



Government of Pakistan  
Prime Minister's Office  
Naya Pakistan Housing & Development Authority (NAPHDA)

No. 06/SBP/Project/2021

Islamabad, the 5<sup>th</sup> May, 2021

Subject: Negotiated Procurement for Public Private Partnership Scheme by NAPHDA

Further to NAPHDA's letter number F.No. 1(1)/20-BDI/Subsidy dated 12<sup>th</sup> April, 2021

1. The undersigned is directed to inform that a Summary for the ECC of the Cabinet on the subject matter was submitted by Naya Pakistan Housing and Development Authority (NAPHDA), through the Cabinet Division. The ECC in its meeting held on 17<sup>th</sup> March, 2021 considered and approved the Summary. The Cabinet considered the Summary and ratified the decisions taken by the ECC in its meeting held on 17<sup>th</sup> March, 2021. The Federal Government allowed Naya Pakistan Housing and Development Authority to enter into Negotiated Procurement of the Public Private Partnership Scheme for the development of low cost housing on privately owned lands, pursuant to Regulation -19(2) of the PPP Regulations and approved the project selection and execution process.

2. Accordingly, NAPHDA advertised an invitation for expression of interest in the newspapers on 28<sup>th</sup> March, 2021 (Annex-A). In response, a large number of private parties have submitted their preliminary project proposals for the development of low cost housing on their private lands. NAPHDA shall assess the eligibility of the proposed lands against a set of criteria focusing on liveability conditions and will negotiate preliminary details with the private party. Subsequently banks shall examine the overall viability of the individual project. The project selection and execution process as approved by the Federal Government is reproduced below:-

A. Project Selection and Execution Process

General. Set forth below is the process to be followed for the selection and execution of low-cost housing projects to be developed by the private party (the "Private Party") on privately owned land under a public private partnership scheme under the Naya Pakistan Housing and Development Authority Act, 2020 and the Naya Pakistan Housing and Development Authority (Public Private Partnership) Regulations, 2020.

- B. **Acceptance of Land.** In response to an invitation for an expression of interest, the Private Party shall submit a preliminary project proposal (“**Project Proposal**”). The Naya Pakistan Housing and Development Authority (“**NAPHDA**”) shall assess the eligibility of the land proposed for development in the Project Proposal. Project Proposals may be submitted with respect to both undeveloped land as well as land on which construction of housing units is underway, provided the conditions set forth in this document are satisfied. The eligibility shall be assessed in accordance with the procedure approved by NAPHDA’s Policy Board, considering the following criteria:-
- a. The land must have clear title and a verified ownership.
  - b. The land must be free of any encumbrance or litigation.
  - c. The land must be cleared for housing purposes by concerned development authority.
  - d. Land should be contiguous and preferably located in vicinity of major city / town / communication center.
  - e. The land must have potential for access to basic essential services (electricity, sewerage disposal, water, etc.).
  - f. The land / site should be livable and preferably be close to basic amenities (health, education, recreation, etc.).
  - g. The land must have accessibility / connectivity to a road network.
  - h. Any other criteria as determined by NAPHDA's Policy Board from time to time.
- C. **Preliminary Negotiations.** If the land is found suitable for development in accordance with the requirements set forth in section 2 above, NAPHDA will negotiate preliminary details with the Private Party including the materials to be used, the size and cost per housing unit, completion time and any other conditions pertaining to the project. After evaluation, NAPHDA will issue a letter to the Private Party regarding the eligibility or otherwise of the project site.
- D. **Processing of NOCs / Approvals.** After obtaining the letter from NAPHDA confirming eligibility, the Private Party shall submit all necessary documentation to obtain the NOCs / approvals required in connection with the Project Proposal from the respective development authorities, provided that if any such approvals have already been obtained, the same shall be provided to NAPHDA for its consideration. NAPHDA will take appropriate actions to facilitate the process for obtaining approvals as described in this section.
- E. **Development Finance.**

- a. After obtaining the required NOCs / approvals, the Private Party shall submit the Project Proposal along with all relevant documents to the lead bank ("**Lead Bank**"), in coordination with NAPHDA, for evaluation / provision of development finance.
- b. The Lead Bank shall consider all aspects of the Project Proposal, including the technical, legal and financial information provided. In case any additional information is required, the Lead Bank may request the Private Party to provide the same and, if the Lead Bank deems necessary, it may, in consultation with NAPHDA, require the submission of an amended or modified Project Proposal.
- c. If the Project Proposal is found to be economically, technically and environmentally feasible and the information submitted by the Private Party about its own legal, technical, managerial and financial capability is satisfactory, the Lead Bank shall communicate its willingness to provide development finance to the Private Party.

F. **Agreement with NAPHDA / Mortgage.**

- a. NAPHDA shall obtain information as to the willingness of National Database and Registration Authority (NADRA) and National Counter Terrorism Authority (NACTA) verified bankable applicants to occupy low-cost housing units at the proposed location, on a prescribed form.
- b. After evaluation and approval by the Lead Bank, the Private Party shall sign an agreement with NAPHDA for the provision of low-cost housing units (the "Agreement").
- c. The list of willing applicants shall be put through a balloting process and the names of successful applicants ("Allottees") shall be communicated to the Lead Bank.
- d. The Lead Bank shall process / sign the loan agreement on a subsidized interest rate (in line with the Government's Markup Subsidy scheme) with the Allottees (borrowers for the purposes of the loan agreement), thereby providing a loan equal to the cost of the relevant housing unit, less Rs. 300,000/- (cost subsidy provided by the Government) and the amount contributed by the Allottee / borrower as down payment.
- e. NAPHDA will forward a certificate of approval to the Federal Board of Revenue (FBR), as per the template provided by FBR, for the low-cost housing project so that the Private Party may avail 90% tax rebate on the low-cost housing component.

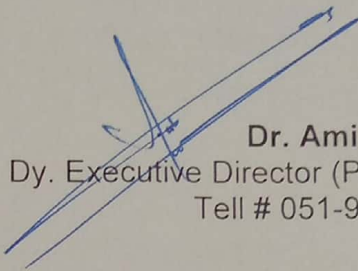
G. Project Account (Escrow Account).

- a. An escrow account ("**Project Account**" or "**Escrow Account**") shall be used for routing all transfers and payments with respect to the low-cost housing units.
- b. The amount of cost subsidy, specified above as Rs. 300,000/- per low-cost housing unit, may be paid by the Government (up front) in the Escrow Account along with 10 % down payment to be paid by the Allottee.
- ✓ c. A supervision consultant (the "Consultant") shall be selected in the manner determined by NAPHDA's Policy Board. The cost of the consultancy shall be included in the overall project cost.
- d. The amount of development finance (equivalent to the agreed-upon total cost of low-cost housing units in the project) shall be released from the Escrow Account by the Lead Bank during the construction period. No funds from the Escrow Account will be released for the purchase or development of land. NAPHDA, in consultation with the Consultant, shall decide the construction milestones along with the schedule of payments to be made to the selected Private Party, and shall list the same in the Agreement and convey it to the Lead Bank.
- e. The Private Party shall approach NAPHDA in connection with the release of payment (in accordance with the agreed-upon construction milestones) from the Escrow Account and shall provide documentary proof of the achievement of the relevant construction milestone which shall have been verified beforehand by the Consultant.
- f. NAPHDA shall verify the assessment of the claims carried out by the Consultant, and issue Milestone Achievement Certificates and Authority Letters to the Lead Bank, as appropriate, for payment to the Private Party.
- g. On completion / handing over of the low-cost housing units to the Allottees, the development finance released to the Private Party, as the agreed-upon cost of the housing units, shall be converted into mortgage finance against the individual Allottees, who shall pay the monthly installments to the banks as per their respective loan agreements.
- h. In case of default by the Private Party, NAPHDA may take appropriate action in accordance with applicable law and the terms of the Agreement.

- H. Procedures and Guidelines. NAPHDA's Policy Board may determine and specify any additional procedures and guidelines necessary for the effective

implementation of the project selection and execution process. NAPHDA's Policy Board shall be competent to interpret any of the provisions set forth above.

3. The aforementioned decision of the ECC / Cabinet may be brought to the notice of all concerned / Banks for information, necessary action, where required.
4. Kindly acknowledge the receipt.

  
**Dr. Amin Khan**  
Dy. Executive Director (Projects)  
Tell # 051-9210604

Governor,  
State Bank of Pakistan (SBP),  
Karachi.

Copy for Information to:

1. Secretary, Cabinet Division  
Government of Pakistan,  
Islamabad
2. Secretary, Finance Division  
Government of Pakistan,  
Islamabad
3. Senior Executive Director (Finance Branch) NAPHDA
4. Executive Director (Members Management Branch) NAPHDA
5. Executive Director (Monitoring Branch) NAPHDA
6. Executive Director (Land and Estate Branch) NAPHDA