Ministry of Local Government, Rural Development & Cooperatives
Local Government Division
Local Government Engineering Department (LGED)

4.2 Guidelines for diversifying earnings from Business Operated by CCs

Project Coordination Office (PCO)
City Governance Project (CGP)

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1. Introduction

Rapid urbanization accelerated by industry led economic growth has been taking place in Bangladesh. Potential of economic growth in urban areas is worthy of notice. There are 335 Local Government Institutions which cover 8% of total geographical area of Bangladesh and 30% of total population, while accounting for 60% of total national growth. On the other hand, the negative impact of dramatic change in urban areas is observed. The negative impacts are because the functions of municipalities and city corporations prescribed in Local Government (Pourashava) Act 2009 and Local Government (City Corporation) Act 2009, which are very relevant to the demand of city dwellers and urban development, are not implemented in an appropriate manner. In order to improve the public services provided by urban local governments, several urban development projects are being or were implemented by Local Government Divisions (LGD) and local government and engineering departments (LGED) with financial assistance of different development partners and government's own funds. Based on the experiences gained through implemented projects, effective activities for improvement of urban governance have been formulated as a program that has been well accepted. The urban governance improvement programs have been implemented to ensure good governance of those urban local government institutions namely Paurashava for equal, social harmony and planned development. Initiating urban governance improvement, LGD and LGED with financial support of JICA commenced a project named City Government Project (CGP) in 5 City Corporations.

1. Justification

The Local government can be defined as – infra sovereign units within a sovereign nation employed for specific functions in their jurisdiction. The City Corporation is the vital body working for development at the urban local level in Bangladesh. Finance is the key pillar to implement development initiatives. The universal complaint is that the Urban Local Bodies (ULBs) in developing countries are in dire need of resources not only for investment to meet the increasing demand of growing urban populations but also for maintenance of the existing services. This guideline explores the possible new sources of municipal funding and examines how these new sources of funds can be used for strengthening the financial capability of a City Corporation.

As per rules 28.3 of section 41 under Third Schedule of the Local Government (City Corporation) Act, 2009, the Corporation may, in the prescribed manner and with the previous sanction of the Government, promote, administer, execute and implement schemes for undertaking any commercial or business enterprise.

As some sources of earnings are already identified, CC should look for new areas of business to make its finance base strong. In this regard, the Inclusive City Governance Improvement Action Program (ICGIAP) of the City Governance Project (CGP) includes an Activity/Area 4.2 related to Diversifying earnings from Business Operated by CC.

2. Relevant Issues of ICGIAP

To increase earnings from own sources in the CC territory, it requires the diversification of earnings of CC. While some businesses are already established (e.g. lease for markets, concession for bus/truck terminal, etc), CC should seek out new business through the following tasks:

2.1 Tasks

Task 1: Examine diversification of business operated by CCs (including PPP) at Finance and Establishment Standing Committee, in order to increase earnings in CCs.

Task 2: Prepare proposal of new business activities at Finance and Establishment Standing Committee and submit to CC Council meeting for taking action following the CC Act.-2009.

2.2 Action by:

- CC Mayor
- CEO
- Standing Committees

2.3 Indicators:

Finance and Establishment Standing Committee to hold meetings at least four (4) times annually

2.4 Time schedule:

Annually

3. Objective

New business or projects are initiated when a need or objective is defined. Objectives are those things that the organization wants to achieve. Typically a non-profit organization's objective is to improve the standard of living of the citizens in its community. It is usually a function of the City Council to determine the high-level organizational objectives. There are a number of reasons why a new business would be initiated:

- Help meeting the CC's long term goals and objectives
- Process/service enhancement
- Solve problems identified internally or externally
- Take advantage of new opportunity
- Statutory/ legal requirement

A guideline has been prepared on Activity 4.2 of the ICGIAP titled as 'diversifying earnings from Business Operated by CC' that will be used in five (5) City Corporations under the City Governance Project (CGP).

4. Relevant Organizations, Stakeholders and their roles and Responsibility

4.1 Roles of City Corporation/Local Government Division (LGD)

(1) Project Identification

(a) Line Ministry/implementing agency identifies the projects to be taken up through PPPs. A private investor may submit an unsolicited proposal with pre-feasibility study and/or detailed feasibility report to the line Ministry/implementing agency/Office for PPP.

'In Principle' Approval by Line Minister
The Line Minister gives 'In principle' approval to the proposals, submitted by the line Ministry, statutory authorities and other entities under its administrative control. The Line Minister also gives 'In Principle' approval to the proposals submitted by the private investors and Office for PPP.

(2) Request for Proposal

The line Ministry/implementing agency issues RFP, with appropriate modifications by the Office for PPP, if required, to the shortlisted private investors. The relevant Qualification and Tender Evaluation Committee (QTEC) evaluates the investors' proposals based on the technical responsiveness criteria and screens out the non-responsive proposals. The private investor whose proposal is the subject of the RFP qualifies automatically for technical responsiveness. The QTEC prepares the RFP evaluation report with a ranking of the technically responsive investors based on the financial evaluation criteria. The line Ministry/implementing agency issues letter to the selected bidder to initiate the negotiation process.

(3) Negotiation and Contract Award

The line Ministry/implementing agency negotiates the contract with the selected bidder and sends it to the Legislative and Parliamentary Affairs Division for vetting. After vetting, the line Ministry/implementing agency seeks approval of the Line Minister. After approval by the Line Minister the line Ministry/implementing agency signs the contract with the selected bidder.

4.2 Role of Office for PPP

(1) Feasibility study and Preparation of Documents

Office for PPP can also independently identify PPP projects. In this case, the Office for PPP needs endorsement of the proposal by the line Ministry/implementing agency. Office for PPP appoints consultants from a pre-selected panel of consultants or through an independent bidding process. The Consultants conduct detailed feasibility study (DFS). Finance Division appraises the requirements of viability gap funding (VGF), if any, as identified in the DFS and Proposed by Office for PPP in consultation with line Ministry/implementing agency. The Consultants prepare RFQ and RFP (including draft concession agreements) documents and other related documents as required.

5. Necessary Tasks and Procedures

5.1 Examine diversification of business operated by CCs (including PPP) at Finance and Establishment standing committee, in order to increase earnings in CCs. (Task 1)

(1) Diversification of business operated by CCs

(2) Finance through Public-Private Partnership

For some local governments, borrowing may not be an option, whether because of national regulations or because they are not creditworthy in the eyes of banks and capital markets. In such cases public –private partnerships (PPPs) offer opportunities to access external financing. The local government may join forces with private partners for jointly funding and operating service assets, based on agreements to share costs, risks and the benefits of investment. PPP agreements usually include arrangements for asset ownership, operations and maintenance.

(3) Municipal or metropolitan development fund

Establishing a municipal, metropolitan, or regional development fund for capital investments may also be an option, with contributions from various levels of government, international agencies, and private sector. About 60 countries have created national funds as part of their inter-governmental system specifically as financing vehicles. The funds do not usually apply exclusively to metropolitan areas but to all urban areas or local governments in the country. However, governments in metropolitan areas are often prime recipients of such funds as loans or grants.

(4) Regional Authorities

A regional authority is an independent legal entity, conceptually a voluntary association or organization established by the member local governments for planning, service delivery, or to make better use of their public resources. Such city-to-city arrangements are sometimes called ‘special purpose associations.’

Two or more local governments may create an association to achieve economies of scale. For example, for waste management, they jointly operate a garbage disposal facility or a landfill.

(5) Public-Private Partnership (PPP)

For the first time in the country, the Government through its national budget FY 2009-10 introduced the concept of PPP budget. The government has taken a two-pronged strategy for building public-private partnerships: one is to attract investment for projects, where building new infrastructure and expanding existing infrastructure is the major component; the second is to attract innovation and sustainability of public service delivery to the citizens.

(6) Applicability of PPP

Any project that generates public goods and services may be considered under the public-private partnership, if at least one of the following circumstances exists for the project:

i. The implementation of the project is difficult with the financial resources or expertise of the government alone;
ii. Private investment would increase the quality or level of service or reduce the time to implement compared to what the government could accomplish on its own;

iii. There is an opportunity for competition, where possible, among prospective private investors, which may reduce the cost of providing a public service;
iv. Private investment in public service provides an opportunity for innovation; and
v. There are no regulatory or legislative restrictions in taking private investment in the delivery of public service.

(7) Sectoral Coverage of PPP

PPP arrangements can be appropriate for urban, municipal and rural projects, among others, that the Government views as priority areas for development so as to support economic development activities.

(8) Classification of projects by investment size

Large Project (**Annex-I**)

A project, which is estimated to have a total investment above BDT 2.5 billion (as identified in the pre-feasibility report), excluding on-going capital for expansion, shall be classified as a Large project.

Medium Project (**Annex-II**)

A project, which is estimated to have total investment between BDT 500 million and 2.5 billion (as identified in the pre-feasibility report), excluding on-going capital for expansion, shall be classified as a Medium project.

Small Project (**Annex-III**)

A project, which is estimated to have total investment below BDT 500 million (as identified in the feasibility report), excluding on-going capital for expansion, shall be classified as a Small project.

(9) Procedure:

The detailed procedure and guidelines for all forms of financial participation by the government will be issued and specified by the Finance Division with the approval of the CCEA.

Technical Assistance Financing: The Technical Assistance Financing is designed for the following purposes:

- Pre-feasibility and Feasibility study for projects;
- Preparation of RFQ and REP documents for projects;
- Preparation of concession contracts for projects;
- PPP related capacity building in the line Ministries/implementing agencies and other relevant agencies;
- PPP related awareness building, such as, road show, exhibition etc.

(10) Structure

The institutional framework for developing strategy, identification, formulation, appraisal, approval, monitoring and evaluation of PPP projects is presented below:

i. Public-Private Partnership Advisory Council (PPPAC);
ii. Cabinet Committee on Economic Affairs (CCEA);
iii. Office for Public-Private Partnership;
iv. Line Ministry/implementing agency;
v. Finance Division; and
vi. Planning Commission.

(11) Formulation, appraisal and approval of the PPP

Large Projects: CCEA has final approval authority of Large PPP projects. The detailed procedure of formulation, appraisal and approval of large projects shall be proposed by the Office for PPP and approved by CCEA.

Medium Projects: The Finance Minister has final approval authority of the Medium Projects. The detailed procedure of formulation, appraisal and approval of Medium Projects shall be proposed by the Office for PPP and approved by CCEA.

Small Projects: The Ministers of respective line ministries have final approval authority of the Small Projects. The detailed procedure of formulation, appraisal and approval of Small Projects shall be proposed by the Office for PPP and approved by the CCEA.

5.2 Prepare proposal of new business activities at Finance and Establishment standing committee and submit to CC Council meeting for taking action following the CC Act.-2009. (Task 2)

(1) Feasibility study

The development of any new business or project requires careful consideration and planning. It consumes a large volume of resources, both financial and non-financial, and is likely to have a major effect on the way in which CC will operate.

In considering the development of a project, and in order to create benchmarks to evaluate its success, the following questions must be addressed.

- What is required?
- What different ways are there to satisfy these requirements?
- Is it technically feasible?
- Does it make economic sense?
- Will it result in major changes in the organizational structure or operation?

(2) Objectives of the study

What is expected at the end of the feasibility study, e.g. to produce a feasibility report, which recommends whether the new business should proceed or not and, if progression is recommended, to produce a detailed timetable for the next phase. The feasibility study investigates the problem and opportunity of the new business and the information needs of the stakeholders. It seeks to determine the resources required to provide an information systems solution, the cost and benefits of such a solution, and the feasibility of such a solution. The analyst conducting the study gathers information using a variety of methods, the most popular of which are:

- Interviewing users, employees, managers, and customers.
- Developing and administering questionnaires to interested stakeholders.
- Observing or monitoring users of the current system to determine their needs as well as their satisfaction and dissatisfaction with the current system.
- Collecting, examining, and analyzing documents, reports, layouts, procedures, manuals, and any other documentation relating to the operations of the current system.
- Modeling, observing, and simulating the work activities of the current system.

(3) Components of the feasibility study

The goal of the feasibility study is to consider alternative information systems solutions, evaluate their feasibility, and propose the alternative most suitable to the organization. The feasibility of a proposed solution is evaluated in terms of its components. These components are:

a) Technical feasibility—
There are a number of key aspects regarding technology which must be considered, for example:

- Is the technology available?
- Is the technology tried and tested?
- What performance do we require of the technology?
- Is the technology suitable to satisfy the objective of the new business effectively?
- The possibility that the organization has or can procure the necessary resources. This is demonstrated if the needed technologies are available in the marketplace or can be developed by the time of implementation.

b) Social (Operational) feasibility - Does it fit with the current operations?
It is becoming increasingly necessary to assess operational/social factors affecting feasibility. These may include awareness of the social issues within a group or office, or larger social awareness regarding the effect of new business on workers, employment or the environment. The ability, desire, and willingness of the stakeholders to use, support, and operate the proposed new business. The stakeholders include management, employees, customers, and suppliers. It is also important to ensure that the new business fits with the CC's goal.
Social considerations include:
-Number of people required (during the project and after integration)
-Skills required-identify recruitment, training, redundancy
The cost of some of these issues can be directly estimated (such as training cost). Others have less tangible effects that must be documented in the feasibility study.

c) Ecological (Environmental) feasibility –how does it affect the environment?
Ecological considerations may be driven by the understanding that the customers would prefer to purchase alternative product or services as they are more ecologically sound and less harmful to the environment.
Ecological considerations include
-Effect on local community and what that might do to CC's image

-What pollution could be caused by the new business?

d) Economic feasibility—the economic viability of the new business. The proposed new business's costs and benefits are evaluated. Tangible costs include fixed and variable costs, while tangible benefits include cost savings, increased revenue, and increased profit. A project is approved only if it covers its cost in a given period of time. However, a project may be approved only on its intangible benefits such as those relating to government regulations, the image of the organization, or similar considerations.

Financial costs and benefits can be evaluated using investment appraisal techniques, such as, payback and discounted cash flow approaches. Any intangible benefits will have been excluded in the financial evaluation process.

The type of costs and benefits involved in a new business will depend upon the precise nature and scope of the business and vary greatly.

(4) Business selection tools

To choose among capital investment projects, local government should have a clear sense of priorities and criteria to help them value and compare new business sources. Once the list of potential projects is put together, staff of the local government evaluate them according to the criteria established in advance and rank them in line with those criteria (such as, costs and benefits) and according to their merits or relative profitability as well as feasibility and preparedness.

(5) Cost benefit Analysis

Cost-benefit analysis is an economic decision-making approach used to assess whether a proposed project, program or policy is worth doing or to choose between several options. Such an analysis compares the total expected costs of a project with the total expected benefits and establishes whether the benefits outweigh the cost and by how much. In CBA, all kinds of direct and indirect benefits and costs are expressed in money terms and are adjusted for the time value of money. This process is often very complex and time-consuming, especially as one tries to monetize special benefits and costs. In this way all flows of benefits and all flows of costs over time (which tend to occur in different magnitudes and at different points in time) are quantified and expressed in present value terms. Future streams of cost and benefits are converted into a present value amount using a discount rate.

(6) Net Present Value

In evaluating any capital project, it is important to determine how much value is added or created by undertaking it. The difference between additions to value (usually increases in cash flow) and reductions in value (cash expenditures for the investment and O&M costs) is the net present value (NPV) of the project. The present value is the difference between the initial investment plus discounted revenues and discounted costs during the active life of the project evaluated at a given discount rate. The NPV should be greater than zero for economically justified projects. A negative NPV suggests that we would lose rather than generate cash with the planned investment.

(7) Internal Rate of Return

The internal rate of return (IRR) is the most important alternative to net present value. As with the NPV, one must compare costs or uses of cash, usually investments in year one, to benefits in the form of increases in cash flow in future years. However, whereas the discount rate in the NPV is a known value (the cost of capital), with the IRR, the discount rate is what makes the NPV of the net cash flows from an investment equal to zero. Based on the internal rate of return method, an investment is acceptable if IRR exceeds the required return (hurdle rate) and should be rejected if it does not. The internal rate of return is the discount rate at which total costs, including the initial investment, equal the total benefits of the project. If IRR is greater than the ongoing comparable long-term interest rate (for example, the interest rate on US government debt), the project is considered economically justified (meaning that we would gain more than by simply purchasing government securities)

(8) Some new business Initiatives

CCs in Bangladesh may improve their financial position and performance by undertaking economic development activities. These activities have positive fiscal impacts in three main ways. First, they directly raise the revenue-generation capabilities of the City Corporations via fees and user charges. Second, increasing productivity of citizens and enterprises within the CC area broadens the tax base of local authorities. Third, if operated and managed by the local councils, then the profits generated may solve the fiscal deficit problems.

All local governments spend money on infrastructure, facilities, human resources and services. These investments can help propel economic development if they are part of a coordinated plan to attract, retain and grow businesses. A high priority should be assigned to investments proven to make local communities stronger and more resilient.

CC may intervene into some new business to help grow the economy and expand the economic base of communities with resulting long-term benefits in terms of a larger and more diversified tax base for local governments. The strategies outlined will help to improve the employment prospects and quality of life for residents, and create growth opportunities and a fertile environment for business. By implementing such measures, CC can help foster growth in their main bases of revenue. These strategies can effectively complement other economic development initiatives and be pursued in collaboration with local residents, businesses and other levels of government.

(9) Housing Affordability

The housing affordability crisis is a problem for many communities, especially those in the rapidly growing large urban centres. The economic and social costs of a lack of affordable housing are becoming more apparent as housing costs continue to outpace growth in incomes. Many families face growing economic insecurity and lack the discretionary income to support consumer spending, education and personal development, or take advantage of investment opportunities.
High housing costs also place a burden on employers. As housing has become less affordable, many public and private sector employers have had a harder time attracting and retaining qualified staff.

Wage demands are driven by the high cost of living. The lack of affordable housing is, therefore, a key factor that reduces economic competitiveness and makes it more difficult for companies to grow and keep skilled staff.

Policies that help make housing more affordable benefit the broader local economy, as employers are able to find qualified staff while maintaining reasonable labour costs. Employees also benefit from lower housing costs with greater disposable income and the ability to participate in a growing economy with expanding career opportunities.
Local governments should carefully examine their zoning and land-use policies, as well as their development regulations and permitting practices. Ineffective, overlapping or outdated municipal regulations contribute to unnecessary increases in housing costs. Local governments need to view affordable housing policies as a key component of their economic development strategy.

(10) Local Procurement Policies

Local governments are powerful consumers, purchasing many products and services required to maintain their operations. Many local governments are exploring local procurement policies to ensure their money is supporting local business wherever possible. As an added benefit, local procurement helps to avoid the economic and environmental costs of shipping products and services that can be sourced locally. The preference for local sourcing supports the multiplier effect, allowing more money to circulate in the community longer. When buy-local policies accompany ethical purchasing policies, the benefits are more visible in the community.

(11) Tourism Promotion

Tourism industry promotion can create a good source of revenue in a number of ways. CC can invest in areas of attraction to tourists, and revenues may be generated in the form of profits, dividends, and through taxes. With the promotion of tourism local artisans and cultural troupes develop and create opportunities to generate more revenues for local governments. In addition, farmers can generate more revenue by supplying products to hotels and other tourist centers. For instance, CC with seashore, rivers and lakes can establish boating and other recreational activities for attracting tourists and the public in general during holidays. Art galleries, shopping centers and hotels can also be concentrated around the area. Therefore, the revenue earned from the tourism industry will increase the revenue capacity of local governments.

(12) Appropriate Technology (Biogas and Solar Energy Supply Units)

Biogas is a clean and efficient energy source, generated from cow-dung, human waste, or any other kind of biological materials derived through anaerobic formation process. Biogas plants provide safe fuel for cooking and lighting. The biogas plants can be inexpensive sources of energy in rural areas. Biogas means social benefits for women and children. By introducing biogas plants and other sources of supplying energy like solar energy, local governments can generate revenue. Alternative sources of energy may also be developed by CC and passed to all citizens who can afford to pay for that service. Solar energy panels in many CC areas are now becoming a popular source of power and revenue.

(13) Water Harvesting

Local governments can introduce water-harvesting projects, which may supply water to individuals and public associations, and earn revenues in return. Water harvesting may mean capturing rainfall water or capturing the runoff in a village or town, and taking measures to preserve the water in a hygienic condition by limiting polluting activities in the catchment area. Water harvesting can be undertaken through a variety of ways, such as capturing runoff from rooftops, runoff from local catchments, seasonal floodwater from local streams or rivers, and conserving water through watershed management. These techniques can serve several purposes, including providing drinking water, increasing irrigation water supply, increasing groundwater recharge, overloading sewage treatment plants, and developing fishponds for domestic and commercial uses. A rainwater harvesting system is flexible; it can range from a simple tank under a rain gutter to a complex multi-tank used for irrigation schemes. The materials used to build tanks can be obtained locally and at a low price. In collaboration with local contractors, CC can invest in this area and offer the service on a fixed rate of revenue. In general, water harvesting is an activity of direct collection of rainwater. CC can make this a source of revenue by charging residents for receiving the service.

(14) Cost Minimization Strategies

CC in Bangladesh, like any other developing country, requires an immediate action directed towards cost minimization, including via public-private partnerships in the provision of public goods and services. This must allow for joint-venture participation and privatization based on economic, social, and political dimensions. The following two areas merit discussion.

a) Commercial Venture Participation

Local governments can form economic project teams to coordinate and manage income-generating ventures that can help in positioning a modern business entity. It may also involve common partnership, which is a process in which CC can involve the public in developmental projects in various fields. Common partnership can contribute to local government revenue through the following:

Economic Sphere: In this area, partnership can create jobs, promote private sector, promote entrepreneurship, expand trade and investment, support financial reform, promote transparency and fight corruption. The advanced entrepreneurship will generate more revenue in terms of taxes and business profits. The following projects could be identified among many others:
Conference facilities and multipurpose halls: These include accommodation and catering, lecture theatres and seminar rooms, audio-visual, leisure facilities, sport grounds, indoor sports, conferences, show events, exhibitions, workshops, musical theatres, museums, and cinema etc.

Social and Cultural Sphere: This area may promote education for all and equality between men and women. Through emphasis on social groups and community development, income can be generated out of handicraft products, if they are exposed to external markets.

b) Privatization

Inefficient and loss-producing local government entities need to be privatized. The financial and service delivery records of state-owned enterprises (SOEs) around the world have not been impressive. The transfer of such services to private ownership is usually an integral part of any fiscal reform. Disposing of unprofitable assets and keeping only the profit-making ones lead to positive results. If there is any vacant land and extra local government houses, they can be disposed of to generate revenue for the local governments.

Privatization may also reduce local governments' deficits where subsidies will be eliminated and CC may realize funds from asset sale proceeds. After privatization, CC may assume the regulatory and administrative role of the former SOEs. In addition, the privatized businesses will add more revenue from taxation.

6. Implementation Schedule

Activity	Task/TOR	1st Year				2nd Year				3rd Year				4th Year			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Diversify earnings from Business Operated by CCs	Task1: Examine diversification of business operated by CCs (including PPP) at Finance and Establishment standing committee, in order to increase earnings in CCs.																
	Task 2: Prepare proposal of new business activities at Finance and Establishment standing committee and submit to CC Council meeting for taking action following the CC Act.-2009.																

7. Cost of Implementation (if necessary)

The CC Mayor, CEO and the concerned Standing Committee will consider the relevant issues of cost for the activity and prepare proposals for consideration of the CC Council.

Annex I Guideline for Large Scale PPP Formulation and Operation

GUIDELINES FOR FORMULATION, APPRAISAL AND APPROVAL OF LARGE PROJECTS UNDER PUBLIC-PRIVATE PARTNERSHIP (PPP), 2010

1 APPLICABILITY OF THE GUIDELINE

This guideline is applicable to all PPP projects identified by the line Ministries, statutory authorities and other entities under their administrative control as well as Office for PPP. The procedure specified here is applicable to the Large PPP projects. A project, which is estimated to have a total investment above BDT 2.5 billion (as identified in the pre-feasibility report), excluding on-going capital for expansion, shall be classified as a Large project.

2 PROCEDURE OF PROJECT IDENTIFICATION, FORMULATION, APPRAISAL AND APPROVAL

2.1 Project Identification

(a) Line Ministry/implementing agency identifies the projects to be taken up through PPPs.
(b) Office for PPP can also independently identify PPP projects. In this case, the Office for PPP needs endorsement of the proposal by the line Ministry/implementing agency.
(c) A private investor may submit an unsolicited proposal with pre-feasibility and/or detail feasibility studies to the line Ministry/ implementing agency/Office for PPP.
(d) The Office for PPP in consultation with the line Ministry/ implementing agency conducts pre-feasibility studies, if necessary.

2.1.1 Output of the Project Identification Phase

(a) List of project proposals including unsolicited proposals;
(b) Pre-feasibility reports for each of the projects.

2.2 'In Principle' Approval by CCEA

(a) Office for PPP submits the proposals with recommendations to CCEA.
(b) CCEA gives 'In Principle' approval to the proposals.

2.2.1 Output of the 'In Principle Approval' Phase

(a) List of 'In Principle' approved Project proposals.

2.3 Feasibility Study and Preparation of Documents

(a) Office for PPP appoints consultants from a pre-selected panel of consultants or through and independent bidding process.
(b) The consultants conduct detailed feasibility study (DFS).
(c) Finance Division appraises the requirements of VGF, if any, as identified in the DFS and proposed by Office for PPP in consultation with line Ministry/implementing agency.
(d) The consultants prepare RFQ and RFP (including draft concession agreements) documents and other related documents as required.

2.3.1 Output of the Feasibility Study Phase

(a) Detailed feasibility studies (DFS) of the projects.
(b) RFQ and RFP documents, draft concession agreements, other related documents, as required.

(c) Estimate of VGF requirements for proposed projects.

2.4 Request for Qualification (RFQ)

(a) Line Ministry/implementing agency calls for RFQ.
(b) The Qualification and Tender Evaluation Committee (QTEC) established by the line Ministry/implementing agency shortlists investors based on screening criteria as provided in the RFQ documents.
(c) If the RFQ is based on an unsolicited proposal, the initiator of the said proposal will be treated as automatically pre-qualified.

2.4.1 Output of the Request for Qualification Phase

(a) Evaluation report containing shortlisted investors.
2.5 Request for Proposal (RFP)
(a) The line Ministry/implementing agency issues RFP, with appropriate modifications by the Office for PPP, if required, to the shortlisted private investors.
(b) The relevant Qualification and Tender Evaluation Committee (QTEC) evaluates the investors' proposals based on the technical responsiveness criteria and screens out the non-responsive proposals.
(c) The QTEC prepares the RFP evaluation report with a ranking of the technically responsive investors based on the financial evaluation criteria.
(d) Line Ministry/implementing agency issues letter to the selected bidder to initiate the negotiation process.

2.5.1 Output of the Request for Proposal Phase

(a) RFP documents.
(b) Evaluation report containing shortlist of technically responsive investors.
(c) Letter to the selected bidder to initiate negotiation.

2.6 Negotiation and Contract Award

(a) The line Ministry/implementing agency negotiates the contract with the selected bidder and sends it to the Legislative and Parliamentary Affairs Division for vetting.
(b) After vetting, the line Ministry/implementing agency seeks approval of the CCEA.
(c) After approval by CCEA, the line Ministry/implementing agency signs the contract with the selected bidder.

2.6.1 Output of the Negotiation and Contract Award Phase:

(a) Vetting of contract by Legislative and Parliamentary Affairs Division.
(b) Final approval by CCEA.
(c) Contract signed for implementation.

2.7 Monitoring and Evaluation

(a) The line Ministry/implementing agency monitors project implementation and fulfillment of contractual obligations based on key performance indicators (KPI) mentioned in the signed contract and reports periodically to the Office for PPP.
(b) Office for PPP conducts independent monitoring of project implementation and fulfillment of contractual obligations of the private investors and reports periodically to the CCEA.
(c) Office for PPP independently also monitors the progress of all the linked components of PPP projects, if any.

(d) Principal Secretary, with assistance from Office for PPP and relevant Ministries/agencies, resolves complexities or delays in implementation of linked components of PPP projects.

2.7.1 Output of the Monitoring and Evaluation Phase

(a) Periodic Progress report of PPP projects prepared by Office for PPP;
(b) Monitoring and Evaluation report of each project prepared by respective line Ministry/implementing agency.

3. TIME REQUIREMENT FOR EACH PHASE

Phase Indicative Time Frame
1 Project identification On-going
2 ‘In Principle’ Approval by CCEA 2-4 weeks
3 Feasibility Study 8-20 weeks
4 Request for Qualification 4-8 weeks
5 Request for Proposals 8-12 weeks
6 Negotiation and Contract Award 4-8 weeks

It is important to recognize that the abovementioned time schedule will generally be maintained but may be relaxed under special circumstances.

Annex II Guideline for Medium Scale PPP Formation and Operation

GUIDELINES FOR FORMULATION, APPRAISAL AND APPROVAL OF MEDIUM PROJECTS UNDER PUBLIC-PRIVATE PARTNERSHIP (PPP), 2010

1. APPLICABILITY OF THE GUIDELINE

This guideline is applicable to all PPP projects identified by the line Ministries, statutory authorities and other entities under their administrative control as well as Office for PPP. The procedure specified here is applicable to the Medium PPP projects. A project, which is estimated to have total investment between BDT 500 million and 2.5 billion (as identified in the pre-feasibility report), excluding on-going capital for expansion, shall be classified as a Medium project.

2. PROCEDURE OF PROJECT IDENTIFICATION, FORMULATION, APPRAISAL AND APPROVAL

2.1 Project Identification

(a) Line Ministry/implementing agency identifies the projects to be taken up through PPPs.
(b) Office for PPP can also independently identify PPP projects. In this case, the Office for PPP needs endorsement of the proposal by the line Ministry/implementing agency.
(c) A private investor may submit an unsolicited proposal with pre-feasibility and/or detail feasibility studies to the line Ministry/implementing agency/Office for PPP.
(d) The Office for PPP in consultation with the line Ministry/implementing agency conducts pre-feasibility studies, if necessary.

2.1.1 Output of the Project Identification Phase

(a) List of project proposals including unsolicited proposals;
(b) Pre-feasibility reports for each of the projects.

2.2 'In Principle' Approval by CCEA

(a) Office for PPP submits the proposals with recommendations to CCEA.
(b) CCEA gives 'In Principle' approval to the proposals.

2.2.1 Output of the 'In Principle Approval' Phase

(a) List of 'In Principle' approved project proposals.

2.3 Feasibility Study and Preparation of Documents

(a) Office for PPP appoints consultants from a pre-selected panel of consultants or through an independent bidding process.
(b) The consultants conduct detailed feasibility study (DFS).
(c) Finance Division appraises the requirement of VGF, if any, as identified in the DFS and proposed by Office for PPP in consultation with line Ministry/implementing agency.
(d) The consultants prepare REQ and REP (including draft concession agreements) documents and other related documents as required.

2.3.1 Output of the Feasibility Study Phase

(a) Detailed feasibility studies (DFS) of the projects;

(b) REQ and RFP documents, draft concession agreements, other related documents, as required;
(c) Estimate of VGF requirements for proposed projects.

2.4 Request for Qualification (RFQ)
(a) Line Ministry/implementing agency calls for RFQ.
(b) The Qualification and Tender Evaluation Committee (QTEC) established by the line Ministry/implementing agency shortlists investors based on screening criteria as provided in the RFQ documents.
(c) If the RFQ is based on an unsolicited proposal, the initiator of the said proposal will be treated as automatically pre-qualified.

2.4.1 Output of the Request for Qualification Phase
(a) Evaluation report containing shortlisted investors

2.5 Request for Proposal (RFP)
(a) The line Ministry/implementing agency issues RFP, with appropriate modifications by the office for PPP, if required, to the shortlisted private investors.
(b) The relevant Qualification and Tender Evaluation Committee (QTEC) evaluates the investors' proposals based on the technical responsiveness criteria and screens out the non-responsive proposals. The private investor, whose proposal went for RFP, qualifies automatically for technical responsiveness.
(c) The QTEC prepares the RFP evaluation report with a ranking of the technically responsive investors based on the financial evaluation criteria.
(d) Line Ministry/implementing agency issues letter to the selected bidder to initiate the negotiation process.

2.5.1 Output of the Request for Proposal Phase
(a) RFP documents
(b) Evaluation report containing shortlist of technically responsive investors
(c) Letter to the selected bidder to initiate negotiation

2.6 Negotiation and Contract Award
(a) The line Ministry/implementing agency negotiates the contract with the selected bidder and sends it to the Legislative and Parliamentary Affairs Division for vetting.
(b) After vetting, the line Ministry/implementing agency seeks approval of the Finance Minister.
(c) After approval by the Finance Minister, the line Ministry/implementing agency signs the contract with the selected bidder.

2.6.1 Output of the Negotiation and Contract Award Phase
(a) Vetting of contract by Legislative and Parliamentary Affairs Division.
(b) Final approval by the Finance Minister.
(c) Contract signed for implementation.

2.7 Monitoring and Evaluation
(a) The line Ministry/implementing agency monitors project implementation and fulfillment of contractual obligations based on key performance indicators (KPI) mentioned in the signed contract and reports periodically to the Office for PPP.
(b) Office for PPP conducts independent monitoring of project implementation and fulfillment of contractual obligations of the private investors and reports periodically to the CCEA.

(c) Office for PPP independently also monitors the progress of all the linked components of PPP projects, if any.
(d) Principal Secretary, with assistance from Office for PPP and relevant Ministries/agencies, resolves complexities or delays in implementation of linked components of PPP projects.

2.7.1 Output of the Monitoring and Evaluation Phase
(a) Periodic Progress report of PPP projects prepared by Office for PPP.
(b) Monitoring and Evaluation report of each project prepared by respective line Ministry/ implementing agency.

3 TIME REQUIREMENT FOR EACH PHASE
 # Phase Indicative Time Frame
1 Project identification On-going
2 'In Principle' Approval of CCEA 2-4 weeks
3 Feasibility Study 6-12 weeks
4 Request for Qualification 4-8 weeks
5 Request for Proposals 6-10 weeks
6 Negotiation and Contract Award 4-8 weeks

It is important to recognize that the abovementioned time schedule will generally be maintained but may be relaxed under special circumstances.

Annex III Guideline for Small Scale PPP Formation and Operation

GUIDELINES FOR FORMULATION, APPRAISAL AND APPROVAL OF SMALL PROJECTS UNDER PUBLIC-PRIVATE PARTNERSHIP (PPP), 2010

1. Applicability of the guideline

This guideline is applicable to all PPP projects identified by the line Ministries, statutory authorities and other entities under their administrative control as well as Office for PPP. The Procedure specified here is applicable to the Small PPP projects. A project, which is estimated to have a total investment below BDT 500 million (as identified in the feasibility report), excluding on-going capital for expansion, shall be classified as a small project.

2. Procedure of project identification, formulation, appraisal and approval

2.1 Project Identification
(a) Line Ministry/implementing agency identifies the projects to be taken up through PPPs.
(b) Office for PPP can also independently identify PPP projects. In this case, the Office for PPP needs endorsement of the proposal by the line Ministry/implementing agency.
(c) A private investor may submit an unsolicited proposal with pre-feasibility study and/or detail feasibility report to the line Ministry/implementing agency/Office for PPP.

2.1.1 Output of the Project Identification Phase
(a) List of Project proposals including unsolicited proposals;

2.2 'In Principle' Approval by Line Minister
(a) The Line Minister gives ' In principle' approval to the proposals, submitted by the line Ministry, statutory authorities and other entities under its administrative control.
(b) The Line Minister also gives 'In Principle' approval to the proposals, submitted by the private investors and Office for PPP.
2.2.1 Output of the 'In Principle Approval' Phase
(a) List of In Principle' Approved Project proposals.

2.3 Feasibility study and Preparation of Documents
(a) Office for PPP appoints consultants from a pre-selected panel of consultants or through an independent bidding process.
(b) The Consultants conduct detailed feasibility study (DFS).
(c) Finance Division appraises the requirements of VGF, if any, as identified in the DFS and Proposed by Office for PPP in consultation with line Ministry/implementing agency.
(d) The Consultants prepare RFQ and RFP (including draft concession agreements) documents and other related documents as required.

2.3.1 Output of the Feasibility Study Phase
(a) Detailed feasibility studies (DFS) of the Projects;

(b) RFP documents, draft concession agreements, other related documents as required;
(c) Estimate of VGF requirements for proposed projects.

2.4 Request for Proposal

(a) The line Ministry/implementing agency issues RFP, with appropriate modifications by the Office for PPP, if required, to the shortlisted private investors.
(b) The relevant Qualification and Tender Evaluation Committee (QTEC) evaluates the investors' proposals based on the technical responsiveness criteria and screens out the non-responsive proposals. The private investor, whose proposal went for RFP, qualifies automatically for technical responsiveness.
(c) The QTEC prepares the RFP evaluation report with a ranking of the technically responsive investors based on the financial evaluation criteria.
(d) Line Ministry/implementing agency issues letter to the selected bidder to initiate the negotiation process.

2.4.1 Output of the Request for Proposal Phase

(a) RFP documents submitted by the private investors;
(b) Evaluation report containing shortlist of technically responsive investors;
(c) Letter to the selected bidder to initiate negotiation.

2.5 Negotiation and Contract Award

(a) The line Ministry/implementing agency negotiates the contract with the selected bidder and sends it to the Legislative and Parliamentary Affairs Division for vetting.
(b) After vetting, the line Ministry/implementing agency seeks approval of the Line Minister.
(c) After approval by the Line Minister, the line Ministry/implementing agency signs the contract with the selected bidder.

2.5.1 Output of the Negotiation and Contract Award Phase

(a) Vetting of contract by Legislative and Parliamentary Affairs Division.
(b) Final approval by the Line Minister.
(c) Contract signed for implementation.

2.6 Monitoring and Evaluation

(a) The line Ministry/implementing agency monitors project implementation and fulfillment of contractual obligations based on key performance indicators (KPI) mentioned in the signed contract and reports periodically to the Office for PPP.
(b) Office for PPP conducts independent monitoring of project implementation and fulfillment of contractual obligations of the private investors and reports periodically to the CCEA

It is important to recognize that the abovementioned time schedule will generally be maintained but may be relaxed under special circumstances.

3. TIME REQUIREMENT FOR EACH PHASE

Phase Indicative Time Frame
1 Project identification On-going
2 'In Principle' Approval by Concerned Minister 2-4 weeks
3 Feasibility Study 4-8 weeks
4 Request for Proposals 4-8 weeks
5 Negotiation and Contract Award 4-8 weeks

It is important to recognize that the abovementioned time schedule will generally be maintained but may be relaxed under special circumstances.

It is remarkable to mention here that under the public-private-partnership the then Tongi Pourashava (Now Gazipur City Corporation) and BRAC entered into an agreement on 11 April 2011 for collection and disposal of Municipal Solid Waste and to construct and operate a MSW treatment plant.