

Sample Terms of Reference

ADB TECHNICAL ASSISTANCE FOR PROMOTION OF PRIVATE SECTOR PARTICIPATION IN HIGHWAY, FINANCING, CONSTRUCTION AND OPERATION

TERMS OF REFERENCE FOR CONSULTING SERVICES

I INTRODUCTION

1 Road transport has been developing at a rapid rate in Pakistan and the trend is expected to continue in the foreseeable future. Traffic on several sections of the national highway network has reached levels which are beyond the capacity of the existing carriageways, causing congestion with consequent waste of time and hazardous driving. It is generally agreed that the best method to augment the capacity of such high density corridors is to construct highway with controlled access and grade separated interchanges. However, as such highways are very costly to construct, these projects would put undue constraint on public sector resources. Therefore, the Government encourages private sector participation in such construction for which the investment would be recovered through tolls. Besides providing incremental financing resources for highway development, the establishment of such a financing mode will enable the induction of private sector managerial expertise into toll-highway construction and operation. Further, the initiative and entrepreneurial skills of the private sector should lead to increased efficiency in the construction and operation of high-capacity highway projects.

II OBJECTIVES

2 The main objective of the technical assistance is to assist the National Highway Authority (NHA) in carrying out a study on measures required for promotion of private sector participation in the financing, construction and operation of high-capacity highways in Pakistan. The technical assistance will also assist NHA in evolving appropriate policies for attracting private sector investment in such infrastructure development activities.

III SCOPE

3 The scope of the study will comprise a general background analysis of the road transport sector, particularly the constraints that hinder private sector participation in toll-highway construction and measures needed to remove such constraints. The study will also examine the legal and financial aspects relating to private sector participation and make recommendations for the Government's consideration. The time frame for the study will be six months. The consultants will be based in Islamabad.

IV TERMS OF REFERENCE FOR CONSULTING SERVICES

4 The technical assistance will be carried out by a firm of international consultants¹ in association with a suitable domestic consulting² firm. It is envisaged that a total of about 14

¹ In the fields of capital market/merchant banking, private sector financed major infrastructure projects, financial analysis and high-capacity highway construction and costing.

² In the fields of capital market/merchant banking, public sector and banking institutions in Pakistan, and highway engineering with emphasis on preparation of cost estimates.

man-months of international consultant and 12 man-months of domestic consultants will be required. The specific tasks of the consultants will, inter alia, comprise the following:

- (i) Review available information with NHA on the extent of the planned high-capacity highway system and its investment costs (for sections of highways scheduled for implementation over the period 2000- 2010) by highway section.
- (ii) Collect information through correspondence and/or from available publications on relevant aspects of private sector financing of high-capacity highways, bridges or tunnels in other countries.
- (iii) Study the legislative/regulatory environment for operation of toll highways in Pakistan.
- (iv) Examine the existing practices of highway financing in Pakistan.
- (v) Examine the capability of the domestic financial markets for financing toll-highways and suggest various measures to develop potential investment instruments for the private sector.
- (vi) Examine the possibility of permitting ancillary development activities along the highways as a possible means of cross-subsidy for the toll projects and recommend related policies.
- (vii) Taking the above into consideration, suggest specific measures required for implementation of highway construction operation under toll schemes with private sector involvement. Among other things, the suggestions should cover policies to be followed for acquisition of right-of-way. Further, the minimum support required from the Government and its obligations for successful private sector participation should be indicated.
- (viii) Examine the advantages and disadvantages of various schemes currently used for private sector participation in infrastructure projects ? build, operate and transfer (BOT); build, operate and own (BOO); build operate and lease (BOL); and other similar schemes -- and propose the most appropriate scheme for private sector participation in high-capacity highway development in Pakistan.
- (ix) Prepare a format for a sample franchise agreement³ which could be acceptable to the Government and at the same time attractive to the private sector for financing of toll-highway infrastructure, under the suggested scheme [see item (viii) above].
- (x) Suggest procedures for competitive bidding for such a franchise agreement.
- (xi) Consider the need for external participation in a scheme as mentioned under item (viii) above and suggest steps required to attract external private sector financing.
- (xii) Examine various alternatives on the form and nature of the organisation for implementing, operating and maintaining the project, and suggest a suitable structure relating to the ownership of the assets that are created.

³ The franchise agreement could include (1) franchise period; (2) toll charges and a mechanism for varying these; (3) rent for leased land; (4) arrangements for sharing of revenues between NHA and the private party; (5) risks related to insurance, exchange rate fluctuations and actual future traffic volumes being less than projected, etc; and (6) minimum maintenance requirements.

- (xiii) Propose the organisational structure at the government agency required to administer projects of this nature [see item (viii) above].
- (xiv) Formulate suitable monitoring and auditing procedures for such projects, including automatic traffic counting on each highway sector, etc to be carried out independent of the operator.
- (xv) Identify suitable candidate projects for possible private sector participation, including transfer of operation and maintenance activities to a private consortium, if proven viable, through an open and competitive process.

V REPORT

5 Prepare an Inception Report (5 copies to NHA and 2 copies to the Bank) within one month of commencement of services outlining the detailed work program and methodology proposed to meet the terms of reference, brief monthly progress reports (2 copies each to NHA and 2 copies to the Bank) thereafter, and a Draft Final Report (5 copies to NHA and 2 copies to the Bank) within six months of commencement of services on all work carried out by the consultant under the technical assistance. The Final Report (10 copies to NHA and 3 copies to the Bank) incorporating the comments of the Bank and NHA is to be submitted within one month of the receipt of such comments.