

 Early Warning System

ADB-46538-002

Supporting Public-Private Partnership Investments in Sindh Province



### Quick Facts

Countries	Pakistan
Specific Location	Sindh
Financial Institutions	Asian Development Bank (ADB)
Status	Approved
Bank Risk Rating	C
Voting Date	2016-11-24
Borrower	Government of Pakistan
Sectors	Energy, Law and Government, Transport
Investment Type(s)	Grant, Loan
Investment Amount (USD)	\$ 119.23 million
Loan Amount (USD)	\$ 100.00 million
Grant Amount (USD)	\$ 19.23 million
Project Cost (USD)	\$ 123.98 million



## Project Description

### DESCRIPTION

The proposed project will support the development policies of GoS for sustainable infrastructure provision through PPPs. It is aligned with Midterm Review of Strategy 2020, in which PPPs are a key driver of change, and the Country Partnership Strategy 2015-2019. The project builds on ADB's partnership with GoS to develop the PPP framework under a program cluster in 2009, using lessons learned from this program and the Country Assistance Program Evaluation for Pakistan.

The expected impact of the project is aligned with the number of infrastructure investments and services in Sindh improved. The expected outcome is fiscally-responsible private sector participation and investment in infrastructure increased in Sindh.

The outputs are (i) GoS capacity to select and develop PPP projects strengthened; (ii) PPP project-related fiscal risk effectively managed by the PPP Support Facility (PSF); and (iii) PPP project selection and subsequent management capacity of line departments, finance, and planning and development departments strengthened.

### PROJECT RATIONALE AND LINKAGE TO COUNTRY/REGIONAL STRATEGY

With 44 million inhabitants representing 23% of Pakistan's population and a GDP share of 32%, Sindh has large infrastructure and social service needs, which exceed the provincial public resources available. With limited sources of revenue, federal transfers constituted 79% of Sindh's budget in 2016. Only PRs 225 billion or 25% of Sindh's annual budget was allocated to the Annual Development Plan (ADP) in FY2017, which funds infrastructure development among other initiatives. The World Bank estimates that Sindh's annual infrastructure investments only represent 3% to 4% of estimated requirements in transport, electricity, water supply and sanitation, solid waste, telecom, and irrigation. In addition Sindh requires investments in health, and education. This also highlights GoS inability to fully utilize the development budget for meeting its infrastructure needs under the traditional public procurement mechanism. To meet the pressing needs of infrastructure in the province, public sector investments must be augmented by stronger private sector participation. In addition to bridging the funding gap for infrastructure investments, PPPs may also help in accelerating completion and enhancing the efficiency of operations of infrastructure projects. However, PPPs also carry significant fiscal risks that need to be managed and mitigated.

To close the significant infrastructure demand supply gap in the context of extremely limited fiscal resources, GoS began reforms to facilitate the use of PPP investments by promulgating the Sindh PPP Act 2010, as well as legal guidelines and procurement rules, institutional arrangements for PPPs and providing public resources through its financing. A PPP Policy Board, led by the Chief Minister, was established to approve PPPs. A PPP Unit within the Sindh Finance Department (SFD) helps relevant government departments to identify and develop suitable PPP projects within Sindh's ADP. A project development facility (PDF) and a viability gap fund (VGF) were established in 2010 to support the use of transaction advisory services and fund the public financing portion of PPPs. So far Sindh has funded five (5) PPP investments that commenced operation in 2013-2015. Sindh has so far identified a pipeline of projects, of which 36 have passed concept approval, with an estimated cost of PRs 240 billion.

However, the experience of the first years demonstrates that considerable efforts are required to improve the leverage of public financing through private capital and adjust financing policies and modalities to reach that objective and minimize fiscal risks related to PPPs. As PPP investments and contingent liabilities grow, it is essential to better prioritize project selection followed by proper structuring to minimize fiscal risks. As a first step PPP project identification should be reflected in Sindh's ADP and carefully consider project revenue generation and identify potential risks and its mitigation.

The structure of Sindh's PPPs must be significantly improved through: (i) robust policy that guides the selection of eligible viable PPP projects (including the treatment of non-solicited proposals) based on Sindh's ADPs; (ii) equitable risk participation from investors and lenders; (iii) rigorous risk management policies and supporting systems that entail project and related fiscal



### Early Warning System Project Analysis

The ADB categorized the project risks as follows:

Environment	FI
Involuntary Resettlement	FI
Indigenous Peoples	FI-C



### Investment Description

- Asian Development Bank (ADB)

Grant 0518-PAK: Supporting Public-Private Partnership Investments in Sindh Province

Department for International Development US\$ 19.23 million

Loan 3469-PAK: Supporting Public-Private Partnership Investments in Sindh Province

Ordinary capital resources US\$ 100.00 million

TA 9239-PAK: Enhancing Public Private Partnerships in Pakistan (Provincial Support)

Government of the United Kingdom US\$ 4.75 million



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### Contact Information

#### ACCOUNTABILITY MECHANISM OF ADB

The Accountability Mechanism is an independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an Asian Development Bank-financed project. If you submit a complaint to the Accountability Mechanism, they may investigate to assess whether the Asian Development Bank is following its own policies and procedures for preventing harm to people or the environment. You can learn more about the Accountability Mechanism and how to file a complaint at: <http://www.adb.org/site/accountability-mechanism/main>



### Bank Documents

- [Enhancing PPPs in Pakistan \(Provincial Support\)](#) [Original Source]
- [Enhancing Public-Private Partnerships in Pakistan \(Provincial Support\): Project Data Sheet \(Urdu Tra](#) [Original Source]
- [Project Disclosure PDF](#)
- [Supporting Public-Private Partnership Investments in Sindh Province: Project Administration Manual](#) [Original Source]
- [Supporting Public-Private Partnership Investments in Sindh Province: Report and Recommendation of th](#) [Original Source]