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CEO, Public Private Partnership Authority (PPPA)

ICMA Pakistan: Please briefly mention about the history, mandate and functions of PPP Authority?

MTB: Infrastructure Project Development Facility (IPDF), a Section 42 company, was formed by the Ministry of Finance (MoF) in 2006 to assist the implementing agencies (IAs) in the development, structuring and procurement of their infrastructure projects on Public Private Partnership (PPP) basis.

In 2016, the Finance Division initiated a process for enacting a Public Private Partnership (PPP) Law and accordingly the PPP Authority Act was promulgated in March 2017. Under Section 3 of PPPA Act, IPDF was converted into PPP Authority and notified by Finance Division in June 2018.

The PPP Authority is an independent body corporate, having a Board comprising of seven members. The Board and the Authority have the exclusive jurisdiction to undertake PPP projects under the PPPA Act. The functions of the Authority as provided in the Act are outlined below:

- Ensuring projects are consistent with national and sectoral strategies
- Ensuring value for money for the Government
- Assessment of fiscal risks for the Government
- Advise and facilitate Implementing Agency(s)
- PPP Projects, not requiring government support, shall be approved by the Board under the PPP Act

“Research and training is vast area where PPPA and ICMA Pakistan can work together especially in the development of new modes of PPP and project structuring considering the evolving trends in applicable financial standards, tax incentives, project auditing procedures and mechanism and most importantly the project risk mitigation”

- f) PPP Projects that require VGF from the Authority shall also be approved by the Board
- g) Undertake both green-field and brown-field projects including on-going projects funded by PSDP
- h) Support the Government in achievement of annual development targets through Private Sector participation

ICMA Pakistan: What projects have so far been completed by the Authority and how many are in progress?

MTB: In fact, PPPA has been established recently and therefore any infrastructure project has not been developed so far from its platform due to lengthy and complex nature of PPP projects. However, a number of PPP projects are in progress with various government agencies/departments including WAPDA, NUST and Ministry of foreign affairs.

ICMA Pakistan: What are the key objectives of PPP policy pursued by your Authority and how it is benefitting the economy?

MTB: The key objective of the PPP policy is to bring in private sector investment for the development of infrastructure projects and reduce the fiscal burden of GoP while ensuring the following at the same time:

- a) Projects risks are adequately identified and transferred to private sector
- b) Projects are structured in a manner that attracts private sector investment and mobilizes capital markets
- c) Value for money is ensured for the GoP by implementing projects on PPP basis
- d) Projects development is in line with the sectoral development policies of the government

The development of infrastructure projects on PPP basis will bring in cost and operational efficiency through private sector

“PPPA has the mandate and potential to take up projects as long as such projects are in line with government's development strategy and offer value for money to the government”



Mr. Muhammad Yasin, Chairman, Research & Publications Committee is presenting a memento on behalf of ICMA Pakistan to Mr. Muhammad Tanvir Butt

expertise. Also, private sector involvement in development projects will play crucial role in the development of capital markets which historically remained restricted to traditional/Government financing.

ICMA Pakistan: What institutional arrangements are made by the government for successful implementation of PPP program?

MTB: PPPA was formed by virtue of PPPA Act, 2017. The Authority has an independent Board of Directors to regulate and approve the Federal PPP transactions. Under the PPPA act, the Authority will establish a Risk Management Unit (RMU) to adequately identify, quantify and mitigate project's risks so that these risks are adequately transferred to the private sector in a manner that cumulative contingent liabilities arising out of these projects remain within the budgeted limits of the government. The other major arrangement under the PPPA act is the development of Viability Gap Fund (VGF) to provide fiscal support to such projects that are not financially viable but have substantial economic and social impact, considering the government priorities.

ICMA Pakistan: What is the role of Infrastructure Project Development Facility (IPDF) operating under the Ministry of Finance?

MTB: IPDF was established by the Finance Division in 2006 after approval by the then Prime Minister. The Prime objective of IPDF was to advise, facilitate and assist the Ministries/ Departments/Government agencies in developing and procuring infrastructure projects on PPP basis. IPDF formulated a PPP policy approved by the Economic Coordination Committee (ECC) of the Cabinet in 2010 to properly execute its aforesaid functions. IPDF successfully completed PPP with NHA including:

- a) Overlay and modernization of Lahore-Islamabad Motorway (M2)
- b) Construction of Karachi-Hyderabad Motorway (M9) on BOT basis
- c) Construction of Lahore-Sialkot Motorway on BOT basis
- d) Construction of Habibabad Bridge on BOT basis

“ Under the PPPA project development procedures, it is the responsibility of Implementing Agency (IA) to conduct feasibility study for its project. Financial part of such feasibility studies is generally carried out by finance professionals from institutes like ICMA Pakistan and other similar professional organizations ”

ICMA Pakistan: What is the scope and potential for establishing PPP with private sector in areas of social sector and transport?

MTB: PPP is a mode for infrastructure development including both physical and social infrastructure. Under the Act, PPPA's role is to supplement the government's sectoral and overall strategy for the development of infrastructure. PPPA has the mandate and potential to take up projects as long as such projects are in line with government's development strategy and offer value for money to the government.

ICMA Pakistan: What policies are pursued by PPPA to attract private sector investment in infrastructure projects?

MTB: There are three main areas where PPPA works to attract private sector investment including:

- PPPA assists government agencies to develop such policies that incentivise private sector to participate in the development of projects. These incentives include provision of land to private parties free of any encumbrances, development rights, utilities etc.
- While projects are actually under structuring phase, PPPA ensures that private party's returns are adequate corresponding to the risks transferred to private party and are well protected.

“ PPPA assists government agencies to develop such policies that incentivizes private sector to participate in the development of projects ”

- The other policy parameter is to develop the project in a manner that is bankable so that it helps the private party to meet its financing needs from local/international financial institutions so that the project meets its development timelines.

ICMA Pakistan: Is PPPA involved in any public-private venture project under CPEC?

MTB: PPPA has been established recently and it has not been involved in any CPEC project. Most of the CPEC projects are delivered under government to government (G2G) arrangements. However, PPPA will take up any such projects under CPEC that is suitable candidate for development on PPP mode.

ICMA Pakistan: What do you say about engaging management accountants as Consultants for conducting feasibility studies for development of PPP project structures as well as preparing cost and financial models?

MTB: Under the PPPA project development procedures, it is the responsibility of Implementing Agency (IA) to conduct feasibility study for its project. Financial part of such feasibility studies is generally carried out by finance professionals from institutes like ICMA Pakistan and other similar professional organizations. So, it would be more productive to engage with IA's.

ICMA Pakistan: Can you identify areas where ICMA Pakistan and PPPA can jointly work together such as consultancy, research and arranging training programs on PPP?

MTB: Definitely, considering the PPP scope, research and training is vast area where PPPA and ICMA Pakistan can work together especially in the development of new modes of PPP and project structuring considering the evolving trends in applicable financial standards, tax incentives, project auditing procedures and mechanism and most importantly the project risk mitigation.

The Editorial Board thanks Mr. Muhammad Tanvir Butt, CEO, Public Private Partnership Authority (PPPA) for giving his exclusive interview for Management Accountant Journal.