No: INFRA\SMTA\BL\2019\33
GOVERNMENT OF SINDH
SINDH MASS TRANSIT AUTHORITY
Karachi, dated 17-04-2019

Managing Director
Sindh Public Procurement,
Regulatory Authority,
(SPPRA). Block-8, Sindh secretariat 4-A, Court Road,
Karachi.

SUBJECT: CANCELLATION OF THE BIDDING PROCESS, CONDUCTED FOR THE BUS RAPID TRANSIT SYSTEM (BRTS) BLUE LINE PROJECT (INFRASTRUCTURE DEVELOPMENT).

Dear Sir,

I am directed to refer to the Request for Proposal issued on 8th February,2018 for selection of a preferred bidder to design, finance, build, operate and transfer the Bus Rapid Transit System (BRTS) Blue Line Project (Infrastructure Development) (the "**Project**") (the "**Bidding Process**").

This is to notify you that ,as per decision of 27th Public Private partnership Policy Board meeting held on 12th December ,2018, the competent authority has decided to cancel the Bidding Process for the project pursuant to Rule 25 of Sindh Public Procurement Rules,2010 (as amended from time to time) ("**SPPR 2010**").

Deputy Director Contract/Procurement
SMTA

Enclosed:
Minutes of (27th PPP, Policy Board meeting)

Copy to:
1. Managing Director, SMTA
2. Director Projects, SMTA
3. P.S to Secretary, TMTD.
4. Master File

For hosting

22/4

SPPRA INWARD DIARY
NO: 10,799
DATED 22/4/19

19

NO: FD(PPP UNIT)/2019/02
GOVERNMENT OF SINDH
FINANCE DEPARTMENT
Karachi, dated the 16th January, 2019

7th Floor, Building No. 6, Sindh Secretariat, Kamal Attaturk Road, Karachi. Phone: (021) 99222192

DISPATCH FROM
SMTC / T&MT. Deptt
Dairy No 700
Dated: 21-1-19

To,

1) The Secretary, Works & Services Department, GoS
2) The Secretary, School Education and Literacy Department, GoS
3) The Secretary, Health Department, GoS
4) The Secretary, Agriculture, Supply & Prices Department, GoS
5) The Secretary, Local Government Department, GoS
6) The Secretary, Transport & Mass Transit Department, GoS
7) The Chairperson, Sindh Board of Investment, GoS

SUBJECT: MINUTES OF THE 27TH PUBLIC PRIVATE PARTNERSHIP (PPP) POLICY BOARD MEETING

Dear Sir,

Please find enclosed a copy of approved minutes for the 27th Public Private Partnership (PPP) Policy Board Meeting held on 13th December, 2018.

2. The approved minutes are being forwarded to you for your information and compliance.

ASSISTANT DIRECTOR
Public Private Partnership Unit
Finance Department
Government of Sindh

231
16/01/2019

2456
17-1-2019

Copy for information to:

1. PS to Secretary, Finance Department, GoS
2. PS to Director General, Public Private Partnership Unit, Finance Department, GoS
3. Copy for Master File

Pl. urgently action on discussion on Agenda no 12
16/1/19

Pl put up
Dir (Infra)
Asstt Dir (PPP Node)
MD/SMTA
18/1
PS to master copy

CHIEF MINISTER'S SECRETARIAT, SINDH
KARACHI

"SAY NO TO CORRUPTION"

No.SO-XVI/CMS/FD/4(2)2018/ 178
Dated 17th January, 2019

MOST IMMEDIATE

601
14/1/19

To

The Secretary,
Finance Department,
Government of Sindh,
Karachi.

SUBJECT: MINUTES OF 27TH PUBLIC PRIVATE PARTNERSHIP (PPP) POLICY BOARD MEETING.

I am directed to refer your department's letter No.FD/PPPUNIT/PB-27, dated 01-01-2019, on the subject noted above and to enclose herewith a copy of approved Note for Honourable Chief Minister Sindh alongwith minutes of 27th Public Private Partnership (PPP) Policy Board meeting duly approved by Honorable Chief Minister, Sindh.

2. It is, requested to please take necessary action, accordingly.

(ABDUL SHAKOOR NOONARI)
DEPUTY SECRETARY-VI

C.c to:-

1. The Deputy Secretary (Staff) to Chief Minister, Sindh, Karachi.
2. PS to Principal Secretary to Chief Minister, Sindh, Karachi.
3. PS to Additional Secretary-II, Chief Minister's Secretariat/House, Karachi

PPP UNIT ... 30 14-01-19
FINANCE DEPARTMENT GOVERNMENT OF SINDH

S.F.S (BA&E)
S.F.S (DEV)
S.F.S (ES)
S.F.S (M&SR)
A.F.S (RE)
A.F.S (DEV)
A.F.S
A.F.S
A.F.S
DS (LEGAL)

PPP unit

CHIEF MINISTER'S SECRETARIAT, SINDH
KARACHI

No.SO-XVIII/CMS/PPP UNIT/2018
Dated the 8th January, 2019

NOTE FOR HONOURABLE CHIEF MINISTER, SINDH

SUBJECT: MINUTES OF 27TH PUBLIC PRIVATE PARTNERSHIP (PPP) POLICY BOARD MEETING.

Secretary, Finance Department, Government of Sindh vide letter dated 01-01-2018 has submitted the draft minutes of the 27th PPP Policy Board meeting held on 13th December, 2018 at Chief Minister's House under the Chairmanship of Honorable Chief Minister, Sindh to review and approve the PPP Policy Projects.

2. The Honorable Chief Minister, Sindh, may like to peruse & approve draft minutes of meeting, please (Annex-A).

8.1.19

(SAJID JAMAL ABRO)
PRINCIPAL SECRETARY TO
CHIEF MINISTER, SINDH

3. HONOURABLE CHIEF MINISTER, SINDH

Approved.

8/1/19

PSCM

No:FD/PPPU-NIT/PB-27
PPP UNIT, FINANCE DEPARTMENT
GOVERNMENT OF SINDH
DATED: 01 Janbuary, 2018

Partnership for Development

A.K LODHI COMPLEX SINDH SECRETARIAT BUILDING NO. 6
SHAHRAH-E-KAMAL ATA TURK, KARACHI - PH: (021) 99222186

To,

The Principal Secretary to Chief Minister, Sindh
Chief Minister's Secretariat,
Karachi

SUBJECT: MINUTES OF 27TH PUBLIC PRIVATE PARTNERSHIP (PPP) POLICY BOARD MEETING

The 27th meeting of Public Private Partnership (PPP) Policy Board was held under the chairmanship of Honorable Chief Minister Sindh, being the Chairman of PPP Policy Board, on 13th December, 2018 at Chief Minister's Secretariat, Karachi to review and approve the PPP Policy projects.

2. The drafts minutes of the 27th PPP Policy Board meeting are enclosed for kind perusal and approval of Honorable Chief Minister Sindh.

(NAJAM AHMED SHAH)
Secretary Finance
Finance Department
Government of Sindh

NO: FD(PPPUNIT)/PB/M27
GOVERNMENT OF SINDH
FINANCE DEPARTMENT
Karachi, dated December 13, 2018

7th Floor, AK Lodhi Complex, Sindh Secretariat # 6,
Shahrah-e- Kemal Ata Turk, Karachi Ph: (021) 99222186

MINUTES OF 27TH MEETING OF PUBLIC PRIVATE PARTNERSHIP (PPP) POLICY BOARD

The 27th meeting of the Public Private Partnership (PPP) Policy Board (the Board) was held on Thursday, 13th DECEMBER 2018 at 10:00 pm at the Chief Minister House under the chairmanship of the HONOURABLE CHIEF MINISTER, SINDH (the Chairman). The list of participants is attached as [ANNEXURE A] and the working paper is attached as [ANNEXURE B]

2. The meeting started with recitation verses from the Holy Quran. The Chairman welcomed the members and participants of the PPP Policy Board and requested DG PPP Unit to put forward the agendas before the PPP Policy Board and initiate the proceedings.

AGENDA NO. 1 – CONFIRMATION OF 26TH PPP POLICY BOARD MINUTES

3. The DG PPP Unit informed the members about the first agenda of the meeting i.e. ratification and approval of the minutes of 26th PPP Policy Board Meeting [attached as ANNEXURE C]. The Chairman invited all the members for any comments or observations. No reservations were pointed out by any member.

Decision: **The PPP Policy Board unanimously accorded its approval and confirmed the decisions made in the 26th meeting of the PPP Policy Board.**

AGENDA NO. 2 – TEACHER'S TRAINING INSTITUTE PROJECT

4. The Secretary SELD briefed the forum that an unsolicited proposal was submitted to SELD by an organization namely M/s Durbeen (Pvt.) Limited for the Teacher Training Institute (TTI) Hussainabad Project on 1st March 2017. The same was approved by the PPP Policy Board for the project in its 20th meeting held on 8th March 2017. He further informed that SELD after thorough procurement process engaged transaction advisors for development of six (6) teacher training institutes in Sindh including the TTI Hussainabad.

5. The Secretary SELD invited the Consultants for the project to brief the members about the broad-line objectives of the TTI Hussainabad project. The consultants briefed about the salient features of existing setup as summarized below:

Table-1

Year of establishment	1959
Total size of the facility	9.19 acres
Construction & utility	2.51 acres
Annual budget FY 2018-19	44,835,000 million
Existing staff (teaching & non teaching)	41
Existing students	55
Available Rooms	17
Total Hostel Rooms	156
Total Residential Units	45
Hostels & Residential units are not part of Management contract	

6. The consultant further informed the procurement process undertaken for engagement of private partner. The advertisement was published in leading newspapers on 6 May 2018 and in response to the advertisement, only one party namely Charter for Compassion (CFC) submitted prequalification application on due date i.e. 22nd May 2018. However, the CFC withdrew its prequalification application on the same day through email and later confirmed its withdrawal through official letter. Accordingly, the request for proposal (RFP) was issued to the M/s Durbeen (Pvt.) Limited on 30th May 2018. Subsequently, the TTEC in its meeting held on 28th June 2018 approved the revised RFP with amendments and issued the same to M/s Durbeen (Pvt.) Limited by the bid submission deadline i.e. 12 July, 2018.

7. The Board was presented the clarifications & amendments made in the revised RFP. The consultant further informed that in the meanwhile, prior to bid submission, a transparency committee was formed on 5th July 2018 by the Chief Secretary Sindh to review the procurement process for the project. The Transparency Committee in its report submitted to the Chief Secretary Sindh, highlighted RFP amendments were "material changes". The clauses 16 and 17 along with proposed recommendation, respectively, of the transparency report are reproduced as below:

> *"A careful review of the situation reveals that though no deviation from the existing procurement process committed by TTEC in question and, prima facie the whole procedure of procurement has been found to meet, yet, the test of inclusive, transparency and ensuring competitiveness, [illegible] recommendations to enhance the level of transparency in the ongoing procurement."*

> *"The revised RFP contained considerable changes which should have been better circulated through newspapers for wider publicity, more transparency and competitive bidding process."*

RECOMMENDATION

> *"The procurement process is very much underway. The next TTEC meeting scheduled on July 12, 2018 amongst other aspects may consider to set aside the process and start afresh the pre-qualification process by cancelling the existing bidding process by invoking SPP Rule 25 and following the procedure as laid down in the ibid section to ensure transparency and competitiveness. At para 15-A it may be noted that the initiator of proposal is exempted from prequalification (15-A (e) SPPR)."*

8. The Board was further informed that subsequently the SELD received a copy of the Notice, dated 19th September 2018, from the Honorable Supreme Court directing the Chief Secretary Sindh *"to expeditiously [illegible] in all aspects on merits considering the time constraint as to commitment between the applicant NGO and Finnish University, under intimation to this office"*. Referring to the directions of the Honorable Supreme Court of Pakistan, the Chief Secretary Sindh via Letter dated 27th September 2018 directed the Secretary SELD *"to immediately finalize the process of evaluation of Technical and Financial proposal submitted by the applicant in all aspects on merits considering the time constraint as to commitment between the applicant NGO and Finnish University"*. In light of the directions, the TTEC accordingly resumed the bidding process and opened technical bid on 28th September 2018.

9. The Board enquired about the materiality aspect of the project. The consultant responded that the legal advisors of the SELD, GoS (Ahmed&Qazi Law Firm) furnished two separate legal opinions in this regard. The first legal opinion was provided whether SELD is legally required to comply with the Honorable Supreme Court's notice. The said legal opinion stated *"It is our view that the direction of the Hon'ble Supreme Court, being the apex Court, supersedes all the legal shortcomings, i.e. opening of bids as per Rule 41 of Sindh Public Procurement Rules etc. and it can safely be assumed that the Hon'ble Supreme Court has taken all the issues into account and made order accordingly. Thus, the process of bid evaluation was undertaken and expedited by TTEC as per directions of the Hon'ble Supreme Court"*. The second legal opinion was provided about the materiality aspect of revised RFP. The legal opinion stated *"since the amendments in bidding documents / RFP were material [illegible] to bidding documents / RFP, however, since Rule 23(2) of Sindh Public Procurement Rules, 2010 envisages presence of more than one bidders who need to be notified of any change in bidding documents/ RFP, this Rule was*

[illegible]
bidding".

10. In response to the same, the Chair enquired whether a legal opinion from Law Department, GoS was sought in this regard. The SELD representative said the legal opinion from Law Department, GoS was not sought. The Board directed to seek legal opinion from Law Department, regarding any material changes in revised / amended RFP to single bidder.

11. The consultant further informed that subsequently, the TEEC based on evaluation criteria declared the bidder as technically qualified. As per RFP, the financial bid price is composed of a) Installation cost which is a cost of rehabilitation, refurbishment and setting up of the facility during the initial 10 months, b) Operation & Maintenance cost during the 10 years of contract period in present value terms. Furthermore, the cost of salaries & allowances of the existing Government staff of the TTI Hussainabad shall be directly paid by the GoS to the relevant staff members through annual Government budget. So, any employee upon retirement or transfer will be replaced by another Government employee whose salary will be disbursed from the TTI budget accordingly. The break-up of financial bid is given below:

Table-2

	(a)	(b)	(c)	
Description	Financial Bid	Revised Financial Bid	Negotiated Bid	Estimated
Total Upfront Capital cost	[illegible]	[illegible]	[illegible]	[illegible]
Total Operational expenses for 10 year	2,847,429,010	[illegible]	[illegible]	[illegible]
Present value (PV) of Project cost	2,102,710,456	998,959,020	927,076,751	386,835,077
Estimated (PV) of Direct Government budget (Salary & allowances Only) allocation for 10 years	317,381,698	[illegible]	[illegible]	[illegible]
PV of Total Cost	2,420,092,154	1,316,340,718	1,244,408,449	704,216,775
Total Percentage Difference from Estimates	244%	87%	77%	

12. The Consultant informed that the financial proposal was opened on 17th October 2018 and the bid price of bidder was PKR 2.4 billion (PKR 2.1 billion + PKR 317 million) (column (a) in Table-2) in present value terms. The bid price was far beyond the estimated cost and due to lack of value for money, the TEEC asked the bidder to re-submit only its financial proposal by invoking SPPRA rule 83(1). Accordingly, the financial bid was submitted by the bidder and the bid price amounted to PKR 1.3 billion (PKR 998.9 million + PKR 317 million, (column (b) in Table-2) in present value terms. The TEEC decided to invoke SPPRA Rule 83 (1) to conduct direct negotiations to further reduce the bid price. As a result of direct negotiations the bid price was further reduced to PKR 1.2 billion (PKR 927 million + PKR 317 million) (column (c) in Table-2) in present value terms.

13. The Board was informed that since the negotiated bid price (column (c) in Table-2) was still 77% higher than the estimated costs and did not create expected value for money, hence, another round of negotiations were held with the bidder. The bidder during the negotiations further rationalized and reduced its bid price to PKR 1.017 billion (PKR 700 million + PKR 317 million) which was 44% higher than the estimated bid price.

14. The DG PPP Unit enlightened the value for money concept and stated that the estimated costs for PPP Projects are not usually risk adjusted and it can only be checked after public sector comparator is developed. Furthermore, the risks which private party envisage are priced in its financial bid, which are not built in procuring agency's estimated costs.

15. The Board was apprised that the major costs difference between estimated costs and bidder's bid was the Salary & Allowances component. The salary amount projected in consultants estimates were on lower side whereas the bidder had taken up market based salaries. Hence, based on additional negotiations, the bidder proposed further reduced bid price as tabulated below

Table-3

Description	Final Revised bid	Estimated
Total Upfront Capital cost	90,665,475	82,317,580
Total Operational expenses for 10 year	675,200,993	422,415,000
Present value (PV) of Project cost.	549,362,821	386,835,077
Estimated (PV) of Direct Government budget (Salary & Allowances Only) allocation for 10 years	317,381,698	317,381,698
PV of Total cost	866,744,519	704,216,775
Total Percentage Difference from Estimates	23%	

16. The Board was informed that the final bid price of PKR 866.7 million (PKR 549 million + PKR 317 million) computes to 23% higher than the estimated costs in totality, which was significant reduction from original bid price and potentially creates value for money. However, the bidder for the final bid price (Table 3) has requested the Government for release of allocated budget for sanctioned vacant positions directly to the private party so that it may engage relevant personnel on its payroll. Whereas in the bidding documents, the salaries of existing Government employees of the TTI Hussainabad would be directly paid by the GoS to the relevant staff members as per the budget allocated during the term of management contract.

17. The Secretary SELD, while acknowledging the above facts, briefed the forum that the TFEC during its meetings deliberated whether excellence can be quantified or monetized. He further said the consultants may have different view (or perception) of excellence while compiling the estimated costs as compared to the originator of unsolicited proposal and the same fact was acknowledged by the consultants during several rounds of TFEC meetings. He further said that since the bidder proposed to engage University of Helsinki (Finland) for the development of curriculum and accordingly teachers will be trained based on the same, which will generate high quality graduates / teachers as compared to teachers trained on current syllabus.

18. He further suggested to consider the final negotiated bid in which funds transfer of budgeted salary component (vacant positions) had been requested by the bidder. This proposal may be useful in gradual phase out of redundant employees and let the private party engage market based efficient resource. This would further address serious performance challenge for the private party due to inefficiency of Government teachers. The Board seconded the views of SELD.

Decision:

The PPP Policy Board unanimously accorded approval for the following:

i. Final negotiated bid price of PKR 549,362,821/- being the PV of O&M & Installation cost along with the below-mentioned request made by the Preferred Bidder:

a) In addition to the above, transfer the annual budget for 'salary & allowances' of sanctioned vacant positions at TTI Hussainabad to private party (excluding salaries of school personnel) so that private partner engage relevant personnel for the efficient functioning of the TTI Hussainabad and pay their salaries from this amount. The agreed sanctioned vacant positions shall remain vacant throughout the term of the contract and shall not be considered for promotion/posting/appointment purposes.

b) Furthermore, the salary & allowances for following positions be transferred to the private party, whenever such positions are vacant:
   - One (1) Principal (upon retirement)
   - Two (2) Assistant Professors (upon retirement)
   - Three (3) Lecturers (upon retirement)
   - One (1) Junior Clerk (transfer existing employee)

c) The baseline annual budget for salary & allowances of aforementioned positions at sub-serial a) and b) shall be agreed between SELD and the private party and to be incorporated as an annexure to the Management Contract.

ii. Issuance of LOA to the Preferred Bidder (after completing all codal formalities related to SPPRA rules) and

iii. Signing of Management Contract

The above approval of PPP Policy Board is subject to obtaining a legal opinion from Law Department, GoS with respect to revised RFP issued to single prequalified bidder and that it did not contain any material changes.

AGENDA NO. 3 – SINDH BASIC EDUCATION PROGRAM (SBEP) PROJECT

19. The Secretary SELD informed that the Department had recently concluded its fourth round of procurement for Public Private Partnerships (PPPs) based outsourcing of 20 schools constructed from the USAID Sindh Basic Education Program (SBEP) along with 25 Priority schools grouped with reconstructed schools, comprising four (04) District Packages i.e., Sukkur, Larkana, Qamber Shahdadkot and Dadu. The outsourcing was being carried out through the Education Management Organization (EMO) Project, and in the procurement round Sukkur Institute of Business Administration and the Citizen Foundation were declared the preferred bidder in the following 4 packages.

District Package No. 1 Sukkur (5 SBEP Schools & 11 Grouped Schools)

S.No	Name of Firm or Bidder	Cost Offered by Bidder	Ranking in Terms of Cost
1	Sukkur Institute of Business Administration (SIBA)	567,611,279	Lowest Bidder
2	The Citizen Foundation (TCF)	683,999,713	2nd Lowest Bidder
3	Health and Nutrition Development Society (Hands)	1,170,562,5[illegible]	3rd Lowest Bidder

District Package No. 2 Larkana (4 SBEP Schools & 6 Grouped Schools)

S.No	Name of Firm or Bidder	Cost Offered by Bidder	Ranking in Terms of Cost
1	Sukkur Institute of Business Administration (SIBA)	403,586,379	Lowest Bidder
2	The Citizen Foundation (TCF)	471,596,635	2nd Lowest Bidder
3	Shaheed Zulfiqar Ali Bhutto Institute of Science and Technology (SZABIST)	758,840,481	3rd Lowest Bidder
4	Health and Nutrition Development Society (Hands)	809,863,431	4th Lowest Bidder

District Package No. 3 Qambar Shahdad Kot (5 SBEP Schools & 4 Grouped Schools)

S.No	Name of Firm or Bidder	Cost Offered by Bidder	Ranking in Terms of Cost
1	The Citizen Foundation (TCF)	489,476,885	Lowest Bidder
2	AKHEWAT	570,188,540	2nd Lowest Bidder
3	Health and Nutrition Development Society (Hands)	676,808,115	3rd Lowest Bidder
4	Shaheed Zulfiqar Ali Bhutto Institute of Science and Technology (SZABIST)	1,010,434,213	4th Lowest Bidder

District Package No. 4 Dadu (6 SBEP Schools & 4 Grouped Schools)

S.No	Name of Firm or Bidder	Cost Offered by Bidder	Ranking in Terms of Cost
1	The Citizen Foundation (TCF)	586,709,647/-	Lowest Bidder
2	AKHUWAT	595,056,050/-	2nd Lowest Bidder
3	Health and Nutrition Development Society (Hands)	1,075,325,434/-	3rd Lowest Bidder

20. He further stated that unlike the previous rounds of procurement, this time the Department, had decided to outsource its schools from a single district in a cluster-based district package and in addition the priority schools of the education department were also clubbed together which fell within near vicinity of the SBEP schools as per a defined criterion. Due to economies of scale in the cluster based model and wider competition the cost per child (which is a criteria that assess a range of investments) has been reduced from PKR 1,591 (per child per month (10 Year Average based upon lowest best evaluated bid on average) in previous 23 SBEP schools outsourced to PKR 850/per child per month in this current round of outsourcing. The total project cost of schools is divided by optimal number of children in project facilities (maximum assessed seating capacity per class) during project period of 10 years to determine per child per month cost. The board noted appreciably the reduced cost in the cluster based model.

21. The approval to issue the Letter of Award to the preferred Bidders had already been done via a Summary to the Chief Minister moved by the SELD dated 20 Nov, 18 and the Board was being asked by SELD to give post facto ratification of the approval to issue letter of award and proceed with the signing of the agreement as per the contents of the summary.

Decision:
The Policy Board unanimously ratified the Summary to CM for issuance of Letter of Award and Signing of Contract with the winning bidders for the fourth round of procurement of Education Management Organizations (EMO) Project.

AGENDA NO. 4 – ISLAMKOT SCHOOLS PROJECT

22. The Department informed that it intends to outsource the management of public schools in Islamkot, Tharparkur to reputable private organizations under the Sindh Education Management Organizations (SEMO) Framework. As a first phase of the Project, the PPP Policy Board had approved a preliminary list of thirty-seven (37) schools for private partner solicitation under PPP mode. The Department had brought the matter to the PPP Policy Board for clear directions on how to move forward with the outsourcing since Sindh Engro Coal Mining Company was ideally placed in the region for undertaking social uplift projects in Islamkot and could be a potential partner in running of Islamkot schools, however since the CSR/Royalties based funding was to take place after the start of operations of the 660 MW Power Plant issues of timing of funds and modalities of outsourcing needed to considered.

23. The Board was of the view that Thar Foundation which was an apparent subsidiary of the Sindh Engro Coal Mining Company (SECMC) was well placed to undertake management control of as many schools' facilities as possible under their CSR royalties mechanism and they may collaborate with partners for such an implementation. Whilst currently SECMC is a majority Government owned company hence the conventional PPP modality may not be applicable in the current instance. Hence another variant of private outsourcing model with probably matching based grant financing may be pursued.

Decision:
The PPP Policy Board did not approve funding thereof from the PDF Account and sent the project back to SELD for reconsideration of modalities for outsourcing the same to Thar Foundation, being a subsidiary of a public sector entity, at present.

AGENDA NO. 5 – REGIONAL BLOOD CENTERS PROJECT

24. The Forum was apprised by the Department that with the Development assistance through KFW – German Development Bank, construction of four state of the art Regional Blood Centers (RBCs) i.e. Sukkur, Jamshoro, Shaheed Benazirabad & Karachi was completed in September 2015. Since Health department had no prior experience of managing the sophisticated Blood Centers, Health department and KFW mutually agreed that the newly constructed RBCs should be contracted out to experienced private sector organizations under Public Private Partnership (PPP) mode. During the procurement process, compliant proposals for two RBCs i.e. Sukkur and Jamshoro were received and after completion of all formalities, contracts were signed with the Indus Hospital for RBC Jamshoro and Sukkur Blood and Drug Donating Society (SBDDS) for RBC Sukkur, respectively.

25. For the remaining two RBCs i.e. Karachi and Shaheed Benazirabad, a summary was approved by Chief Minister on 22nd January 2018 granting exemption of procurement under section 21 of Sindh Public Procurement Act-2009 for contracting out RBCs at Karachi and Shaheed Benazirabad. Accordingly letters of invitation were issued to (1) Fatimid Foundation (2) Dr. Ziauddin Hospital (3) National Insitute of Blood Diseases & Bone marrow Transplantation and (4) Hussaini Blood Bank for participation in procurement process. Hussaini Blood Bank declined to participate and National Institute of Blood Diseases & Bone marrow Transplantation did not respond. Fatimid Foundation and Dr. Ziauddin Hospital have submitted their technical and financial proposals. The technical proposals have been evaluated by the Health Department and both of the parties technically qualified. The financial proposals were as under

S#	NAME OF RBC	CAPACITY OF RBC	NAME OF ORGANIZATION	BID AMOUNT	REMARKS
1	RBC Karachi	50,000 Bags p.a.	Fatimid Foundation	3,558,757,785	Second Lowest
			Dr. Ziauddin Hospital	3,329,312,985	Lowest Bidder
2	RBC Shaheed Benazirabad	20,000 Bags p.a	Fatimid Foundation	2,400,651,584	Sole Bidder

26. Subsequently as per rule 37(1) of Sindh Public Procurement Rules 2010, letters were issued to both of the bidders for submission of bid security. Dr. Ziauddin Hospital provided bank guarantee of Rs.33,293,129, whereas Fatimid Foundation has expressed inability to provide bid security and requested for exemption on the grounds that it provides services free of cost, through grants provided by federal government and provincial governments and donations.

27. Correspondingly,- a summary was submitted by Health Department on 27th September 2018 to the honorable Chief Minister for seeking permission to conclude the agreement with Dr. Ziauddin Hospital for RBC Karachi and granting bid security exemption to Fatimid Foundation for RBC Shaheed Benazirabad. Honorable Chief Minister approved summary to the extent that the agreement may be concluded with Dr. Ziauddin Hospital, however, granting exemption to Fatimid Foundation was proposed to be presented before Cabinet. A Cabinet meeting was held on 16th October 2018 approved to conclude that agreement with M/s. Dr. Ziauddin and also granted bid security exemption to Fatimid Foundation for RBC Shaheed Benazirabad.

28. The Department further informed the forum that recently Ziauddin Hospital has written a letter and withdrawn its intention to undertake the project. Being the second lowest bidder, Fatimid Foundation may be awarded RBC at Karachi. It was deliberated that bid security may not be taken from Fatimid for RBC at Karachi considering the exemption of the same was approved by the cabinet already. It was highlighted to the forum that though the procurement was run effectively, however, the structure of the overall arrangement with the private parties and performance monitoring and control should be stringent. It was further highlighted that improvement in overall structuring of the arrangement of the project including cost analysis shall be done by the Health Department. It may include expected volume of blood bags required to be serviced at each RBC, cost per bag of four components of blood cells, automated system between RBCs and HBBs, clearly developed outreach program, etc. It was emphasized that the

procurement should have been well defined to obtain desired objectives of the project. The Department informed that work on outreach program is being done on piecemeal basis.

29. It was briefed to the forum that partnership of this kind with NGOs and other organizations in different PPPs has its own problems like traffic volume of patients is not defined and unprecedented flow of users pose heavy financial burden on budgets. The forum was informed that payment to the private partners in PPP agreements executed in 2015 are not done on time and it should be transferred to escrow account mechanism. It was highlighted that, in the 20th meeting of PPP Policy Board, it was directed to Health Department to put forward amendments in the concession agreements executed in 2015, which were subsequently initiated by Health Department through a summary to honorable Chief Minister. The proposed amendments were approved by the CM namely incorporation of conditions precedent, hiring of independent auditor and expert, transfer to payment mechanism based on escrow account from current mode of payment through single line transfer and termination events and related compensation. The amendments in the concession agreements are yet to be executed.

30. It was deliberated that Health Department may perform one time hiring of an independent monitoring & evaluation expert to evaluate all the glitches, to refine performance monitoring of the private partners and to make contracts more stringent and well defined. The Department endorsed the viewpoint and informed that Indus Hospital has claimed the similar problems at RBC Jamshoro which were highlighted by the forum. The Department endorsed that private partners in executed agreements claimed similar problems and affirmed that monitoring system and referral system should be introduced in all PPPs of Health Department.

Decision:

1. **The PPP Policy Board ratified both of the summaries dated 22nd January 2018 and 27th Sept, 2018 and approved to award remaining two RBCs at Karachi and Shaheed Benazirabad to Fatimid Foundation without provision of bid security by Fatimid Foundation. The forum approved funding of the above projects through VGF provided that Health Department should work rigorously and set the following standards and KPIs at minimum:**
   - (i) Target capacity utilization of the RBC
   - (ii) Target rate of voluntary donations during the concession period
   - (iii) Target rates for blood expiry units and component wastage unit
   - (iv) Target rate for component QC failures
   - (v) Standards for equipment maintenance
   - (vi) Standards for Reagents and Antisera quality control
   - (vii) Standards for record retention
   - (viii) Cost analysis per component of blood bag
2. **The PPP Policy Board further reiterated its direction to Health Department to execute approved amendments in the concession agreements with all the PPP private partners executed in 2015 and transfer to payment mechanism based on escrow account from current mode of payment through single line transfers.**
3. **Moreover, the forum directed Health Department to perform one time hiring of an independent monitoring & evaluation expert to evaluate all the gaps, to refine performance monitoring of the private partners and to make contracts more stringent and well defined.**

AGENDA NO. 6 – SAFETY AND SECURITY AT NICH PROJECT

31. The Department briefed the forum that PPP Policy Board in its 25th meeting accorded approval for fresh procurement of operations of safety and security services at National Institute of Child Health (NICH) for the next five years (the Project) along with the payment mechanism through VGF. Following the approval, Health Department has run the procurement for operations of safety and security at NICH under national competitive bidding procedure. In

response of the RFP issued, one bidder i.e. Security & Communication in consortium with M/s Agha Securities (the Consortium) has submitted the proposal. On evaluation of technical proposal, the Consortium scored 72.6 out of 100 marks and was regarded as technically qualified bidder. Subsequently, financial proposal of the Consortium was opened. The Consortium quoted the bid price of Rs. 499.88 million, however, members of the procurement committee negotiated two key assumptions (inflation rate and management fee rate) in the model and revised down the bid price to Rs. 474.42 million.

32. It was deliberated by the forum that the bid price of Rs. 474.42 million is on higher side vis-à-vis the cost estimate of Rs. 220 million and the project cost of Rs. 151 million project (including extended scope of work) for the same project awarded five years ago. It may be witnessed that the fresh procurement does not bring value for money. It was explained to the forum that the primary reason for this upsurge in the cost is a) inflation during 5 years and b) enhanced requirement of human resource for the project coupled with the incorporation of concept of management fee in the fresh procurement. It was highlighted that re tendering of the procurement will take at least 3 to 6 months to hire services of the new private party and this could lead to break in the system of services currently being provided at NICH.

33. It was further explained to the forum that increase in project cost is primarily due to higher requirement of HR including guards and other staff for system automation. Also, the other reason for increase in cost is that in the previous procurement, all staff was scheduled to work on two shifts during a day. It was deliberated that guards working on two shifts in a normal office environment is relatively practicable whilst in a tough working environment of a public sector hospital, working in three shifts is more feasible. Due to this reason, three shifts of the security guards was introduced in the fresh procurement which resultantly escalated project cost substantially. It was highlighted to the Board that re-tendering will not decrease the cost of the project and it may further increase cost due to current wave of inflation.

34. It was informed to the forum that the procurement process of the fresh procurement is actually questionable due to the fact that only one bidder submitted the bid due to eligibility criteria which suited only one party locally. Also, comparison of actual cost of the project and estimates cost (Rs. 474 million vs. Rs. 220 million) further raises skepticism on the procurement. It was proposed by the members of the Board that Health Department may run the fresh procurement under international competitive bidding if it is aware that only one party has experience of handling of existing baby tagging system locally. To avoid break in the system of services currently being provided at NICH, Health Department may explore how the safety & security services are continued in the intervening period. The new procurement may be run with proper estimation of costs in hand to bring competition and value for money.

Decision:

The PPP Policy Board accorded approval of new procurement for operations of safety and security services at NICH along with the same payment mechanism through VGF. The new procurement may be done in PPP mode under international competitive bidding with proper estimation of costs in hand before running the procurement and to bring competition and value for money. Health Department is also directed to explore how the safety & security services are continued in the intervening period by discovering possibility of extension in the existing agreement. Financing for the intervening period shall be funded through VGF.

AGENDA NO. 7 – DHQ/CIVIL HOSPITAL BADIN PROJECT

35. The Secretary Health apprised the forum that Health Department initiated two summaries to the Chief Minster seeking approval of one time grant-in-aid of the annual budget estimate of DHQ Badin which included expenditures pertaining to the old and new building. It was informed to the forum that in the summary number 182, the budget estimate was developed by Indus

Hospital for overall operations of the DHQ Badin at new and old building considering the expected volume of the patients and services required and included HR cost, medicines, consumables, utilities and overhead. The Honorable Chief Minister approved the amount of Rs. 1,088 million from VGF account. In the summary number 184, approval for estimated cost of development of new building was sought. The Honorable Chief Minister approved the amount of Rs. 323 million from VGF account. In the summary number 184, it was decided that the payment from VGF account may be considered as 'bridge financing' and will be replenished so that sufficiency of funds for the other projects is ensured by the VGF. The amount has not been replenished to the VGF Account so far.

36. It was highlighted to the forum that approval was required for payment of the budgets and not for exemption from procurement of services at new building. In response, it was deliberated that the contract between Health Department and Indus Hospital was executed for DHQ Badin and it was not limited to old building only. The agreement with Indus Hospital include provision of services at new building as well. It was informed to the Board that Indus Hospital requested to transfer the budget of new building to it due to the fact that construction work on new building was not being done according to their work plan.

Decision:

The PPP Policy Board ratified both the summaries of the Department No. 182 dated 4-1-2018 and No. 184 dated 5-1-2018 and also directed to replenish the one-off 'bridge finance' funds to VGF for summary no. 184 i.e. Rs. 323 million.

AGENDA NO. 8 – GHOTKI KANDHKOT BRIDGE PROJECT

37. The representative of EY Ford Rhodes being the GoS advisors of Ghotki Kandhkot Bridge Project, briefed about the project and stated that this project was initiated by the Works & Services Department, Government of Sindh. The project was approved through summary for investor solicitation. The investor solicitation commenced in November 2017 and bids were submitted & opened on 9th January 2018. After thorough evaluation of technical and financial bids M/s Sachal Engineering Works (Pvt.) Limited were declared Preferred Bidder by the EEC. The bid price of Sachal Engineering was less than PKR 3.5 billion from the second ranked bidder.

38. He further informed that the Concession Agreement was signed on 28th May 2018 with the SPV namely M/s Ghotki Kandhkot Road & Bridge Company (Pvt.) Limited, formed by the Preferred Bidder. The Honorable Chief Minister Sindh being the chairman of PPP Policy Board accorded approval through the Summary for the same. The Concessionaire has recently conducted Hydraulic Model Study from Nandipur Lab and it is expected to be approved in the month of January 2019. The financial close will be done in further three more months.

39. The consultants further said that as per the RFP the debt is in the form of tradable instrument called Privately Placed Term Finance Certificates (PPTFCs) or equally acceptable Islamic instrument. The PPTFCs are underwritten by the GoS, which means any unsubscribed portion of PPTFCs will be subscribed by the GoS. Furthermore, an incentive of 1.0% of the actual amount subscribed shall be awarded to the private party by the GoS. Subsequent to the financial close, if the Private party is able to achieve sell down of GoS PPTFCs, an incentive of 0.75% of the sell down amount shall be awarded to the Private party by the GoS. This whole arrangement was given in the RFP and the same is captured in the Concession Agreement.

Decision:

The PPP Policy Board approved following:

i. Ratified summary for investor solicitation
ii. Ratified summary for issuance of LOA to Preferred Bidder and signing of Concession Agreement with the Concessionaire.

iii. VGF approval for GoS Class-B equity amounting to PKR 1,963,903,317/-, subscription of PPTFCs / equivalent Islamic instrument (Unsubscribed portion) as per RFP, issuance of 1% of the actual amount of PPTFCs / equivalent Islamic instrument subscribed by the Concessionaire as per RFP, and subsequent to financial close if the Concessionaire is able to sell down GoS PPTFCs/ equivalent Islamic instrument, as per RFP an incentive of 0.75% of the sell down amount

AGENDA NO. 9 – KARACHI THATTA DUAL CARRIAGEWAY PROJECT

40. The Board was apprised about the project and its salient features. With respect to the agenda it was stated that the Department initiated a summary seeking permission to direct the Independent Auditor (the **IA**) to issue the Third Annuity Amount Payment Certificate (the **Certificate**), using the corrected Annuity Amount Payment Adjustment Formula (the **Formula**). As per the CA, only the First and Second Annuity Payments were exempted from adjustments. Whereas, all other Annuity Payments, including the Third payment, are to be released, after accounting for adjustment, if any, through the formula given in the CA.

41. The Third Annuity Amount Payment was due on 28th November, 2018. However, following the due process given in the CA, the IA had highlighted an apparent error in the Formula whereby the value of the payable Annuity Amount was coming to NIL and proposed a correction. The proposed correction in the Formula had also been endorsed by the IE. Both the Formulae existing and corrected were presented before the members

Original Formula

$$\text{Annuity Amount Payment Adjustment} = \left[\frac{(AA - N)}{AA}\right] x\, A$$

Corrected Formula

$$\text{Annuity Amount Payment Adjustment} = \left[1 - \frac{(AA - N)}{AA}\right] x\, A$$

42. In view of the above, the proposed correction has to be reflected in the CA, subsequent to the approval of the PPP Policy Board. However, considering the due date of the Third Annuity Amount Payment (28th November 2018), and the time needed to draft and execute the amendment in the CA, the department got the approval through a summary and that the same is presented before the forum for ratification.

43. The DG PPP Unit also highlighted that, at the time of issuance of RFP for uniformity purposes, the bidders were asked to assume Consumer Price Index (CPI) of 10% for inflation growth in Operations and Maintenance (O&M) and Major Maintenance and the same were to be actualized based on actual CPI of the respective periods going forward. However, post signing of Concession Agreement such actualization has been missed out in the CA. The Department should pursue the concessionaire for getting the same incorporated in CA, at the earliest. It was highlighted that at the time of negotiation, on the recommendation of GOS Legal Counsel i.e. HaidermotaBNR, the Department agreed to the demand of the concessionaire to index CPI with routine maintenance and WPI with major Maintenance and the same was also approved by PPP Policy board in its 15th Meeting held on 04 May, 2015. However considering the RFP did not mention such indexation of WPI with major maintenance, the same, if incorporated now may be treated as material breach hence the department should only get the CPI actualization clause incorporated in the CA.

Decision:

The PPP Policy Board ratified the Summary dated 22 Nov, 18 for allowing third Annuity Amount Payment using the corrected Annuity Amount Adjustment Formula. And also directed the Department to get the corrected formula incorporated in CA along with actualization of Inflation (CPI) clause, at earliest. **The PPP Policy Board approved refreshment of Concession Agreement to that effect.**

Agenda No. 10 – Mango Processing Project

44. The Consultants for the project briefed the PPP Policy Board that the project was approved for investor solicitation in 19th PPP Policy Board meeting under two stage bidding procedure. During first stage total five (5) bids were received which were evaluated based on RFP criteria. Discussions with the first stage qualified bidders were conducted and after thorough assessment by the Transaction Advisors, necessary amendments are being proposed for Second Stage RFP which will be circulated upon approval from PPP Policy Board.

Proposed amendment for Second Stage RFP

Below are the changes proposed for second stage RFP:

1. *Inclusion of equipment i.e. Concentrator in Pulping Unit*

The inclusion of Chopper and Evaporator (Concentrator) will increase the financial viability of the project. This addition will produce mango concentrate and Tomato Paste for off season utilization.

2. *Construction period*

The project construction time has been proposed for further extension by 6 months, hence in aggregate 1.5 years will be for construction period. This is justified because the project land will also be acquired by the private party and utilities allocation will also be made.

3. *PPP Modality i.e. From DBFMOT to BOO*

Background: This project involves certain risks which are unique in nature as compared to other PPP projects such as road projects. Most common key risks in PPP Projects are financing risk, design risk, cost overruns, O&M risk, performance risk, Change in law and force majeure risk. This project is exposed to some other unique risks include but not limited to following:

- Business Development Risk: The concessionaire will develop the region and encourage the growers to opt for such specialize treatments. Further, the concessionaire will not utilize up to 30% capacity and make it available for the regional customers, which requires continuous efforts and investment. The cost of the project and operations will be relatively lower, if the facility was developed on any other location.
- Indirect Risks related to input (Harvesting & Flooding in orchards): The facility will be dependent on the produce which is prone to many environmental risks, which is outside the business boundary. These risks are not compensated by the Govt. neither by insurance.
- Charge Rate Risk: The prices charged for processing will be depended on the market. It may become very competitive over time. If compared with Toll Roads project the price are locked in the concession and any variation in those prices are considered as change in law and the same is compensated by the authority.
- Competing Facility Risk: As the nature of project is different form non-agri based projects like Roads, Bridges and Power, the probability of a competing facility nearby is very high because no one can restrict the private party from opening such facility.
- Risk of Substitute (Technology obsolescence Risk): The risk for change in product requirement and treatment method is very high. It will directly impact the prices charged for processing, making the project highly volatile, hence increasing risks.

45. Keeping in perspective the unique risk associated with the project, initially the project was envisaged to be on built own and operate (BOO) mode, but it was decided to launch the project using two stage bidding method, and left it open and adopted Built Operate and Transfer (BOT) modality.

46. Project Terminal Price; Opting for BOO will encourage the private sector motivation and participation without increasing the existing risk exposure of GoS. The private partner shall return

back the GoS equity along with premium and GoS financial support (loan repayment support) extended during the concession period. The terminal price shall be paid back to GoS in equal/bi portion from 15^{th} year to 20^{th} year of Concession.

47. The Board member commented that the changes proposed falls under material deviation of the initial RFP therefore the project should be retendered to which the Department agreed. It was also discussed that the project should be executed involving SBI as it would be the right forum to capture wider market participation at both local and international level and develop the agriculture sector systematically.

Decision:

The PPP Policy Board unanimously agreed to cancel the existing bidding process due to material deviation and directed the Department to explore more consistent and sustainable interventions/options for this project through Sindh Board of Investment.

AGENDA NO. 11– MALIR EXPRESSWAY PROJECT

48. The DG PPP unit invited the Consultant to brief the Board members about the procurement process of the project, so far. The Consultant stated that the Stage Two bidding documents including RFP and DCA have been substantially completed, however a few approvals, which are being presented in this meeting, shall be required to finalize the same. The complete bidding documents shall be presented to the TFEC in its upcoming meeting. The proposed changes in the project structure, due to recent developments on economic front of the country e.g. interest rate increase and cost escalations due to currency devaluation and future forecasts on higher side are being placed before the forum as follows:

Changes in the Technical Parameters of the project structure

- **Number of lanes:** The Project Consultant stated that, the initial structure of the project envisaged the construction of 2x2 lanes. However, as discussed in the previous policy board meeting, it was proposed that the project should include 3x3 lanes dualized expressway due to expected increase in traffic in future.

- **Start point of the project:** Due to expected congestion at the Jam Sadiq bridge, it is proposed that the start point of the project should be [illegible] 100 meters [illegible] the original plan [illegible] congestion at the Jam Sadiq Bridge can be [illegible] and traffic from Korangi and DHA Phase [illegible] & VIII can approach the Expressway directly.

- **Permission for using Malir Riverbed:** The project consultant highlighted that the matter of lifting of construction material from Malir Riverbed for construction of embankment and structures of the project was discussed in the previous PPP Policy Board meeting as this may result in desilting of the riverbed along with reduction in overall construction cost. However, lifting of sand from Malir River has been banned by Supreme Court of Pakistan (SC) vide its CP no. 58 of 2016 (extract attached as Annexure J2). Excerpt from the decision is reproduced hereunder:

  "24. Directions may be issued to the District Management Malir, Irrigation Department KB&SB and others concerned to immediately take appropriate measures to stop sand-lifting from Malir Riverbed as this illegal activity has exposed the water conduits supplying water to the entire city namely GK – I, K-II & K-III to damage, and if this practice is allowed to continue, it can lead to dislocation and blast of said water conduits at any time stopping supply of drinking water to the entire city."

  Considering the benefits and cost saving, it is proposed that the Department shall file a review with SC and seek exemption on the merits of the project. Since the outcome of the decision may take some time, it is proposed that the Stage Two RFP should include a provision stating that the bidders will be allowed to use the earth filling materials from the Malir Riverbed for the purpose of construction of the Project. Moreover, the government, as a Condition Precedent (CP) shall ensure provision of this permission before Financial Close, failing to which GoS may provide the cost of such "lead" from its own sources, outside the project cost as determined by the Independent Engineer of the project. Nevertheless, the cost to be claimed, by the bidder, for arranging the material from sources other than Malir Riverbed, shall not exceed PKR 2.5 Billion with average lead of 30KM and approximate quantity of 8.0 million cu.m. (As estimated by the Technical Consultants)

49. The board was informed that the decision was undertaken by SC, to secure KWS&B pipelines being exposed because of illegal lifting of sand and requested that the Department pursue KWS&B to resolve the same on best effort basis.

50. The private member responded and suggested that construction material may be arranged from elsewhere as it would be difficult to monitor and control the concessionaire for only lifting the required quantity of the construction material from Malir River. The Technical Consultant stated that the required quantity has been specified and accordingly relevant notes shall be incorporated in RFP which shall ensure that only the required quantity is lifted and the same shall be monitored by Independent Engineer of the project.

51. After the detailed discussion on the technical parameters of the project, the Project Consultant highlighted the proposed changes in the financial parameters of the project structure, as presented on following page:

Changes in the financial parameters of the project structure

- **Revisions in Capital Structure for the Stage Two RFP:** Initially it was envisioned that the GoS upfront support will be in the form of sub-debt which was also approved by the Policy Board in its 26th meeting. However, recent devaluation of PKR/USD and increase in KIBOR have deteriorated the project viability. Hence, it is now proposed that the GoS upfront support shall be as Class B Equity which has been capped at PKR 10 billion. Moreover, the debt to equity ratio has been kept open for bidders, however, the private party equity is required to be greater than GoS Class B Equity. Furthermore, in order to increase the bankability of the project, the GoS may fund its total GoS Class B Equity in the GoS Equity Account at financial close and the lenders may be given a charge / lien on the GoS Equity Account.

- **Revisions in MRG Structure for Stage Two RFP:** The Project Consultant presented that, in Stage One RFP, the GoS MRG support was structured as, "*The upside (if the traffic exceeds the break-even traffic) and the down side (if the traffic falls below the break-even traffic) are to equally shared (50:50) between the developer and the GoS throughout the project life.*" However, due to higher perceived demand risk at the beginning of the project, the following changes in the MRG structure may be implemented in order to facilitate the bidders:

  - The MRGs will be available up till debt repayment period, which is 10 years and will follow the declining trend as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year (6-10)
Downside Cover (GoS)	100%	100%	95%	80%	75%	50%
Upside Windfall share	Windfall share i.e. if revenues exceed 120% of benchmark revenue it will be shared by GoS in 75:25 ratio (GoS 75% : Private Partner 25%) from the first year of operations					

- **Prefunding of MRG payments:** It is proposed that, each of the annual MRG payment will be prefunded by the GoS in the GoS MRG Account and the first year MRG Payment will be funded 6 months prior to COD. This prefunding mechanism will increase the comfort of lenders and will facilitate in achieving the financial close for the project. Moreover, in order to ensure the funding of the first MRG payment, it is proposed that the interest accrued on the GoS Class B Equity (provided by GoS in GoS Equity Account at financial close) may also be utilized for the funding of first MRG Payment.

- **Securitization of MRG Payments:** In order to provide security for the payment of MRG payments, it is proposed that the GoS may provide a security / collateral acceptable to the lenders amounting to a maximum of 50% of commercial debt.

52. The Project Consultant further presented the bidder criteria to be incorporated in the Stage Two RFP for the award of the project and stated that, in order to minimize GoS upfront support, collateral requirement for securing commercial debt and GoS contingent liability, the bidding criteria has been structured in a way that the bidders opting for higher debt, thus increasing the project cost, may be discouraged. The final bidding criteria for the award of the project is proposed to be as follows:

Criteria	Weightage
Lowest GoS upfront support / Class B equity	[illegible]
Lowest Commercial Debt quoted for the project	[illegible]

53. The Board enquired if the proposed bidding formula has been tested on any other project previously. The Financial Consultant responded that the proposed structure has been successfully tested on another road/bridge project in Punjab and offers good bankability aspects.

54. The Secretary Finance stated that the EPC cost should be controlled in order to bring down the overall Project cost and the bidding criteria should be based on the basis of lower EPC cost. In response to the same, the consultant stated that proposed bidding criteria has been formulated for controlling and evaluating on the basis of lower Project Cost. Moreover the GoS MRG support has been locked, hence if any bidder proposes higher cost the same will not be covered by the MRG support and revenue estimated. It was further deliberated that the bidding criteria should be strengthened by running detailed sensitivity analysis and various scenario permutations.

<u>Decision:</u>
The Policy Board unanimously approved the proposed changes in the Technical and Financial parameters of the project structure in Stage Two RFP and directed that the bidding criteria, as proposed by Project Consultants, to be incorporated and also approved the launch of Stage two bidding process.

AGENDA NO. 12– BRTS BLUE LINE PROJECT

55. The Secretary TMTD briefed the forum that an unsolicited proposal of SPL for the development of infrastructure of BRTS Blue Line, PPP Policy Board in its 23rd meeting accorded approval of solicitation of the project. It was informed to the forum that following submission of bids, one of the bidder namely Maqbool Associates raised concerns regarding the procurement process and written various letters to National Accountability Bureau, Transparency International and Sindh Public Procurement Rules Authority. To address the grievances of the bidder, TMTD initiated a note for Chief Secretary to form Complaint Redressal Committee (CRC). In the note, the Chief Secretary (officer of BPS – 22 rank) was nominated as chairman of the CRC. Since, chairman of the procurement committee is Chairman P&D Board who is also a BPS 22 grade officer, TMTD received letter from SGA&CD in response which states that SGA&CD is of the view that the Chief Secretary cannot head the CRC. The matter was referred by TMTD to the Law Department through a letter wherein guidance was sought on observations of SGA&CD and provide its legal opinion on this scenario. Response of the Law Department is still due.

56. It was further highlighted to the forum that request for proposal of the project was published on 9th April 2018 and the original bid validity period was 120 days. Hence, the bid validity period expired on 7th August 2018. Bid validity period may have been extended by further 120 days to 5th December 2018 with the approval of Secretary TMTD. Since the bid validity period

was not extended by the department and the latest date has also been lapsed, the procurement process becomes void.

57. It was apprised to the forum that overall procurement process was followed in transparent manner on timely basis and financial bids were opened on 24th May 2018. The financial bids were reviewed by the transaction advisors and TMTD where bid price of Kamran Enterprise and LA Consulting arrive at Rs. 15.52 billion and Rs. 17.72 billion, respectively. The final meeting of the technical and financial evaluation committee (TFEC) was due since last six months. Accordingly, the agenda of BRTS Blue Line was also discussed in the 26th meeting of PPP Policy Board on 10th October 2018 where it was directed by the forum to the TMTD to follow the due process and to ensure the procurement process is carried forward in fair and transparent manner.

58. The forum was highlighted that cancellation of tender and fresh procurement may increase the cost of the project substantially due to ongoing devaluation of local currency and current wave of inflationary pressure. Furthermore, in case of re-tendering the project, both of the private parties may lodge complain on cancellation of tender and raise question that the tender was cancelled to invalidate their bids.

59. It was underlined that the current tender may be scrapped due to the complaints lodged by Maqbool Associates to NAB and Transparency International which poses qualms and risks over the procurement process. The forum endorsed the viewpoint regarding risks of the existing procurement and it was deliberated that the questions over the current procurement may become infamous and may become burdensome to the cabinet and the government in terms of accountability. It was further added that for efficient running of all the affairs of the TMTD, there should be consistency at the managerial/head level in the department.

60. It was further highlighted to the forum that in addition to the escalation in cost of the project, scrapping of the current procurement and going for re-tendering of the project will raise question over validity of the USP. Transaction advisor of the project added that the USP and the conceived project is an intellectual property of the proponent and it will be a challenging question whether the USP will remain valid or may be considered cancelled in the new procurement.

61. Following the deliberations, the PPP Policy Board directed TMTD that the project shall be re-tendered on efficient manner. To understand validity of the USP in new tender, TMTD shall seek opinion of Law Department in 15 days' time. Also, to evaluate validity of the USP, services of transaction advisors may be taken to ascertain the practice adopted in international markets in the similar situation.

Decision:

The PPP Policy Board unanimously decided to cancel the existing bidding process. The Department may reinitiate the bidding process subject to obtaining of a legal opinion from the Law Department regarding the status of validity of Unsolicited Proposal and its applicability, going forward. Moreover, the Department is also directed to utilize Transaction Advisors in order to explore international best practices adopted in similar situation.

AGENDA NO. 13– DHABEJI SPECIAL ECONOMIC ZONE PROJECT

62. The CEO SEZMC apprised the forum and stated that the Government of Sindh has established Sindh Economic Zones Management Company (SEZMC) to act as provincial Special Economic Zone (SEZ) body corporate as per Article 10(2) of SEZ Act 2012 to better manage, coordinate and facilitate Special Economic Zones (SEZs) in the province

63 He further highlighted that the company has been established under section 42 of Companies Act 2017 with SECP as a way forward to effectively manage SEZ related affairs through an autonomous institutional mechanism, to manage, facilitate and support the establishment of new SEZs and Zone Enterprises in Sindh. He added that the objective of SEZMC is to promote interaction between local, foreign investors and relevant stakeholders to ensure a conducive and enabling business environment. It will facilitate existing as well as promote the development of new SEZs in Sindh.

Decision:

The PPP Policy Board unanimously accorded approval to change execution agency of Dhabeji SEZ Project from SBI to SEZMC in light of its focused mandate and autonomy in execution of its functions.

LIST OF PARTICIPANTS FOR 27TH PPP POLICY BOARD MEETING

Held on 13 December 2018 at 10.00 am at Chief Minister House, Karachi

S#	NAME	DESIGNATION	DEPARTMENT
1.	Mr. Syed Murad Ali Shah	Chief Minister	Government of Sindh
2.	Mr. Mumtaz Ali Shah	Chief Secretary	Government of Sindh
3.	Mr. Syed Nasir Hussain Shah	Minister	Works & Services Department
4.	Mr. Syed Sardar Ali Shah	Minister	Education Department
5.	Mrs. Dr Azra Fazal Pechucho	Minister	Health Department
6.	Mr. Muhammad Ismail Rahu	Minister	Agriculture, Supply & Prices
7.	Mr. Saeed Ghani	Minister	Local Government Department
8.	Mr. Awais Qadir Shah	Minister	Transport & Mass Transit Dept.
9.	Mr. Ghulam Qadir Chandio	MPA	Member Provincial Assembly
10.	Mr. Muhammad Waseem	Chairman, P&D Board	Planning & Development Board
11.	Mr. Sajid Jamal Abro	Principal Secretary to	Chief Minister Secretariat
12.	Mr. Najam Ahmed Shah	Secretary	Finance Department
13.	Mr. Sajjad Hussain Abbasi	Secretary	Works & Services Department
14.	Mr. Qazi Shahid Pervaiz	Secretary	Education Department
15.	Mr. Muhammad Usman Chachar	Adl: Chief Secretary	Health Department
16.	Mr. Khalid Hyder Shah	Secretary	Local Government Department
17.	Mr. Agha Zaheeruddin	Secretary	Agriculture, Supply & Prices
18.	Mr. M. Akhtar Ghori	Secretary	Transport & Mass Transit Dept.
19.	Mr. Sarosh Hashmat Lodi	Private Member	Vice Chancellor, NED University
20.	Mr. Asif Brohi	Private Member	Ex President NBP
21.	Mr. Khalid Mehmood Shaikh	Director General	PPP Unit, Finance Department
22.	Mr. M. Sajjad Hussain Gilal	Director (Technical)	PPP Unit, Finance Department
23.	Mr. Yasir Mumtaz Khokhar	Director	PPP Unit, Finance Department
24.	Mr. Fahad Ansari	Director	PPP Unit, Finance Department
25.	Mr. Muhammad Danish	Director	PPP Unit, Finance Department
26.	Mr. Zain Fauzi	Director	PPP Unit, Finance Department
27.	Mr. Haroon Munawar	Assistant Director	PPP Unit, Finance Department
28.	Mr. Haris Ali	Assistant Director	PPP Unit, Finance Department
29.	Mr. Syed Shahnawaz Nadir	Chief Investment	Sindh Fund Management House
30.	Mr. Niaz Ahmed Soomro	Project Director	Local Government Department
31.	Mr. Shafiq-ur-rehman Memon	Project Manager	GKBP, W&S Department
32.	Mr. Bilaluddin Shaikh	Legal Specialist	W&S Department
33.	Mr. Tauseef Lateef	Director	PPP Node, Education Department
34.	Mr. Shakeel Ahmed Shaikh	Additional Secretary (T)	Agriculture, Supply & Prices
35.	Mr. Tanveer Ahmed	Technical Consultant	EA Consultants
36.	Mr Shahnawaz Rizvi	Financial Consultant	IQ Capital Plus
37.	Mr. Saim Hashmi	Legal Consultant	Ahmed & Qazi
38.	Mr. Awais Memon	Technical Consultant	MDC
39.	Mr. Huzaifa Mazahir	Financial Consultant	E&Y
40.	Mr. Ali Khan	Legal Consultant	HMCO
41.	Mr. Younus Sandeela	Financial Consultant	Farmwell Pvt Ltd
42.	Mr. Zeeshan Hussain	Financial Consultant	E&Y
43.	Ms. Amna Haider	Financial Consultant	E&Y
44.	Mr. Omar Afzal	Financial Consultant	E&Y
45.	Mr. Azeem Uqeli	Director SBI	Sindh Board of Investment
46.	Dr. Syed Jamal Raza	Project Director	NICH