

**Terms of Reference for Consultancy on Public-Private Partnership
Transaction Structuring for 155 Service Centers**

1. Background:

1.1: Board of Revenue, Government of Punjab is executing a project for computerization of land records in the Province. The project “Land Records Management and Information Systems (LRMIS)” aims to establish Service Centres in each Tehsil/Sub-Tehsil (134+21=155) of the Province. These Service Centres will be located in the Headquarters of each Tehsil/Sub-Tehsil and will provide various services related to land records.

1.2: Board of Revenue is in the process of establishing the infrastructure of these Service Centres including software, database and civil works. The Government of Punjab proposes to outsource the maintenance of this infrastructure and delivery of services in these centres to one or more private sector partners on the basis of a Public-Private Partnership (PPP) Model. The objective of such a partnership would be to run the service centres in the most efficient and effective manner without compromising on the quality of services to be delivered through these service centres. The services to be delivered include provision of copies of land records (fards) and receipt and processing of requests for changes in the records (mutation requests, requests for correction of clerical errors etc.).

2. Objectives:

The objective of the assignment is to provide comprehensive advice and assistance to the Project Management Unit, LRMIS, on issues which will arise in connection with undertaking the PPP transaction(s) of 155 proposed service centres across Punjab. These issues include:

- Due diligence and financial valuation of all proposed service centres
- Evaluation of multiple PPP models and identifying the best model for this transaction
- Assessing market responsiveness to partner with government in such an initiative
- Support the PMU LRMIS in initiating the bidding process for the PPP transaction for the 155 Centers

There may be a follow-on project, including supporting the PMU during the bidding process, including facilitating establishment of a data room, pre-bidding conference, etc. These activities however are not part of this assignment.

3. Scope of the Assignment:

Before executing any PPP transaction(s), the Board of Revenue propose to hire the services of a team leader, and other consultants, for designing and executing an appropriate Public-Private Partnership Model for this purpose. The Team Leader will report directly to the PD PMU LRMIS and will have the following responsibilities:

- 3.1 Due Diligence:** To assess the key business, financial and legal issues affecting the proposed transaction and to take account of the existing situation on ground with regards to services proposed to be rendered by the service centers in terms of processes involved, existing and potential revenue streams, volume of transactions, etc. The situation on ground can be assessed through close collaboration with the Board of Revenue and its records.
- 3.2 Identification/Recruitment of Other Consultants:** To identify the scope of technical assistance required for initiating the bidding process for executing the PPP transaction, develop TORs and facilitate the PMU in recruiting these additional consultants. These consultants may include a financial analyst, a procurement specialist, a legal specialist and/or data collection/field work staff.
- 3.3 Feasibility Preparation for Service Centres:** While conducting the feasibility and devising the model the consultant will consider the international (particularly regional) comparators and will take into account:
 - a) the infrastructure (i.e. the software, database, buildings etc.) to be developed through LRMIS;
 - b) the design of service delivery under LRMIS;
 - c) the requirements of manpower, training, hardware and connectivity in addition to the infrastructure mentioned at paragraph 1.2 above (all these are part of project design); The feasibility will also keep in view the fact that there may be changes in the design of service delivery under the project on account of business process reengineering and also that new services may be added to the ones proposed at this stage.
 - d) the demand for the services to be delivered under the project (data will be collected by the consultant from various offices of the Board of Revenue in Provincial Headquarters and in the districts);
 - e) capital and operational costs for delivery of these services;
 - f) the expected fees collected on these services and the taxes/duties levied on the beneficiaries during the delivery of these services (data will be collected by the consultant from various offices of the Board of Revenue in Provincial Headquarters – data required and not available in the provincial headquarters will be obtained by the Board of Revenue from the districts)

- g) availability of potential partners in the local market;
- h) capacities of such potential partners;
- i) any other relevant economic and social factors which will determine willingness of prospective partners to come forward for such partnerships;
- j) legal framework under which such outsourcing contracts can be executed;
- k) the legal framework for provision of land record services and the extent to which these services can be delivered under such framework by a private partner and for which functions a public functionary will be necessarily required in the Service Centres; and
- l) the primary requirement of maintaining secure databases of records of rights in land.

The feasibility will include financial valuation of public sector investments in all Service Centres to be established, possible investments to be required by the private sector partners and potential operational expenditures by the public and private sectors for these service centres.

To further support the financial analysis work, the consultant will be responsible for the following tasks:

A. To help in developing an MS-Excel based financial model, capable of simulating the financial results of the project by demonstrating anticipated cash flow under different scenarios such as, changes in operating costs, changes in projected demand for services, etc. The model should reflect assumptions made about risks and their allocation.

B. To undertake a sensitivity analysis covering how the cost of per unit of output would react to changes in key assumptions and parameters. Some of the scenarios that may be used would include:

- Increase/Decrease in operating costs by 10%, 20% and 30%;
- Reduction/Increment in services volume by 10%, 20% and 30%;

C. To develop Information Sheets for all Service Centers, based on the template developed by the Senior Financial Specialist

3.4 Assessing Various PPP Modalities: The consultant will assess multiple PPP options for private sector participation in these proposed service centres. These options should include a wide array of possibilities, ranging from service and management contracts to

concessions, etc. The consultant will also undertake cost-benefit analysis and comprehensive risk assessment of all available options (Risk assessment should also include weighing these options against long term strategic concerns such as security of land records, etc.)

3.5 Recommending Viable PPP Options: The recommended option will spell out the following:

- a) responsibilities of the government (specifically of the Board of Revenue and the District Governments).
- b) responsibilities of the private partner
- c) investment to be done by both partners (specific recommendations will be required in terms of whether the government or the private partner will invest in hardware and connectivity; and, if the private partner is to make this investment, the arrangements for ensuring that hardware and connectivity of appropriate specification is installed. Moreover, specific recommendations about ensuring that appropriate number and quantity of manpower is provided by the private partner(s) will also be required.)
- d) arrangements for monitoring of the work of private partner(s) and for ensuring that defined standards of service delivery are maintained by them (the government is separately arranging to outsource the work of quality assurance and monitoring of service delivery; the arrangements will be designed keeping in view the said contract); and the
- e) arrangements for payments to the private partners for the services to be rendered.

The consultant will also:

- a) recommend the packaging of service centres for PPP contracts i.e. whether a partnership should be established with one private partner or more. If more than one partner is recommended how should the service centres be grouped together, if such grouping is recommended;
- b) recommend the appropriate duration for the contracts

3.6 Preliminary Market Sounding: The consultant will undertake a preliminary market sounding exercise through individual meetings or an investor information session to assess if the selected PPP model would be able to generate sufficient interest from such players, both domestically and internationally

4. Deliverables:

The team leader, along with the other consultants hired for this task, will be responsible for the following deliverables:

- a) Inception Report including a detailed plan of action from the start of the process to the completion of PPP transactions (15 days after contract signing)
- b) Feasibility Report¹ of proposed service centres, without the financial analysis work. (60 days after contract signing)
- c) Following deliverables, related to financial analysis work (75 days after contract signing)
 - i) An MS-Excel spreadsheet-based financial with at least following worksheets:
 - Inputs and assumptions including
 - Economic data such as inflation, discount rate and tax rates;
 - Initial capital expenditures;
 - Future capital expenditures, both maintenance and growth-related;
 - Residual value of capital assets at the end of the period of analysis, constituting a revenue of the project;
 - Recurrent operating and maintenance costs; and
 - Operating revenues with the underlying data such as demand forecasts and user charges (considering willingness-to-pay of the target population and demand elasticity for the services).
 - Sheets with cash flow statement, profit/loss statement, and balance sheet of the private sector player managing a particular service center;
 - Financial internal rate of return (FIRR) analysis for the project, based on expected services volume, user charges, etc. for the government
 - Results and summary sheets (for each Service Center) demonstrating the impact of different assumptions on the project's cash flow. The results should be presented in the form of the following financial indicator – ‘the cost per unit of output over the life of the PPP agreement, calculated in present value terms’.

ii) Results of Sensitivity Analysis

¹ The feasibility (as indicated in deliverable ‘b’), along with deliverables under ‘c’ and ‘d’ should include forecasted business volume and revenue streams, approximate operational costs, initial and recurring capital expenditure, economies of scale and scope in managing these centres and suggestions for clustering these centres, etc

iii) EIRR Analysis of the Project

iv) Information Sheets for all Service Centers

- d)** Brief containing the detailed design of the PPP model recommended along with its cost-benefit analysis and risk assessment (90 days after contract signing)
- e)** Market Sounding Brief, including the assessment of selected private sector players with requisite capacity and interest to manage the service centres in line with the clustering recommendation of the feasibility report (105 days after contract signing)
- f)** Input to Legal Specialist for draft contract (to be signed with the private partners on the basis of the feasibility report and Public Private Partnership design) (105 days after contract signing).