



Public Private Partnerships in Pakistan

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Pakistan Snap-shot

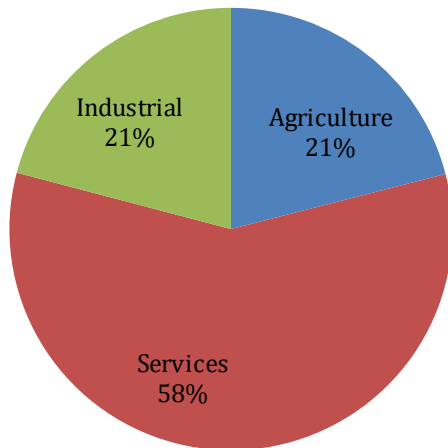
Key Statistics

Area	803,940 km ²	GDP (US\$ b)	200
Population	200 m	GDP / capita (US \$)	1386
Pop. Growth Rate	1.80%	Ex. rate PKR/\$	101.8
Labour Force	151.4 m	Inflation	8.6%
Literacy	60%	Pop < 30 yrs age	130 m
GDP Growth	4.14%		

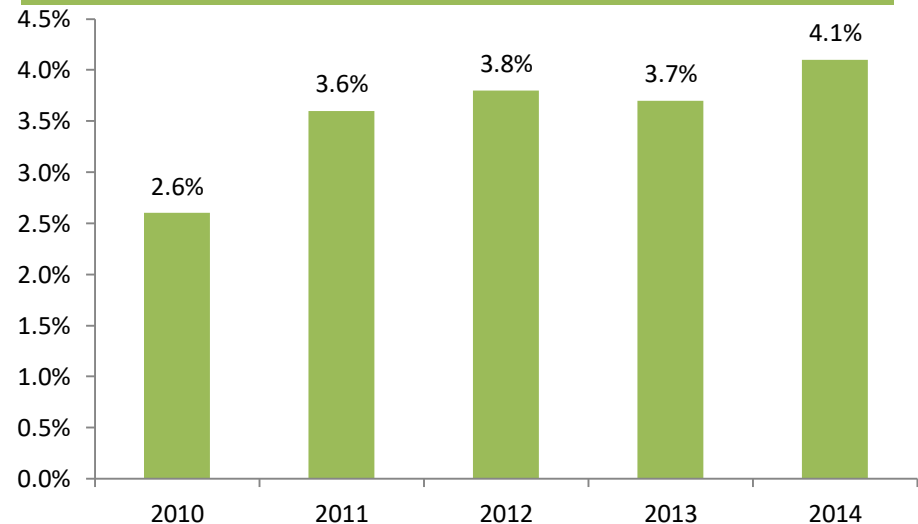
Strategic Location



GDP Break up



GDP Growth





Untapped Potential

- 4th largest emerging market** On current trajectory, Pakistan is likely to be the 4th largest country by population by 2050. One of only ten countries with population of +100m and GDP of +US\$100b
- Growing consumerism** Growing per capital income levels and urbanization with an exceptionally young demographic (100m < 30 yrs) is driving consumer lifestyles
- Large natural resource base** Rich in natural resources including hydrocarbon reserves (Coal, Natural Gas) and minerals resources (Granite, Marble, Limestone, Copper) as well as a large stock of highly fertile agriculture land and huge hydel power potential
- Natural Trade Corridor** Access to regional markets including Central Asia, China, Afghanistan, GCC, India and Iran
- Highly fragmented industries** Substantial scope to improve scale economies and reduce inefficiencies through consolidation as most businesses operating with sub-optimal capacities
- Developed regulatory environment** Well developed regulatory environment with strong execution. Runner-up reformer in the South Asian Region (after Maldives) according to the Report of the World Bank and IFC
- Liberal investment environment** All economic sectors open to foreign investors with up to 100% foreign equity allowed. Repatriation of capital, profits, royalty, technical & franchise fee allowed
- Large labor pool** Pakistan is a major exporter of semi-skilled and skilled labor



Infrastructure Bottle-necks

- On average around 5000MW shortfall in the system
 - Reduction in GDP growth by around 3%
 - Some major cities facing 12hours of load-shedding
 - Inefficient fuel mix leading to unsustainable subsidies
 - 30-35% line losses

- Per capita road km – 0.0014
 - Lowest in the region
 - Logistics of agricultural and industrial produce are severely affected



Infrastructure Bottle-necks

- **Transport**
 - No railway based intra-city facility
 - Karachi is the largest city (population 23.5 m) with no proper mass transit system

- **Education**
 - 60% literacy rate; which includes people who can hardly read and write
 - Increasing pressure due to large youth pool

- **Health**
 - Failure to eradicate polio leading to travel restrictions
 - Highest infant mortality rate in the region



Why PPPs?

- **Bureaucratic system – Capacity constraints**
 - Same system as was in place during the colonial times
 - Training based on Administrative tasks lack of specialization
 - Archaic system still based on paper files and registers lacking detailed back ground analysis

- **Lack of resources – Cashflow constraints**
 - War on Terror
 - High public debt (60% of GDP)
 - In case of short-falls the 1st cut is directed at the development budget



PPP Map

Sector Agencies or Nodes to lead the transaction

Federal Government
Infrastructure Project Development Facility established in 2006

Punjab Province
PPP Cell established in 2008
PPP Act in 2011
Urban Unit also looks after PPP projects in the major cities

Sindh Province
PPP Unit established in 2008
PPP Act enacted in 2010

Balochistan Province
(No institutional set up exists)

Khyber Pakhtoon Khaw Province
(No institutional set up exists)



PPP Experience

	Federal	Sindh	Punjab
Focal point	Infrastructure Project Development Facility	PPP Unit	PPP Cell
Housed	Finance Division	Finance Dept	P&D Dept
Framework	IPDF Guide-lines	Sindh PPP Act 2010	Punjab PPP Act 2014
Procurement	PEPRA	SPRRA 2010 Chapter IV	Chapter 14-20 of the PPP Act
Chairman	Minister Finance	Chief Minister	Minister P&D
No. of projects signed	None	Four (4)	None
Risk	None	Planned to be through VGF Co.	Finance Dept

PPP at the Federal Level

PPIB/AEDB

- 1994 Power Policy – HUBCo, KAPCo.
- 2002 Power Policy – Liberty Power, Atlas Power
- Renewable Energy Policy – Metro Power, FWE



National Highway Authority

- Lakpas Tunnel
- Lahore-Sheikhupura Road
- Revamp of M-9 (Islamabad Lahore Motorway)



Ministry of Port & Shipping

- Port Qasim
- Pakistan International Container Terminal
- Fauji Akbar Portia Terminal





Case study: *Hyderabad Mirpurkhas Dual Carriageway*

Agency	Works & Services Dept, Govt of Sindh
Sponsor	Deokjae Construction Company, Korea
Sector	Road Sector
Policy	Sindh PPP Act 2010
Scope	Construction of 60km dual carriageway from Hyderabad to Mirpurkhas
Model	Minimum Revenue Guarantee upto 10% Interest Swap over 10% interest rate Soft loan at blended interest rate of 5%
Return	17% Pak Rupee
Hedge	None
Coverage	Force Majeure (partial cover), Political Risks and Change in Law



Case study: *Hub Power Company*

Agency	Govt of Pakistan through PPIB
Sponsor	International Power(UK), Xenel
Sector	Power Generation
Policy	Power Policy 1994
Scope	1200 MW RFO based plant
Model	Annuity payment structure= Debt payment + Operations & Maintenance + ROE
Return	15% US \$ based return
Hedge	US Inflation and currency depreciation
Coverage	Force Majeure, Political Risks & Change in Law



PPP Issues

- Lack of PPP market and capacity
 - No standardized documents and history except for energy sector
 - Even consultants are not fully trained on the PPP models

- Political risks
 - GoP recalled several concessions under the 1994 power policy
 - Political instability

- Legal risks
 - Several corporate deals have been struck down by the courts mainly on the procurement issue



PPP Issues

- **Circular Debt issue**
 - Govt of Pakistan has delayed payments to the Independent Power Producers which has led to liquidity crunch in the financial markets

- **Lack of Developed Financial Markets**
 - Plain Vanilla Structures with no room for innovation
 - Volatile interest rates with high interest rates historically
 - No long term loans (maximum loan of 12 years)
 - Lack of long term investment funds while pension funds are largely barred from investing in equities/projects