPP framework. It is recommended that the handbook is used in tandem with the Punjab PPP Act and the accompany Punjab PPP Rules and Guidelines.

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ABBREVIATIONS

CL	Contingent Liabilities
DCA	Draft Concession Agreement
EIA	Environment Impact Assessment
EOI	Expression of Interest
Finance Department	Finance Department, Government of the Punjab
Government	Government of the Punjab
ICB	International Competitive Bidding
IEE	Initial Environment Examination
KPIs	Key Performance Indicators
LOA	Letter of Award
NCB	National Competitive Bidding
PDF	Project Development Facility
P&D	Planning & Development Board, Government of the Punjab
PPP	Public Private Partnership
PPP Act	Punjab Public Private Partnership Act, 2014
PPP Cell	Public Private Partnership Cell
PPP SC	Public Private Partnership Steering Committee
PQD	Pre-qualification Documents
Punjab PPP Rules	Punjab Public Private Partnership Rules, 2014
RFP	Request for Proposal
ROW	Right of Way
RMU	Risk Management Unit
SIAs	Social Impact Assessments
SPV	Special Purpose Vehicle
VGf	Viability Gap Fund

DEFINING PUBLIC PRIVATE PARTNERSHIPS

"A long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility and remuneration is linked to performance". -World Bank

"PPPs present a framework that while engaging the private sector acknowledge and structure the role for government in ensuring that social obligations are met and successful sector reforms and public investments achieved." - Asian Development Bank

The Punjab PPP Act defines "PPPs" as follows:

*"A **commercial agreement** between a **Government Agency** and a **private party** pursuant to which the private party- (i) undertakes to perform a public function, provides a public service or develops use of a public property on behalf of a Government Agency by, amongst other things, designing, constructing, financing, operating, marketing or maintaining such public property; and (ii) assumes substantial financial, technical, operational or environmental risks in connection with the performance of such a public function or provision of such public services or use of such a public property".*

PUNJAB PPP FRAMEWORK

1. LEGAL FRAMEWORK

a) Punjab PPP Act (https://ppp.punjab.gov.pk/ppp_act)

Since coming into force in 2014, the PPP Act has provided a robust and comprehensive legal structure for both private and public sector and provided a framework for the facilitation of a number of successful PPP projects.

b) Punjab PPP Rules (<https://ppp.punjab.gov.pk/system/files/PPP-Rules-2014.pdf>)

The Punjab PPP Rules reiterate the governing principles of PPPs, namely that:

- i. The process for awarding a PPP project to an investor shall be in line with legal requirements, efficient and not incur unnecessary cost; and
- ii. The agreement governing the PPP shall be entered into in a fair, competitive and transparent manner.

c) **PPP Guidelines** (<https://ppp.punjab.gov.pk/guidelines>)

In line with its functions pursuant to the PPP Act, the PPP Cell has published the following Guidelines.

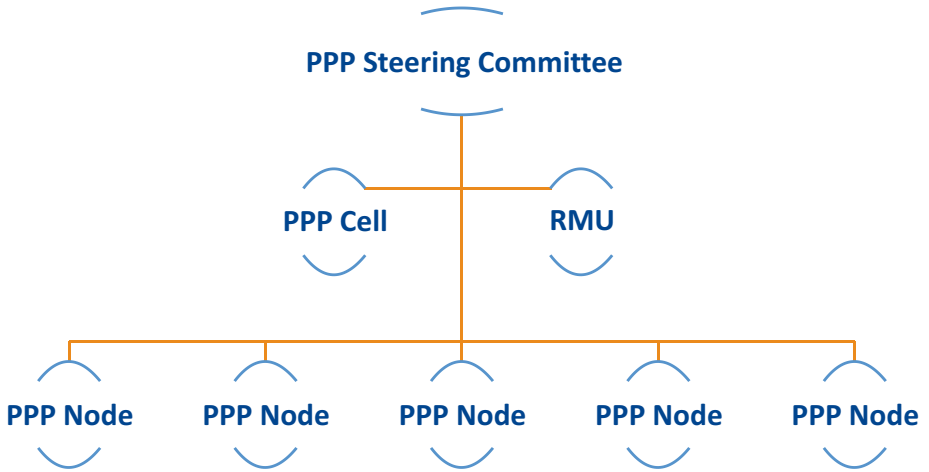
- i. **Project Inception Guidelines:** These Guidelines set out a practice oriented methodology for the identification and screening of projects which are suitable for procurement in PPP mode.
- ii. **Project Preparation Guidelines:** The Guidelines provide an overview of the life cycle of PPP projects, list the PPP modalities and sectors covered, and explain why adequate project preparation is important.
- iii. **Project Development Facility Guidelines:** These guidelines describe in detail the PDF concept, including funding sources, and the procedures for the utilization of the fund.
- iv. **Transaction Execution Guidelines:** The Guidelines describe a methodology for Government Agencies on how to select the Private Party for undertaking a PPP project through a competitive, open, fair and transparent selection process.
- v. **Risk Management Guidelines:** These Guidelines assist the RMU and other concerned government institutions when allocating risk on a project to project basis.
- vi. **Social Impact Assessments Guidelines:** The Guidelines outline the key objectives and benefits of conducting social impact assessments (SIAs), and provide in depth detail regarding scope of SIAs.
- vii. **Environmental Assessments Guidelines:** The Guidelines detail the objectives and methodology for conducting environmental assessments.

2. INSTITUTIONAL ARRANGEMENTS

Under the PPP Act the following entities are the main institutions involved in the PPP procurement and implementation process:

- i. A high-level inter-Government Agency **PPP Steering Committee**;
- ii. A central **PPP Cell** located in the Planning & Development Board to provide support to the PPP Steering Committee and PPP Nodes;
- iii. **Government Agencies** to manage the project throughout its lifecycle consisting of project identification, preparation, feasibility, tendering, supervising implementation and operation including forming PPP Nodes to

- act as in-house centers of expertise and provide day to day management of the procurement and implementation of specific PPP processes; and
- iv. A **Risk Management Unit** housed in the Finance Department as fiscal guardian.



Main Responsibilities

Entity	Department	Main Responsibilities
PPP Steering Committee		<ul style="list-style-type: none"> ▣ Approval/rejection of PPP project proposals ▣ Decision-making on major PPP policy and implementation issues ▣ Approval of Viability Gap Financing
PPP Cell	P&D Board	<ul style="list-style-type: none"> ▣ Review of PPP project proposals ▣ Facilitate Government Agencies in conceiving and executing PPP projects ▣ Technical and policy support to the PPP Steering Committee
RMU	Finance Department	<ul style="list-style-type: none"> ▣ Review of justification and eligibility for government support ▣ Fiscal sustainability ▣ Risk analysis
PPP Node	Government Agency	<ul style="list-style-type: none"> ▣ Project identification ▣ Project development ▣ Tendering ▣ Monitoring and implementation

Composition of the Public Private Partnership Steering Committee

Sr.No.	Composition	
1.	Minister for Planning and Development	Chairperson
2.	Minister for Finance	Vice-chairperson
3.	Two members of Provincial Assembly	Member
4.	Chairman, Planning and Development Board	Member
5.	Secretary, Finance	Member
6.	Secretary, concerned Government Agency	Member
7.	Secretary, Communications & Works	Member
8.	Secretary, Law and Parliamentary Affairs	Member
9.	Two experts from private sector	Member
10.	Member (PPP), Planning and Development Board	Secretary/Member

TORs of PPP SC

- a. Formulate policies relating to projects for approval of the Government;
- b. Supervise and coordinate implementation of the Act, rules and regulations;
- c. Approve, reject or send back for reconsideration any project proposal submitted by a Government Agency;
- d. Decide on any direct or contingent support for a project requested by a Government Agency;
- e. Approve, reject or send back for reconsideration the recommendation submitted by a Government Agency for a PPP agreement to be awarded to a private party on the rates or terms and conditions different from the original approval;
- f. Assist the Government Agencies in solving major problems impeding project preparation and implementation;
- g. Be the final deciding authority for all the projects;
- h. Notify, with the approval of the Provincial Cabinet, critical sectors as also the duration or window of opportunity during which the Government shall undertake to extend preferential facilitation to projects falling under critical sectors;
- i. Determine the maximum limit of government support referred to in section 19 for any project; and
- j. Take all other steps necessary for giving effect to the provisions of this Act.
- k. The Committee may change any timeline provided in the Act except the timelines mentioned in sections 14 (Pre-Qualification) and 18 (Bid Security).

3. SECTORS

The First Schedule of the PPP Act set out the following sectors in which the PPP project may be implemented. However, if a project does not fall under any of the 23 sectors, it may still be considered depending upon the social and economic viability whereupon the Government has the power to amend the First Schedule accordingly.

1. Canals or dams
2. Education facilities
3. Health facilities
4. Housing
5. Industrial estates
6. Land reclamation
7. Mining
8. Power generation
9. Roads and Bridges
10. Sewerage or drainage
11. Solid waste management
12. Sports or recreational infrastructure
13. Urban Services
14. Transport and mass transit
15. Water supply or sanitation
16. Wholesale markets, warehouses, slaughter houses, etc.
17. Livestock & dairy development
18. Food Processing and other food related projects
19. Tourism and resort Development
20. Forestry, Wildlife and Fisheries
21. Public buildings and offices
22. Trade fairs, conventions, exhibitions or cultural centers
23. Irrigation

4. PPP MODALITIES

Schedule 2 of the Punjab PPP Act sets out a list of the PPP modalities envisaged to operate under the Punjab PPP framework. However, the PPP arrangements under Schedule 2 of the Punjab PPP Act are only indicative and do not prohibit PPPs not falling neatly into one such modality. The types of PPP agreements under Second Schedule of the Punjab PPP Act are as follows:

1. Build-and-Transfer (BT)
2. Build-Lease-and-Transfer (BLT)
3. Build-Operate-and-Transfer (BOT)
4. Build-Own-and-Operate (BOO)
5. Build-Own-Operate-Transfer (BOOT)
6. Build-Transfer-and-Operate (BTO)
7. Contract-Add-and-Operate (CAO)
8. Develop-Operate-and-Transfer (DOT)
9. Rehabilitate-Operate-and-Transfer (ROT)
10. Rehabilitate-Own-and-Operate (ROO)
11. Management Contract (MC)
12. Service Contract (SC)
13. Joint Venture (JV)

5. PROJECT ELIGIBILITY

As per Section 39 of the PPP Act, for a project to be implemented under the PPP Act, the estimated total cost of such project must **exceed Twenty Million Rupees** (Rs. 20 million). A project with an estimated total cost of Twenty Million Rupees or less may be implemented under the Punjab PPP Act only with prior approval of the PPP Steering Committee having been obtained by the relevant Government Agency.

6. CONCESSION PERIOD

Under the Punjab PPP Act, a project may vest in a private party for a maximum period of **thirty (30) years** except Rehabilitate-Own-Operate (ROO) and Build-Own-Operate (BOO).

7. PPP PROJECT CYCLE

PPP Project cycle consist of following two phases:

Phase-I: Project Development

- i. Concept note
- ii. Engage transaction advisory services (if required)
- iii. Project proposal (Feasibility, IEE/EIA, government support, and DCA)
- iv. Submission of project proposal to PPP Cell
- v. Approval of PPP SC

Phase-II: Transaction Execution

- i. Bidding/procurement
- ii. Signing of Concession Agreement
- iii. Financial Close

Phase-III: Construction

- i. Monitoring and Evaluation by Government Agency

Phase-IV: Operations & Management

- i. Monitoring and Evaluation by Government Agency

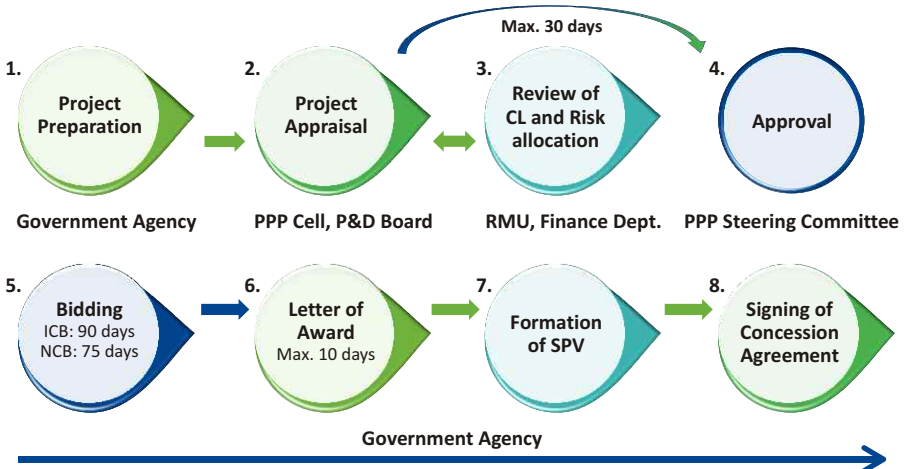
8. APPROVAL OF PPP PROJECT PROPOSALS

a) Solicited Project Proposal:

Project proposal prepared by Government Agency itself or by hiring services of a transaction advisor is termed as Solicited Project Proposal. Government Agency will prepare a project proposal as per provisions of Section 9(4) of PPP Act, 2014 and will submit it to obtain approval of the PPP Steering Committee through PPP Cell.

b) Unsolicited Project Proposal:

An unsolicited proposal may be submitted to a Government Agency at a person's own initiative to secure a PPP agreement for a new and creative PPP project and is not in response to a request for a proposal/invitation to bid by any Government Agency. An unsolicited proposal might be submitted by a person to Government Agency for a project not included in the priority list and it must be in accordance with the provisions of Section 9(4) of PPP Act, 2014.



9. PROCUREMENT/BIDDING OF PPP PROJECTS

After approval of the project proposal by PPP Steering Committee, the Government Agency will select a private party for the project through competitive bidding process. The process of bidding as prescribed in Section 15 of PPP Act is described as follows:

- i. Expression of Interest is solicited by concerned Government Agency for inviting participation from potential private parties. (15 days for national and 30 days for international competitive bidding if project cost is PKR 4 Billion or above)
- ii. Within 30 days, Government Agency will evaluate RFQ applications and complete the process of prequalification.
- iii. After announcing the pre-qualified parties, within 15 days Government Agency will issue RFP to pre-qualified parties and give adequate time in preparation and submission of bids.
- iv. On receipts of bids, within 15 days Government Agency will evaluate the bids first technically and then financially.
- v. Within 10 days of bid evaluation, Government Agency will announce the result of bidding process and issue a notice for execution of PPP agreement to the selected private party.
- vi. Government Agency shall ensure conclusion of contract negotiations with the selected private party within 60 days. Letter of Award (LOA) would also be issued within this time frame.
- vii. The Government Agency within 30 days after the award, return the bid security to all unsuccessful bidders.
- viii. Finally Concession agreement will be signed for implementing the project.

The Government Agency may adopt **single stage two envelop or two stage two envelop bidding** process in the prescribed manner. The Government Agency may, with prior approval of the PPP Steering Committee, combine the processes of pre-qualification and bidding through **single stage three envelope** process pursuant to the PPP Act.

10. GOVERNMENT SUPPORT

- a) Government support may be available subject to prior approval of the PPP Steering Committee and it may take the following forms:
- i. Facilitation in obtaining licenses and other statutory and non-statutory clearances
 - ii. Provision of utility connections for power, gas and water at project site
 - iii. Clearance of Right of Way (ROW) or acquisition of land necessary for the project
 - iv. Rehabilitation and resettlement
 - v. Government equity
 - vi. Viability Gap Financing
 - vii. Government guarantees

b) Project Development Facility (PDF)

Project Development Facility (PDF) is essentially a pool of funds made available for consulting and transaction advisory services required for the preparation and execution of the PPP projects. The PDF is being administered by the PPP Cell and all Government Agencies seeking support from the PDF are required to submit a formal application to the PPP Steering Committee through the PPP Cell.

PPP Cell assess whether the project is eligible for the PDF and whether sufficient funds are available, and makes recommendation for PPP Steering Committee. Upon approval of the use of PDF by the Steering Committee, the Government Agency shall begin recruitment of the transaction advisor, sign consulting contract including a clause specifying that payment shall come directly from the PDF and finally manage the project preparation and transaction execution with support of the PPP Cell, if required.

c) Viability Gap Fund (VGF)

Projects having strong economic and social justification, may not be financially viable. Recognising this, the Government has established a Viability Gap Fund (VGF) to bridge the financial viability gap in such projects. VGF support may take the form of loans, grants, subsidies, equity, guarantees or any other form as approved by PPP Steering Committee. VGF funding is available for PPP Projects that demonstrate strong economic and social justification but fall short of financial viability.

The need for and the form of VGF will be established in the feasibility study, and specified in the bid documents. Its exact amount will be determined through competitive bidding to ensure the lowest liability for the Government. In view of the Government's resource constraints, only the highest priority projects will receive the VGF.

11. PROJECT IMPLEMENTATION AND OPERATION

a) **Preparation and Negotiation of PPP Agreement**

The draft PPP agreement shall clearly define the legal relationship between the Government Agency and the selected private party and shall contain the provisions, as prescribed in Section 22 of Punjab PPP Act.

b) **Contract Negotiations**

Contract negotiations between the Government Agency and selected private party shall be concluded **within sixty days** and shall focus on the terms and conditions not specified in the bid documents. No post-bid changes to the terms and conditions stated in the bid documents be allowed as a consequence of contract negotiations.

c) **Formation of SPV by Selected Private Party**

Prior to signing of the PPP agreement, the private party may, without changing its shareholding, establish a SPV to assume all the rights and obligations of the private party under the PPP agreement and for implementation and operation of the project.

d) **Performance Standards/Key Performance Indicators (KPIs)**

It is necessary that the Government Agency specifies its minimum performance requirements/KPIs for the facilities and/or services being provided while permitting the private party to provide innovative and cost-effective solutions to meet the aforesaid minimum requirements.

e) **Performance Guarantee**

The private party shall provide a bond or a bank guarantee:

- (i) **During construction:** to guarantee performance of the construction works. Such construction period guarantee shall be valid up to the acceptance of the completed works by the Government Agency;
- (ii) **During operations:** to guarantee compliance with the operating parameters and standards specified in the PPP agreement.

f) **Financial Close**

The private party is required to achieve financial close for the project within a maximum of **365 (three hundred and sixty five) days** of the signing of the PPP agreement.

g) **Monitoring and Evaluation**

Government Agency will be responsible for monitoring and evaluating the PPP project during its implementation to ensure its conformity with the plans, specifications, performance standards, and tariffs (if applicable) in the PPP agreement.

h) **Biannual reports**

The PPP Node will submit biannual reports on the PPP project to the PPP Steering Committee.

12.INDICATIVE TIMELINE OF PPP PROJECTS

TIMELINES

Sr.No.	Description/Milestone	Days
Project Development and Delivery		
1.	Receipt of project proposal at PPP Cell	Process Initiation
2.	Evaluation and submission to the PPP SC	30
Pre-qualification		
3.	Solicitation of EOLs	–
4.	Receipt of PQDs	National: 15 International: 30
5.	Prequalification by Government Agency	30
Bidding		
6.	Issuance of RFPs to pre-qualified parties	15
7.	Evaluation of bids	15
8.	Announcement bidding results, & Notice for execution of PPP agreement	10
9.	Return of bid security to all unsuccessful bidders	30
Formation of SPV		
10.	Private party may establish SPV without changing its shareholding.	Before signing PPP Agreement
Signing of PPP Agreement		
11.	Signing of PPP Agreement	–
Financial Close		
12.	Achieving financial close after signing of PPP agreement	365 days
13.	Duration of PPP Agreement	–
14.	The maximum period a completed project can vest in the private party	30 years
Grievance Redressal		
15.	Issuance of acknowledgement by the complaint cell upon receipt of complaint	15 days



⦿ Flyover Over Railway Crossing Kahna Kacha Lahore



⦿ Lahore Ring Road Southern Loop (SL-I & SL-II)



⦿ Punjab Vehicle Inspection Certification System (VICs)





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