



**Government of Pakistan
Ministry of Privatisation
(Privatisation Commission)**

REQUEST FOR PROPOSAL (RFP)

HIRING OF FINANCIAL ADVISOR FOR

PRIVATE SECTOR PARTICIPATION THROUGH PRIVATISATION

IN TWO (02) POWER DISTRIBUTION COMPANIES NAMELY

PESHAWAR ELECTRIC SUPPLY COMPANY LIMITED (PESCO),

&

HAZARA ELECTRIC SUPPLY COMPANY (HAZECO)

I. Letter of Invitation

Islamabad, the _____

Dear Sir /Madam,

This Request for Proposals (RFP) has been addressed to the Interested Party(ies) (IP).

- 1) The IPs shall be selected as Financial Advisor under *Quality & Cost Based Selection* (QCBS) procedure as described in this RFP, in accordance with the provisions of Privatisation Commission (PC) (Hiring of Financial Advisors) Regulations, 2018.
- 2) The RFP includes the following documents:
 - I. Letter of Invitation
 - II. Instructions to Financial Advisors and Data Sheet
 - III. Technical Proposal- Standard Forms
 - IV. Financial Proposal - Standard Forms

Appendices

 - A. Terms of Reference
 - B. Draft Financial Advisory Services Agreement (FASA)

- 3) IPs are required to submit their Technical & Financial Proposals along with mandatory non-refundable processing fee of USD 1,000 (United States Dollars One Thousand or Equivalent PKR at exchange rate prevailing 3 days prior to submission) by banker's cheque or wire transfer to following bank account:

For payment in US\$, please use the following account:

By wire transfer to:

Bank: National Bank of Pakistan

Account Title: Privatisation Commission

Account number: PK22NBPA0341003035237661

Beneficiary Bank: National Bank of Pakistan, Main Branch (0341) G-6 Islamabad

Swift code: NBPAPKKA02I

CORRESPONDENT BANK: JP MORGAN CHASE NEW YORK

Swift code: CHASUS33

For payment in PKR, please use the following account:

Bank: National Bank of Pakistan

Title: Privatisation Commission Interest Bearing Account

Account number: 3035236082

IBAN: PK72NBPA0341003035236082

Branch Code: 0341 - Main Branch, Islamabad

Beneficiary's Name: Privatisation Commission, Islamabad.

Yours sincerely,

Privatisation Commission

4th Floor, Kohsar Block, New Pak Secretariat,
Constitution Avenue, Islamabad.

Phone No. +92-51-9204593

Email: asifjalal@privatisation.gov.pk

II: Instructions to Financial Advisor / Interested Parties

[Note: Instructions to Financial Advisor / Interested Parties shall not be modified.]

Definitions

- (a) “Client” means Privatisation Commission (the “PC”) established under Section (3) of Privatisation Commission Ordinance, 2000;
- (b) “Data Sheet” means such part of the instructions to IPs used to reflect specific conditions of the transaction;
- (c) “Evaluation Committee” means a committee constituted by the Chairman, comprising not less than three persons with the purpose of evaluating the technical and financial proposals submitted by the interested parties;
- (d) “Consortium” means a group of body corporates or firms that have agreed to be jointly and severally responsible for the obligations under the FASA;
- (e) “Consortium Lead” means a body corporate or firm, which is member of a Consortium and has been nominated by other members of the Consortium as Consortium Lead. A Consortium can only have one (01) Consortium Lead;
- (f) “FA” means an external FA hired by the Client to advise on a major privatisation as defined in the Privatisation Commission (Hiring of Financial Advisors) Regulations, 2018;
- (g) “Federal Government” means the Government of Pakistan;
- (h) “Financial Advisory Services Agreement” or “FASA” means the Agreement to be signed between the Client and the Financial Advisor for the Private Sector Participation in DISCOs through privatisation (Transaction);
- (i) “Interested Party” or “IP” means a body corporate or firm or Consortium which has submitted the technical proposal and the financial proposal and paid the fee, if any;
- (j) “Proposals” means both the technical proposal and the financial proposals submitted to Privatisation Commission;
- (k) “Sub-Contractor” means an entity to whom the IP intends to subcontract part of the services while remaining responsible to the Client for the performance under FASA;
- (l) “Terms of Reference” or “TOR” means the Terms of Reference attached with this RFP which explains the objectives, scope of work, activities, tasks to be performed and responsibilities of the Financial Advisor;
- (m) “Third Party” means any person or entity other than the Sub-Contractor engaged by the IP/ Financial Advisor for performance of Services under the FASA;

- (n) “Working Day” means an official working day, in which official business is conducted by the Client.

- 1. Introduction**
- 1.1 The IPs are invited to submit the technical proposal and financial proposal for the performance of services under the Terms of Reference (TORs). The proposals should be made in separate marked and sealed envelopes both for technical and financial proposals.
- 1.2 IPs should familiarize themselves with assignment conditions and take them into account in preparing their proposals. IPs may contact the Client to obtain any clarifications till seven (07) days prior to the last date for submission of proposals.
- 1.3 IPs shall bear all costs associated with the preparation and submission of their proposals and FASA negotiation. The Client is not bound to accept any proposal and reserves the right to annul the selection process at any time prior to award of FASA, without thereby incurring any liability to an IP.
- Conflict of Interest**
- 1.4 The Client requires that IP to provide professional, objective, and impartial advice and at all times hold the Client’s interest’s paramount, strictly avoid conflicts with other assignments or their own corporate interests.
- 1.5 IP has an obligation to disclose any situation of actual or potential conflict that impacts their capacity to serve the best interest of the Client, or that may reasonably be perceived as having this effect. Failure to disclose said situations may lead to the disqualification of the IP.
- Fraud and Corruption**
- 1.6 The Client requires IPs participating in its assignments to adhere to the highest ethical standards, both during the selection process and throughout the execution of FASA. In pursuance of this policy, the Client:
- (a) defines, for the purpose of this paragraph, the terms set forth below as follows:
- “corrupt and fraudulent practices” includes the offering, giving, receiving, or soliciting of anything of value to influence the action of a public official or the supplier or contractor in the procurement process or in contract execution to the detriment of the Client; or misrepresentation of facts in order to influence a procurement process or the execution of a contract, collusive practices among bidders (prior to or after bid submission) designed to establish bid prices at artificial, non-competitive levels and to deprive the Client of the benefits of free and open competition and any request for, or solicitation of anything of value by any public official in the course of the exercise of his duty;

- (c) will reject a proposal for award if it determines that the IP recommended for award has, directly or through an agent, engaged in “corrupt and fraudulent practices” in competing for FASA; and
 - (d) will sanction an IP, including declaring the IP ineligible, either indefinitely or for a stated period of time, to be awarded FASA if at any time it determines that the IP has, directly or through an agent, engaged in “corrupt and fraudulent practices” in competing for, or in executing FASA.
- 1.7 IP and its Sub-Contractors, if any, are not under a declaration of ineligibility for corrupt and fraudulent practices issued by the Client under paragraph 1.6.
- Proposal Validity**
 - 1.8 The Data Sheet indicates how long IPs’ proposals must remain valid after the submission date. During this period, IP shall maintain the availability of professional staff nominated in the technical proposal. Client may request the IP to extend the validity period of its proposals. IP who agrees to such extension shall confirm that it will maintain the availability of the professional staff nominated in the proposal, or in its confirmation of extension of validity of the proposal, IP could submit new staff in replacement acceptable to the Client.
- 2. Clarification of RFP Documents**
 - 2.1 IP may request a clarification of any part of the RFP documents up to the number of days indicated in the Data Sheet before the proposal submission date. Any request for clarification must be sent in writing, or by standard electronic means to the Client’s address indicated in the Data Sheet.
 - 2.2 At any time before the submission of proposals, the Client may amend the RFP by issuing/publishing an addendum in writing. To give IPs reasonable time in which to take an amendment into account in their proposals, the Client may, if the amendment is substantial, extend the deadline for the submission of proposals. If an IP has submitted its proposals / bid before the amendment of RFP, it is entitled to the return of unopened proposals from the Client before the last date fixed for the submission of proposals. An IP is not entitled to the return of proposal if no amendment in the RFP is made after the submission of the proposal.
- 3. Preparation of Proposals**
 - 3.1 The proposal, as well as all related correspondence exchanged by the IP and the Client, shall be written in the language specified in the Data Sheet.
 - 3.2 In preparing their proposals, IPs are expected to examine in detail the documents comprising the RFP. Material deficiencies in providing the information requested or making a proposal conditional may result in rejection of the proposal.

Technical Proposal Format and Content	3.3	The technical proposal shall provide the information indicated in the following paragraphs from (a) to (d) using the attached Standard Forms. A page is considered to be one printed side of A4 or letter size paper. (a) A brief description of the IP's organization and an outline of recent experience on assignments of a similar nature is required in Form TECH-2. (b) A description of the approach, methodology and work plan for performing the assignment covering the following subjects: technical approach and methodology, work plan, and organization with profile of key professional staff. Guidance on the content of this section of the technical proposals is provided under Form TECH-3. (c) The list of the proposed key personnel by area of expertise. (Form TECH-4). (d) CVs of the key personnel signed by the staff themselves or by the authorized representative of the professional staff (Form TECH-5).
Taxes	3.4	The FA will be subject to all applicable taxes on amounts payable by the Client under FASA. IPs shall submit proposals inclusive of all applicable taxes.
4. Submission, Receipt, and Opening of Proposals	4.1	The original proposal (technical and financial proposals) shall contain no interlineations or overwriting. Submission letters for both technical and financial proposals should be in the format of the attached Forms.
	4.2	An authorized representative of the party shall initial all pages of the original Technical and Financial proposals. The authorization shall be in the form of a written power of attorney accompanying the proposal or in any other form demonstrating that the representative has been duly authorized to sign. The signed technical and financial proposals shall be marked "ORIGINAL".
	4.3	The technical proposal shall be marked "ORIGINAL" or "COPY" as appropriate. The proposals shall be sent to the addresses referred to in paragraph. 4.5 and in the number of copies indicated in the Data Sheet. All required copies of the technical proposal are to be made from the original. If there are discrepancies between the original and the copies of the technical proposal, the original shall prevail. [electronic submission of proposals/ copies may be considered with password protection. Separate dates / time will be given for sharing of password.]

- 4.4 The original and all copies of the technical proposal shall be placed in a sealed envelope clearly marked “TECHNICAL PROPOSAL” followed by the name of the assignment. The original financial proposal shall also be placed in a sealed envelope clearly marked “FINANCIAL PROPOSAL” followed by the name of the assignment. The envelope(s) containing the technical and financial proposals shall be placed into an outer envelope and sealed. This outer envelope shall bear the submission address and title of the Assignment, clearly marked **“DO NOT OPEN, EXCEPT IN PRESENCE OF THE OFFICIAL APPOINTED, BEFORE SUBMISSION DEADLINE”**. The Client shall not be responsible for misplacement, losing or premature opening if the outer envelope is not sealed and marked as stipulated. Any violation of these instructions may lead to rejection of the proposal.
- 4.5 The proposals must be sent to the address indicated in the Data Sheet and received by the Client no later than the time and the date indicated in the Data Sheet, or any extension to this date in accordance with paragraph. 2.2. Any proposal received by the Client after the deadline for submission shall be returned unopened.
- 4.6 The Client will open the technical proposals on the date and time mentioned in Data Sheet after the deadline ends for their submission, in the actual or virtual presence of representatives of bidders, if opt to be present.
- 5. Proposal Evaluation**
- 5.1 From the time, the technical proposals are opened to the time the financial proposals are opened, the IPs should not contact the Client on any matter related to its technical or financial proposals. Any effort by an IP to influence the Client in the examination, evaluation, ranking of proposals, and recommendation for award of FASA may result in the disqualification of the IP and rejection of its proposals.
- Evaluation of Proposals**
- 5.2 The evaluation committee shall evaluate the proposals on the basis of their responsiveness to the Terms of Reference, applying the evaluation criteria, sub-criteria, and point system specified in the Data Sheet. Each responsive proposal will be given a technical score (St). A proposal shall be rejected at this stage if it does not respond to important aspects of the RFP, and particularly the Evaluation Criteria and Terms of References (TORs) or if it fails to achieve the minimum technical score indicated in the Data Sheet. The evaluation committee may require the IPs to provide clarifications and/or make power point presentation for the technical proposal. The Evaluation Committee reserves the right to independently contact the clients/ parties/entities named against mandates cited under Evaluation Criterion (a)(4) to verify the accuracy of claimed Financial Closure outcomes

and investor participation numbers. Any material discrepancy between the IP's claim and the referee's confirmation shall be treated as a material deficiency under paragraph 3.2 and may result in disqualification of the proposal.

5.3 After the technical evaluation is completed, the Client shall notify those parties / IPs whose proposals are considered non-responsive to the RFP, Evaluation Criteria and TORs or do not meet the minimum qualifying technical score, that their financial proposals will be returned unopened after completing the selection process and signing of FASA. The Client shall simultaneously notify in writing those parties that have achieved the minimum qualifying technical score and inform them of the date, time and place for the opening of the financial proposals. The party's attendance at the opening of the financial proposals is optional and is at the party's choice.

5.4 The financial proposals shall be opened by the Client in the actual or virtual presence of the representatives (who opt to be present) of those whose proposals have passed the minimum qualifying technical score. At the opening, the names of the parties, and the overall technical scores, shall be read aloud. The financial proposals will then be inspected to confirm that they have remained sealed and unopened. These financial proposals shall then be opened, and the financial bid shall be read aloud and recorded. In case of electronic submissions of financial proposals, the IPs shall share the password electronically at the time of opening of their respective financial proposals.

6. Negotiations & Award of Contract

6.1 The negotiations with the top ranked IP shall be limited to the issues related to milestones and phases, deliverables, timelines, contract duration and procedures for disbursements. The invited top-ranked IP shall, as a pre-requisite for attendance at the negotiations, confirm availability of all professional staff or seek their replacement under paragraph 6.2. Failure in satisfying such requirements within the time fixed by the Client may entitle the Client to initiate negotiations with the next-ranked IP. Representatives conducting negotiations on behalf of the qualified IP must have written authority to negotiate and conclude FASA.

Availability of Professional staff

6.2 Having selected the FA on the basis of, among other things, an evaluation of proposed professional staff, the Client expects to negotiate FASA on the basis of the professional staff named in the technical proposal. Before FASA negotiations, the Client will require assurances that the professional staff will be actually available. The Client will not consider substitutions during FASA negotiations unless

both parties agree that undue delay in the selection process makes such substitution unavoidable. The Client may consider substitution of any member of professional staff only based on the IP's written request and due to circumstances outside the reasonable control of the IP. In such case, the IP shall provide an equally qualified and experienced replacement acceptable to the Client.

Association of a Sub-Contractor	6.3	If an IP considers that it may enhance its expertise for the assignment by associating with any party as Sub-Contractor, it may do so by associating any Sub-Contractor in the proposal.
Third Party	6.4	An IP may make provision in the out-of-pocket expenses for engagement of a Third Party necessary or likely to be necessary for the transaction. The payment to the Third Party(ies) shall only be made from out-of-pocket expenses by the Financial Advisor.
Only One Proposal	6.5	The IP (including individual members of any consortium) shall submit only one proposal. If a party including any member of IP or Sub-Contractor submits or participates in more than one proposal, all such proposals shall be disqualified and rejected.
Conclusion of the negotiations	6.6	After negotiations under paragraph 6.1, the Client and the FA shall initial (actual or electronic) the FASA. If negotiations with top ranked IP fail, the Client will invite the IP whose proposals received the second highest score for negotiations under paragraph 6.1.
7. Award of FASA	7.1	The Client shall award FASA to the selected IP and promptly notify all others who have submitted proposals.
	7.2	The FA is expected to commence the assignment on the date and at the location specified in the Data Sheet.
	7.3	The Transaction shall be implemented in accordance with the TORs and continuation of transaction advisory services shall be subject to satisfactory performance of the FA as determined by the Client.

INSTRUCTIONS TO INTERESTED PARTIES (IPs)

Data Sheet

Paragraph Reference	Description
1.8	Proposals must remain valid for 120 days after the last submission date.
2.1	Clarifications may be requested not later than seven (07) Working Days prior to the last date of submission of proposals. The contact information for requesting clarifications is on the following official email or in writing to: Email: asifjalal@privatisation.gov.pk Advisor (Power-II) Privatisation Commission 4th Floor, Kohsar Block, New Pak Secretariat, Constitution Avenue, Islamabad, Pakistan.
3.1	Proposals shall be submitted in the <u>English language</u> .
4.3	IP must submit the original and password protected soft copies of the Technical and Financial Proposals. In case of electronic submission(s), passwords of only technical proposals file to be shared at the time of opening of Technical Proposals.
4.5	The Proposal submission address is: Advisor (Power-II) Privatisation Commission 4th Floor, Kohsar Block, New Pak Secretariat, Constitution Avenue, Islamabad, Pakistan. Telephone: <u>+92 (51) 9205146, Ext 267</u> Email: asifjalal@privatisation.gov.pk Proposals must be submitted not later than 9th September 2027 till 1500 hours Pakistan Standard Time (PST).
4.6	The Client will open the technical proposals on the last date of submission at 1600 hours PKT .
5.2	Pursuant to Regulation of PC's Hiring of FA Regulation 2018, the technical scores for the evaluation of the technical proposals will be as under. The Financial Advisor is required to include a multidisciplinary team of experts, organized as an entity/company/firm with subcontracted experts, or a consortium of companies with a single consortium lead member and if necessary subcontracted additional experts

S. No.	Evaluation criteria	Marks
1	2	3
(a)	Specific firm or Consortium experience related to the assignment 1. Global Ranking of Consortium Lead Consortium Lead ranking in any of internationally recognised league tables in any year since 1st January 2023 <i>(complete reports highlighting the rank of the Consortium Lead in respective league table(s) to be submitted with proposals) PC in its sole and absolute discretion shall determine the relevance of the ranking of Lead Consortium with regard to the transaction, while assigning the marks under this category. (04 marks)</i> <u>Marking scheme:</u> • Ranked amongst Top 20 – 04 marks • Ranked amongst 21 - 40 – 03 marks • Ranked amongst 41 - 60 – 02 mark • Any rank lower than 60 – 00 marks 2. Relevant International Experience in Transaction Advisory Services of Consortium Lead as a Lead Advisory Firm or as Consortium Members in M&A / Privatisation / Electricity Distribution concession / corporate restructuring/ tariff advisory for electricity distribution companies or power sector , etc., in any country. (06 marks) (i) Demonstrated overall experience of successfully completing transactions in any country of similar nature in electricity distribution companies / power sector as a Consortium Lead, since 1st January 2015. (ii) Value of each completed assignment since 1st January 2015. (iii) Countries / region of assignments. (iv) Specific experience related to power sector. <u>Marking scheme:</u> 05 or more completed transactions in any country– 06 marks 03-04 completed transactions in any country – 05 marks 02 completed transactions in any country – 03 marks 01 completed transaction – 02 marks <i>(Evidence of completed transactions must be submitted)</i>	30

	3. Experience of Consortium Members in successfully completing a mandate within a transaction for M&A / privatisation / Electricity Distribution concession/ corporate restructuring tariff advisory in electric power utilities / distribution, in any capacity, since 01st January 2015 years (10 marks) (i) Number of mandates completed (ii) Value of each completed mandate (iii) Country / region of mandate <i>(Note: In case the proposal is not been submitted by a Consortium, the experience of IP will be considered against this criteria).</i> <u>Marking scheme:</u> 3 or more completed mandates– 10 marks 02- completed mandates – 06 marks 01 completed mandates – 02 marks Nil completed mandate – 00 marks <i>(Note:</i> 1) <i>Evidence of work experience and completed transactions of similar nature must be submitted</i> 2) <i>In case of more than one firm in the Consortium other than the lead, an average score of all the firms, except the lead firm, will be calculated for scoring)</i> 4. Experience in marketing a transaction to potential investors and successfully concluding a sell-side M&A/Privatisation / Electricity Distribution / Concessions mandate of Consortium Lead or a Consortium Member. Demonstrated experience of successfully completing (achieving financial closure) for similar nature mandates (electric power utilities / distribution). (10 marks) For each mandate cited, the IP shall additionally state: (i) role held in sell-side advisory; (ii) number and category of investors approached along with credentials (strategic operators, PE/infrastructure funds, DFIs, sovereign funds); (iii) number of investors submitting binding bids at close; (iv) Value and date of Financial Closure. <u>Marking scheme:</u> 3 or more mandates reaching Financial Closure with 3 or more competing bidders at close – 10 marks 2 mandates reaching Financial Closure – 07 marks 1 mandate reaching Financial Closure – 03 marks <i>Mandate(s) reaching only bid/EOI stage without Financial Closure – 00 marks</i>
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	(b) Competence of Team (i) Name, qualification & relevant experience of the Lead Advisory Team Leader / Project Director. (ii) Names, qualifications & relevant experiences of key personnel of the Financial Advisor / Lead Advisory Firm for the assignment. (iii) Names, qualifications & relevant experiences of key personnel of each member firm of the consortium (other than lead) / Sub-Contractor firm(s) for the assignment / transaction. (iv) Structure & composition of the consortium and division of responsibilities. i. FA Project Lead Team / Nominated Project Director– (10 marks) Minimum experience of Ten (10) years in leading advisory assignments relating to M&A/ privatisation/ Electricity Distribution / concession in Power Sector/ Electricity Distribution and relevant Legal, Policy and Regulatory Framework a. Nominated Project Leader / Director (05 marks) <u>Marking scheme for Project Director:</u> • 3 or more similar mandates completed – 05 marks • 1-2 similar mandates completed – 03 marks • NIL similar mandates completed – 00 marks b. Designated Core Transaction Team Profile (including consortium member) (Maximum 10 CVs of the Core Team. (05 marks) IP shall separately name the individual(s) within the Project Lead Team having experience for investor relationship management and provide a dedicated CV evidencing personal deal history in investor outreach and sell-side closure. A proposal naming only firm-level credentials without a designated investor-relations lead shall be treated as incomplete under this sub-criterion. ii. Law Firm (05 marks) Profile and experience of law firm having proven expertise in handling transactions involving M&A, Privatisation, Electricity Distribution/ Concessions, Corporate Restructuring, Power Sector Regulatory,	30
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	Legal and Corporate Affairs in power sector / electricity distribution. <u>Marking scheme:</u> <i>06 or more similar mandates completed – 05 marks</i> <i>03-05 similar mandates completed – 03 marks</i> <i>01-02 similar mandates completed – 02 mark</i> <i>NIL similar mandates completed – 00 marks</i> iii. Accountancy and Tax Firm (04 marks) Must be a registered Category A (as per State Bank of Pakistan's List) Chartered Accountant Firm with latest satisfactory QCR ratings. <i>(Note: In case IP is providing these services itself, then IP will be evaluated against this criteria.)</i> <u>Marking scheme:</u> <i>06 or more similar mandates completed – 04 marks</i> <i>03-05 similar mandates completed – 02 marks</i> <i>01-02 similar mandates completed – 01 mark</i> <i>NIL similar mandates completed – 00 marks</i> iv. Technical Team (05 Marks) Proven experience of IP / Consortium member / Sub-Contractor in rendering technical services including Technical Due Diligence relating to distribution network(s) and commercial retail of electricity since 01st January 2018. <i>(Note: In case IP is providing these services itself, then IP will be evaluated against this criteria.)</i> <u>Marking scheme:</u> <i>4 or more similar mandates completed – 05 marks</i> <i>2-3 similar mandates completed – 03 marks</i> <i>1 similar mandate completed – 02 marks</i> <i>NIL similar mandates completed – 00 marks</i> v. HR Firm (03 marks) Proven experience of IP /Consortium member / Sub-Contractor in labor, HR and employees related affairs in transactions of similar nature. <i>(Note: In case IP is providing these services itself, then IP will be evaluated against this criteria.)</i> vi. Marketing and Media Management Firm <i>(IP/ Sub-Contractor) must have proven experience in developing and implementing marketing/PR & investor communication, stakeholder engagement and media</i>	
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	<i>management programmes for large corporates or major public sector organizations. (03 marks)</i> <u>Marking scheme:</u> • 03 or more completed assignments – 03 marks • 01-02 completed assignments – 01 marks <i>Note:</i> (Evidence of relevant experience is to provide against each of the above criteria)	
(c)	Work plan and methodology Understanding of the GOP's objectives for private sector participation in DISCOs. International work experience dealing with private sector participation in DISCOs. Major activities, key milestones, anticipated challenges & indicative timelines to complete the transaction. Approach to successfully complete the transaction. Acquaintance with legal & regulatory regime / framework in which DISCOs are operating. Spell out a robust and effective investor out-reach and marketing strategy, for developing investor interest and facilitating the successful completion of the transaction. Work plan and methodology (25 Marks) i. Understanding of the sector, potential investors' interest in the sector and the transaction, and FA's execution strategy and Work Plan for the Transaction. The Work Plan and methodology, amongst others, must cover following areas: - (IP is also required to submit mapping of activities along with its detailed proposal) (12 Marks) i) Anticipated issues/ challenges in this transaction ii) Envisaged divestment/ privatisation mode and transaction structure options. iii) Propose what and how key aspects will be taken into account for the bidding process for privatisation of DISCOs iv) Proposed strategy for completion of transaction within the indicative timelines v) Proposed approach towards comprehensive due diligence of DISCOs in shortest possible time	25

	vi) Strategy to handle HR and employee related matters vii) Envisaged practical aspects for successful completion of Privatisation transaction for DISCOs viii) Critical success factors for completion of privatisation of the entity ix) Proposed approach to ensure presence in Pakistan of key international staff to facilitate completion of transaction. ii. Comparative analysis of the international experience in similar transactions and recommendation to successfully complete the Transaction; and address any post privatisation risk / issues, including Conceptualization of anticipated performance monitoring framework post privatisation, based on KPIs for privatization contracts with reference to international experience (08 Marks) iii. Identification of prospective investor(s) universe and design of an effective marketing strategy/ Investor out-reach plan, appropriate to the recommended divestment/ privatisation mode. (05 Marks) IP shall submit an indicative, non-binding Target Investor Universe covering: - categories of investors realistically addressable given the transaction structure — strategic utility operators active in South Asia/MENA distribution, infrastructure PE funds, DFIs; - rationale for fit based on each category's prior investment pattern ; - IP's institutional relationship or prior transaction history with the named investor categories (committed investors are neither expected nor permitted pre-mandate). Marks shall be awarded for specificity, realism, and demonstrated understanding of investor appetite constraints (ownership caps, sovereign risk perception, FX/repatriation concerns) — not for the size of the list. <i>Note: Marks will be distributed on clarity of methodology, alignment of the plan with indicative timelines, relevance and nexus to TORs; realistic and implementable work plan; all the above-mentioned points must be clearly covered and identified in the technical proposal at FORM TECH-3.</i>	
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	(d) Effectiveness of presentation (15 Marks) Understanding of assignment and execution strategy Preliminary understanding of the Transaction and the approach for evaluating the optimal divestment/privatisation mode and Transaction Structure Acquaintance with legal & regulatory regime / framework. Key potential issues / challenges. Identification of potential investor base (domestic & international). Effectiveness of proposed marketing and communications strategy for investor out-reach. Indicative plan for the Road shows / destinations to promote investment climate for foreign and domestic investors in Pakistan. Plan with Timelines* for completing the transactions in shortest possible time. IPs to submit the plan based on scenario that the transactions of two DISCOs are to be carried out simultaneously, however, PC / GOP reserve the right to carry out the transactions sequentially or simultaneously. <i><u>Presentations will be assessed based on better comprehension and explanation of the assignment, in addition to strong acquaintance with applicable financial, tax, technical, HR & employee relations, engagement with utility staff, Tariff, legal and regulatory requirements specific to private sector participation in management of utilities.</u></i> * IPs may be required to adjust the plan and timelines to meet PC / GOP requirements.	15
	Total marks for the four technical criteria: 100 The minimum technical marks required to pass is: 70	
5.2	Scoring/marking of technical and financial proposals: The technical proposal shall be assigned a score (Str) which shall be scaled up to constitute a final technical score (St) in the following manner: - $St = Str \times 100 / St_{max}$ where St_{max} = Score of the highest ranked IP on technical criteria. The financial score (Sf) shall be calculated in the following manner, namely: - $Sf = 100 \times (F_{min} / F_f)$ where F_{min} = Lowest total fee bid and F_f = Total fee bid by the IP under consideration. The combined technical and financial proposal (Sc) shall be calculated in the following manner, namely: - $Sc = 0.80 \times St + 0.20 \times Sf$	
7.2	Expected date for the commencement of the Services: Upon signing of Financial Advisory Service Agreement (FASA)	

III: Technical Proposal - Standard Forms

[Comments in brackets [] provide guidance to the IPs for the preparation of their technical proposals; they should not appear on the technical proposals to be submitted.]

- TECH-1 Technical Proposal Submission Form
- TECH-2 IP's Organization and Experience
 - A IP's Organization
 - B Experience
- TECH-3 Description of the Approach, Methodology and Work Plan for Performing the Assignment
- TECH-4 Team Composition and Task Assignments
- TECH-5 Curriculum Vitae (CV) of Key Professional Staff

FORM TECH-1 TECHNICAL PROPOSAL SUBMISSION FORM

[Location, Date]

To: [Name and address of Client]

Dear Sir,

We, the undersigned, offer to provide the advisory services for [Insert title of assignment] in accordance with your Request for Proposal dated [Insert Date]. We are submitting our proposals which includes this technical proposal and financial proposal in separate envelopes.

We are submitting our proposals in association with: [Insert a list with full name and address of each associated Sub-Contractor]

We declare that all the information and statements made in our proposals are true and accept that any misinterpretation contained in it may lead to our disqualification.

Our proposals are binding upon us.

We understand you are not bound to accept any proposal; you receive.

We remain,

Yours sincerely,

Authorized Signature [In full and initials]: _____

Name and Title of Signatory: _____

Name of Firm: _____

Address: _____

FORM TECH-2 IP'S ORGANIZATION AND EXPERIENCE

A - Organization

[Provide here a brief (two pages) description of the background and organization of your entity (including organogram) and each Sub-Contractor for this assignment.]

ORIGINAL

B - Experience

[Using the format below, provide information on each successfully concluded assignment/mandate for which your entity, and each Sub-Contractor for this assignment, was legally contracted as an entity or as part of the consortium, for carrying out services similar to the ones requested under this Assignment. Use maximum 5 pages. Please provide Client's certification and/or evidence of the contract agreement.]

Title of the assignment:	Value of the agreement (in USD):
Name of Client:	Region / location of successfully completed assignment:
Duration of Assignment:	
Name of senior professional staff engaged / worked on the assignments and major task(s) performed by them:	

FORM TECH-3 DESCRIPTION OF APPROACH, METHODOLOGY AND WORK PLAN FOR PERFORMING THE ASSIGNMENT

[Technical approach, methodology and work plan are key components of the technical proposal. You are suggested to present your technical proposal divided into the following three chapters:

- a) Technical Approach and Methodology;
- b) Work Plan; and
- c) Organization and Staffing.

a) Technical Approach and Methodology. In this regard, you should explain your understanding of the objectives of the assignment, approach to the services, methodology for carrying out the activities and obtaining the expected output, and the degree of detail of such output. You should highlight the problems being addressed and their importance and explain the technical approach you would adopt to address them. You should also explain the methodologies you propose to adopt and highlight the compatibility of those methodologies with the proposed approach.

b) Work Plan. In this regard, you should propose the main activities of the assignment, their content and duration, phasing and interrelations, milestones (including interim approvals by the Client), and delivery dates of the reports. The proposed work plan should be consistent with the technical approach and methodology, showing understanding of the TOR and ability to translate them into a feasible working plan. A list of the final documents, including reports, drawings, and tables to be delivered as final output, should be included here.

c) Organization and Staffing. In this regard, you should propose the composition of your key professional staff including Sub-Contractors and should list the main disciplines of their assignment.

Note: Please avoid repetition of provided TORs.

FORM TECH-4 KEY PROFESSIONAL STAFF OF FA AND SUB-CONTRACTORS

Name of Staff	Organisation	Area of Expertise	Position Assigned	Task Assigned

FORM TECH-5 CURRICULUM VITAE (CV) FOR PROPOSED KEY PROFESSIONAL STAFF

1. **Proposed Position/ Role:** _____

2. **Name of Entity** [*Insert name of entity proposing the staff*]: _____

3. **Name of Staff** [*Insert full name*]: _____

4. **Years of Experience:** _____ **Nationality:** _____

5. **Education:**

<i>Degree</i>	<i>Major/Minor</i>	<i>Institution</i>	<i>Date (MM/YYYY)</i>

6. **Membership of Professional Associations:** _____

7. **Other Training** [*Indicate significant training since degrees under 6 - Education were obtained*]: _____

8. **Languages** [*For each language indicate proficiency: good, fair, or poor in speaking, reading, and writing*]: _____

9. **Employment Record** [*Starting with present position, list in reverse order every employment held by staff member since graduation, giving for each employment (see format here below): dates of employment, name of employing organization, positions held.*]:

<i>Employer</i>	<i>Position</i>	<i>From (MM/YYYY)</i>	<i>To (MM/YYYY)</i>

11. Work Undertaken that Best Illustrates Capability to Handle the Tasks Assigned

[Among the successfully concluded assignments/mandates in which the staff has been involved, indicate the following information for those assignments that best illustrate staff capability to handle the tasks listed under point 11.]

- 1) Name of assignment or project: _____
Year: _____
Location: _____
Client: _____
Main project features: _____
Positions held: _____
Activities performed: _____

- 2) Name of assignment or project: _____
Year: _____
Location: _____
Client: _____
Main project features: _____
Positions held: _____
Activities performed: _____

- n) Name of assignment or project: _____
Year: _____
Location: _____
Client: _____
Main project features: _____
Positions held: _____
Activities performed: _____

13. Certification:

I, the undersigned, certify that to the best of my knowledge and belief, this CV correctly describes myself, my qualifications, and my experience. I understand that any misstatement may lead to my disqualification or dismissal, if engaged.

[Signature of staff member or authorized representative of the staff] Date: _____
Day/Month/Year

Full name of authorized representative: _____

ORIGINAL

IV. Financial Proposal - Standard Forms

Financial Proposal Standard Forms shall be used for the preparation of the Financial Proposal.

FIN-1 Financial Proposal Submission Form

FIN-2 Summary of Costs

FIN-3 Out of Pocket Expenses

ORIGINAL

FORM FIN-1
FINANCIAL PROPOSAL SUBMISSION FORM

{Location, Date}

To: [Name and address of Client]

Dear Sir(s):

We, the undersigned, offer to provide the services for [Insert title of assignment] in accordance with your Request for Proposal dated [Insert Date] and our technical proposal.

Our attached financial proposal is for the amount of {Indicate the corresponding to the amount(s) currency(ies)} {Insert **Grant Total** amount(s) as determined in **Form Fin-2** in words and figures} excluding the success fee, inclusive of *all retainer fee, out of pocket expenses, direct or indirect taxes, as below:*

Our financial proposal shall be binding upon us up to expiration of the validity period of the proposal, i.e. before the date indicated in Clause 1.8 of the Data Sheet.

We understand you are not bound to accept any proposal; you receive.

We remain,

Yours sincerely,

Authorized Signature {In full and initials}: _____

Name and Title of Signatory: _____

In the capacity of: _____

Address: _____

E-mail: _____

*(**Note:** It is highlighted that in case of any discrepancy in the amount mentioned herein and Form Fin-2, the **Grand Total** Amount mentioned in **Form Fin-2** will be considered.)*

FORM FIN - 2
SUMMARY OF COSTS

Item	Bid / Cost		
Cost of the Financial Proposal US\$			
Milestone Based Retainer Fee			
1. Phase 1 i. Inception Report ii. Global Experiences iii. Review Report on Sector Level Due Diligence iv. Preliminary Market Sounding	(Insert number here) (The total cost of this phase not to be more than 3% of Grand Total)		
	PESCO	HAZECO	Total
2. Phases 2, 3 & 4 Combined Milestone based Retainer Fee	(Insert number here)	(Insert number here)	(Insert number here)
3. Out of Pocket Expense US\$ (Should match the amount in Form FIN-3) Please see Notes below	(Insert number here)	(Insert number here)	(Insert number here)
4. <u>Sub-Total US\$ (2+3)</u>	(Insert number here)	(Insert number here)	(Insert number here)
5. Grand Total US\$ (1 + 4) (Should match the amount in Form FIN-1) (Note: Weightage: 75%)			(Insert number here)
6. Success Fee (%) Success Fee will be paid for each DISCO's separately based on achieving its financial closure. (Note: Weightage: 25%)	{Insert Percentage Here} (% of sale Proceed; for calculation purposes PC shall announce a notional value for expected sale Proceed, which will be used for calculation of Success Fee prior to opening of Financial Proposals -pursuant to Regulation 9 of PC hiring of FA Regulations 2018. - One number applicable to all DISCOs- Mandatory to Quote Success Fee)		
Total bid amount US\$ (for evaluation purpose only)	Total bid amount (for evaluation) will be calculated based on the following formula: (75% x Grand Total (1+4) + 25% x Success Fee)		

Notes below:

Note 1: The IP shall account for all out-of-pocket expenses associated with successful accomplishment of the transaction process including travel cost of relevant officials and the client shall not assume responsibility of incurring additional cost on any of the activity. Any disclaimer by the IP in this regard shall lead to disqualification.

Note 2: Cost incurred pertaining to advertisement and marketing roadshows (including travel costs for nominated PC officials) for soliciting interest from prospective investors and hiring of Third Party (ies) shall be borne by the Financial Advisor from out-of-pocket expenses with the prior approval of the PC. Please note that all third parties will be finalized/appointed after consulting and acquiring approval from PC.

Note 3: The IP shall provide details for all remuneration pertaining to lead member(s) & Sub-Contractor(s) and out of pocket expenses associated with successful accomplishment of the transaction process and the client shall not assume responsibility of incurring additional cost on any of the activity. Any disclaimer by the IP in this regard shall lead to disqualification.

Note 4: IPs shall submit proposals inclusive of all applicable taxes.

FORM FIN-3 BREAKDOWN OF OUT-OF-POCKET EXPENSES

The above-mentioned out-of-pocket expenses, paid at cost shall consist of following, where relevant, and be reasonably incurred by the Financial Advisor and its Sub-Contractor(s) in the performance of the Services:

S. No.	Type of Out of Pocket Expenses	Cost (USD)
1		
2		
3		
	Total	

NOTE:

Out of pocket expenses shall not exceed the sum stated above and on actuals.

TERMS OF REFERENCE

Hiring of Financial Advisor for Private Sector Participation in - PESHAWAR Electric Supply Company (PESCO) and HAZARA Electric Power Company (HAZEKO),

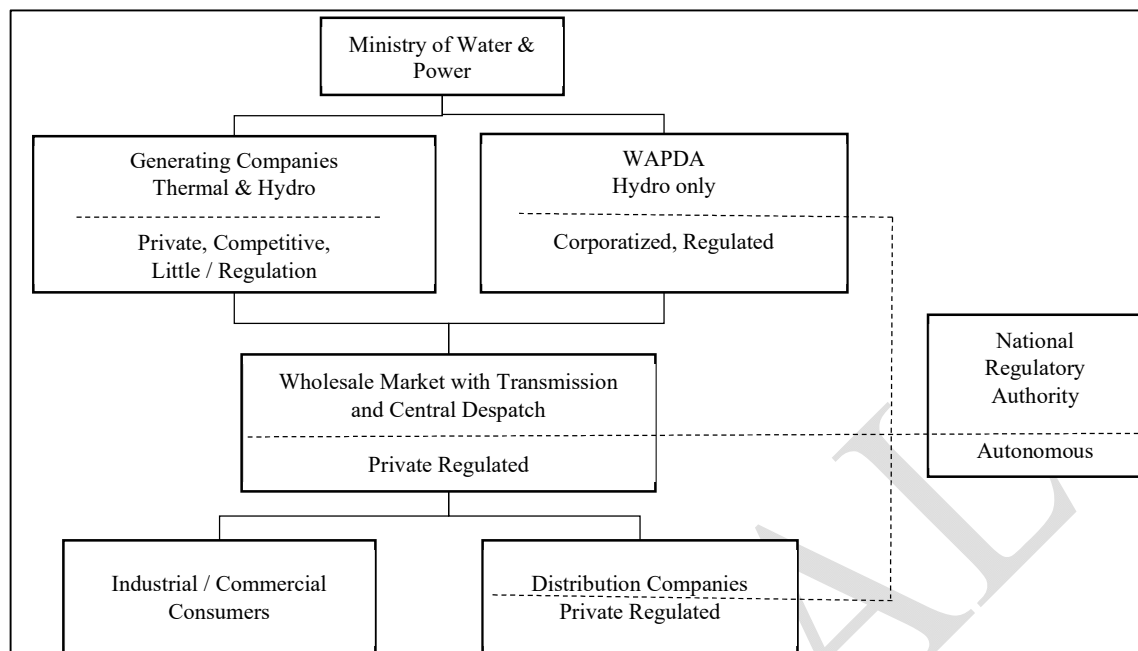
1. Background

Until 1990s, Pakistan had a monopolistic power regime, with generation, transmission and distribution functions carried out by a single the state owned and controlled enterprise, the Water and Power Development Authority (WAPDA).

In view of the need to address the systemic issues in the Power Sector and to ensure efficient and cost-effective provision of electricity to the public, the Prime Minister of Pakistan directed WAPDA to develop a strategy for introducing private ownership in the power sector, providing managerial autonomy and increase competition throughout the sector. Accordingly, with the assistance of United States Assistance for International Development (USAID), WAPDA developed a strategic plan, which is commonly referred to as the 1992 Strategic Plan. The Plan proposed a series of intervention in a phased manner to transform the power sector including unbundling of WAPDA, privatisation of power sector entities and limiting the government's role in regulation by creating an independent power sector regulator. The document inter-alia outlines the following key goals for privatising the electric power sector

- Enhance capital formulation for the Pakistan Power Sector outside the Government of Pakistan's budget and without Sovereign Guarantees.
- Improve the efficiency of the Pakistan Power Sector through competition, accountability, managerial autonomy, and project incentives; and
- Rationalize prices and social subsidies, while maintaining certain socially desirable policies such as rural electrification and low-income lifeline rates.

The 1992 Strategic Plan laid down an aggressive timeline for privatisation of electric utilities, and stressed on the immediate need to create distinct corporate entities. The plan also charted out the following long-term competitive power market structure:



The 1992 Strategic Plan was adopted by the Cabinet's Committee on Energy in July 1992 and a transition plan was developed by December 1992 consisting of following objectives:

- Restructure and Corporatize WAPDA
- Establish the National Electric Power Regulatory Authority (NEPRA)
- Establish an Electricity Pricing Arrangement – Wholesale Electricity Market
- Privatised WAPDA Operations

The Plan was approved by the Council of Common Interest (CCI) in 1993, providing a very aggressive timeline of four years to achieve the above, requiring the Government to initiate working on different tasks simultaneously, including privatisation of Faisalabad Area Electricity Board in 1992. However, the Government failed to make sufficient progress to take the process to its logical end. Six years later, in order to fast-track implementation of the 1992 Strategic Plan, the Government issued the 1998 Action Plan to transition from WAPDA's vertically integrated monopoly structure to a competitive wholesale power market, and corporatize the Pakistan Electric Power Company (PEPCO). As a result, the Area Electricity Board (AEBs) were transformed into the following distribution companies (DISCOs), with the government continuing as the exclusive shareholder in the DISCO.

- Faisalabad Electric Supply Company (FESCO)
- Gujranwala Electric Power Company (GEPCO)
- Hyderabad Electric Supply Company (HESCO)
- Islamabad Electric Supply Company (IESCO)
- Lahore Electric Supply Company (LESCO)
- Multan Electric Power Company (MEPCO)
- Peshawar Electric Supply Company (PESCO)
- Quetta Electric Supply Company (QESCO)

- *Note: Later, Sukkar Electric Power Company (SEPCO) was carved out from HESCO, whereas Tribal Electric Supply Company and Hazara Electric Supply Company were carved out of PESCO.*

The Karachi Electric Supply Company (KESC), a vertically integrated power sector entity with its own generation, transmission and distribution assets was privatized by the Government in 2005.

2. Introduction

The Government of Pakistan (GOP) is progressively paving way towards implementation of competitive power market. Significant milestones achieved towards market competition include unbundling WAPDA, creation of the National Transmission & Despatch Company (NTDC) , operationalizing a Market Operator (within the Central Power Purchase Agency (Guaranteed) Limited , creating an independent regulator the National Electric Power Regulatory Authority (NEPRA), creating publicly owned distribution (DISCOs), privatizing Karachi Electric (formerly KESC) and most recently, developing the requisite commercial codes and mechanisms to transition to a wholesale electricity market called the Competitive Trading Bilateral Contract Market (CTBCM).

NEPRA was constituted under the NEPRA Act of 1997 as an independent regulatory authority for regulating and monitoring services and activities in the sector. The Authority exclusively empowered to regulate the sector and determine electricity rates, charges, and other terms and conditions for the provision of electric power services. The power sector is under the legal framework of the Regulation of Generation, Transmission, and Distribution of Electric Power Act (NEPRA Act), which was initially approved by Parliament in 1997 and amended from time to time. The latest Amendment in 2018 introduced significant additional reforms, including the separation of the licenses for activities historically assigned to distribution companies, resulting in two licenses and specific regulations. Other changes include the introduction of a wholesale competitive electricity market, the Competitive Trading Bilateral Contract Market (CTBCM) focused mainly on bilateral contracts,

The national transmission system of NTDC consists mainly of 500 kV and 220 kV networks and is interconnected with the KE system through a 220 kV double circuit and two 132 kV single circuit lines. There are also provincial grid companies to transmit electricity within the province. Two provincial grid companies have been licensed already (the province of Khyber Pakhtunkhwa (KP) and the province of Sindh). KE has a transmission license for its own transmission facilities. NTDC currently has two separate licenses; a transmission license and a system operation license. As system operator, through its National Power Control Center (NPCC), it has the responsibility for the safe and reliable operation of transmission and interconnection facilities and for the economical and reliable operation of the transmission scheduling, and economic dispatch of all generation facilities connected either directly or indirectly, on a non-discriminatory basis, and real time operation.

Pakistan's power generation is a mix of mainly thermal, hydel, wind, and solar, with a total installed capacity of around 45,888¹ MW.

Historically, the DISCOs have been selling and distributing power to consumers in their "Service Territory," as defined in their initial distribution license. The network system of the DISCOs includes mainly 132 kV, 66 kV, 11 kV, and 0.4 kV lines and sub-stations and transformers. However, the NEPRA Act Amendments of 2018 eliminated exclusivity for distribution and supply. Eligible consumers (Bulk Power Consumers) can decide whether to procure electricity from the

¹ NEPRA – State of Industry Report 2025

incumbent distribution licensee's electric power supplier or other electric power suppliers. As a distribution licensee, each DISCO must provide third-party open access to its distribution system on a non-discriminatory basis (provide wheeling services) to allow other licensed suppliers to sell power to eligible Bulk Power Consumers in the “Service Territory” of the supplier licensee.

In order to address commercial and technical losses of DISCOs and to improve the efficiency and management of DISCOs, GoP has made various efforts for bringing in private sector participation in power distribution. Two major initiatives have been undertaken by the GOP in the last decade:

- In 2015, the GoP initiated a program to rapidly privatize fourteen state-owned enterprises in power generation and distribution. The Privatisation Commission, which was mandated with the implementation of this program, appointed a separate ‘Financial Advisor’ consortium for each of the envisaged fourteen transactions. The FESCO transaction, which was ahead of the other transactions, reached past the road show stage and interested private parties deposited their initial expressions of interest in the FESCO privatisation, but the program was called off at the end of 2015.
- In FY 2022, the GoP approved private sector participation through a long term concessions mechanism, however, no progress could be made as Financial Advisors showed limited interest in the transaction mode.
- A proposal for the provincialization of DISCOs was also considered by the Government, however the, caretaker Government decided in favour of privatisation or private sector participation in the DISCOs.

The current electricity distribution infrastructure reaches a customer base of 34.68 million consumers spread across Pakistan². Table-1 below presents s DISCO wise consumers, number of feeders and the DISCOs coverage area:

Name of DISCO	Total Consumers (in Million)	No of total Feeders	Annual Sale (GWh)	No of Employees	No of Districts	Total number of Circles
PESCO*	3.66 M	1,066	13,498	11,446	20 Districts of Khyber-Pakhtunkhwa	7 Operation Circles (Peshawar, Khyber, Mardan, , Swat, Bannu, Swabi, DI Khan)
HAZECO*	0.85 M	226		1,800	08 District of Khyber Pakhtunkhwa	02 Operation Circles (Hazara I & II)
HESCO	1.26 M	624	5,323	7,120	13 districts of Sindh	4 Operation Circles (Hyderabad, Laar, Mirpur Khas & Nawab Shah
SEPCO	0.83 M	589	3,924	6,063	Ten districts of Sindh	5 Operation Circles (Sukkur, Larkana, Dadu, Ghotki, Shikarpur)
QESCO	0.73 M	778	4,992	5,708	34 Districts of Baluchistan	6 Operation Circles (Central, Loralai,

² NEPRA State of Industry Report 2025

						Khuzdar, Sibi, Pishin, & Makran)
MEPCO	8.82 M	1,819	18,360	14,707	13 Districts of Punjab	9 Operation Circles (Multan, DG Khan, Vehari, Bahawalpur, Sahiwal, R.Y Khan, Muzaffargarh, B/Nagar & Khanewal
LESCO	7.05 M	2,200	25,300	19,586	5 Districts of Punjab	8 Operation Circles (Northern circle, Central circle, Eastern Circle, Okara circle, Southern circle, Sheikhpura Circle, Kasur Circle and Nanka Circle)
FESCO	5.75 M	1,305	15,511	13,002	8 districts of Punjab	6 Operation Circles (Faisalabad 1 Faisalabad, Jhang, Sargodha, Mianwali, T.T.Singh)
GEPCO	5.06 M	1,032	11,975	10,868	6 Districts of Punjab	6 Operation Circle (City, Cantt, Gujrat, Sialkot, Narowal & Mandi Baha ud Din
IESCO	4.09 M	1,365	12,317	11,504	Islamabad + 3 Districts of Punjab and Partially 2 Districts of KPK	6 Operation Circles (Islamabad, Rawalpindi, Cantt Rawalpindi, Attock, Jhelum& Chakwal
TESCO	0.45 M	341	1,529	1,020	7 Ex-FATA merged Districts and 6 FRs of KP	1 Circle (FATA operation Circle)
Total	38.55 M		112,729			

** Only PESCO and HAZECO, are included in the Scope of Work of this RFP.*

In a meeting held on August 02, 2024, the Cabinet Committee on Privatisation (CCoP) approved a new program for private sector participation in DISCOs, the privatisation programme 2024-29 that inter-alia includes privatisation of DISCOs, which includes the recommendations of the special purpose committee on DISCOs formulated by the Prime Minister of Pakistan to lay down the way forward with regards to the government's role in the functioning of the DISCOs. The program was also ratified by the Federal Cabinet in a meeting held on August 13, 2024.

3. Overview:

Reforms in the power sector implemented over the past three decades have led to the unbundling of WAPDA into several independent companies including, four thermal generation companies; a national transmission and dispatch company (NTDC); and eleven publicly owned DISCOs. These are considered essential preparatory steps for achieving GOP's objectives to corporatize power sector companies and facilitate private participation in the power sector.

The GOP is implementing a comprehensive program for private sector participation in the state-owned power distribution companies ("the DISCOs") including two business activities in each DISCO - the distribution system service provider (a wires business) and the supplier of last resort provider to consumers.

The GOP seeks to secure private participation in the DISCOs with the following objectives:

- Reducing distribution system losses and improving collections of each DISCO
- Improving service quality and consumer satisfaction.
- improving the performance and operational efficiency of electric utilities and converting them into profitable entities.
- Bringing private sector expertise and capital to convert DISCOs into modern, efficient electric distribution utilities; and
- Achieving financial gains for GOP through divestment shares in electric power utilities, by reducing losses, improving operational efficiency and enhancing the value of the government's residual shareholding through additional investments, modernization and system improvements.

Following through on these stated objectives the Government of Pakistan plans to invite private sector participation in PESCO and HAZECO, through Privatisation (Transaction) under Batch-III. It is envisaged that the private party will participate in privatisation of DISCOs either through purchasing respective DISCO or by entering a limited term Concession Contract for an indicative term of 10-15 years for each DISCO which will be granted to an eligible private party (the successful bidder) under the terms of the Concession Contract of the DISCOs while the ownership of the distribution assets remains with the GOP and not the private partner.

The Privatisation Commission (PC) is responsible for implementing this program in accordance with guidelines on private sector participation in DISCOs and competitive processes established by the Ministry of Energy (Power Division) and approved by the CCOP and the Cabinet of Ministers.

The program will be implemented in multiple phases with three DISCOs offered for private investment in the first phase. Accordingly, these TORs relate to hiring of a Financial Advisor for privatisation of PESCO and HAZECO, in Batch-III as approved by the Federal Government. Although the sequencing of privatisation of each DISCO will be decided by

Privatisation Commission and communicated to Financial Advisor at a later stage, the Financial Advisor must be prepared to implement Privatisation of the two DISCOs simultaneously or individually as specified by the Client.

3.1 Objective

The Financial Advisor will be responsible for providing the full spectrum of transactional advisory services covering distinct phases of the transaction including determining the transaction mode and transaction structure required to attract private sector participation in the DISCOs. For achieving the objective of privatisation, it is expected that the Financial Advisor will engage a diverse multidisciplinary team of experts with proven experience in undertaking similar transactions in electric utility distribution.

The Financial Advisors team will have expertise in developing assets under both equity sale and concession model; institutional, financial and corporate restructuring of electric power utility businesses, operational analysis of the electric utilities, legal and regulatory review of power markets analysis, due-diligence on legal, regulatory, technical, financial, tax, HR, labor union matters, and Environmental and social responsibility issues relevant to the sector. The Financial Advisor may contract third-party /expert or consultants to undertake activities relating to the transaction.

The Financial Advisor is expected to take overall responsibility for successful completion of the transaction by carrying out the tasks and activities required under this agreement including comprehensive due diligence, market sounding, restructuring (if required), determining the transaction structure, calculating a reference price for each selected DISCO, developing a market strategy and plan, pre qualifying investors for bidding, facilitating pre-qualified bidders and buy side due diligence, preparation of bid documents in line with industry best practice and administering the competitive bidding process.

3.2 Definition of the Approach

To achieve private participation in DISCOs selected for the second phase of the privatisation the GOP is offering private sector participation either through selling the DISCOs with its assets, liabilities and all the rights and obligations of the distribution license and supplier of last resort license or through entering into Concession Contract which involves the vesting of the Government's right to operate and manage the utility's distribution and supply businesses to a qualified private party for a limited term (indicative term is 10-15 years). However, the licenses required for those businesses have a defined duration, and before expiration, the investor will have to apply for renewal or extension of the licenses. The license and regulatory obligations include investments and connections, as well as compliance with all the conditions of the licenses of the DISCOs and the associated regulatory framework. The rights include charging and collecting as distribution licensee from suppliers for distribution services (use of system charges) and as supplier licensee from its consumers.

Additional Consideration

Irrespective of mode of transaction, the following considerations will also apply:

- i. The DISCOs in Pakistan are under a Multi-Year Tariff (MYT) regime. Before the end of the 5-year period of the MYT, the investor will have to file a tariff petition for distribution and a tariff petition as a supplier of last resort, subject to the Tariff Rules and NEPRA tariff guidelines with the associated methodology and process.
- ii. The GOP may identify certain measures regarding cleaning up the DISCOs' balance sheets **with no cash impact on the GOP**, such as **Re-Allocation of equity, the outstanding payables due against GOP, re-lent loans, Power Holding Private Limited (PHPL) Loans, etc.**
- iii. Furthermore, the GOP may want the private party to retain the employees of the DISCO(s) for a specific number of year post privatisation. During this period, the private party may have the option of offering a Voluntarily Separation Scheme (VSS) to employees considered redundant.
- iv. During the sectoral and company level due diligence(s), the Financial Advisor is expected to review the work carried out in this regard and may make appropriate recommendations.
- v. The sequencing of privatisation of each DISCO will be decided by the Privatisation Commission and communicated to the Financial Advisor. The Financial Advisor must be prepared to carry out the implementation of the Privatisation of the both DISCOs simultaneously or individually, as specified by the Privatisation Commission.

4. Scope of Work

This section of the document identifies the indicative preliminary activities envisaged under the terms of reference of the financial advisor and should not in any way be construed as the complete set of activities required under any contract resulting from these TORs.

As such the Financial Advisor is expected to undertake all tasks required to successfully complete the privatisation transaction. The Financial Advisor is required to submit technical and financial proposals in compliance with the requirements of this section and demonstrating a clear understanding of the overall scope of work and required experience.

Notwithstanding anything contained in this agreement, the client shall have the right to issue a notice in writing to the Financial Advisor, at any time, to suspend or stop the services relating to any deliverables that have not been completed by the Financial Advisor and approved by the Client and / or to exclude any DISCO from the scope of the third batch of DISCOs privatisation. the Client and GOP in such event, shall not be liable to make any payment whatsoever to the Financial Advisor for any unfinished or outstanding part of the contract.

The overall activity is expected to comprise of the phases described in section 4.1 to 4.4 below. The Financial Advisor may be required to carry out these phases sequentially or in parallel, as communicated by the Privatisation Commission.

4.1 Phase-I: SECTORAL Due Diligence

4.1.1: Project Inception (Two Weeks from Notice to proceed issued by PC)

The Financial Advisor will commence the work with a kickoff meeting at a mutually agreed location in Pakistan, followed by the First Review Meeting within two weeks after signing the contract and commencing work.

The objective of the First Review Meeting is to assign focal persons representing the Financial Advisor, the Privatisation Commission, the Ministry of Energy Power Division, GOP, and NEPRA, and confirm the overall plan and timelines of the tasks and activities defined in the TORs, as well as to clarify any question or concern on the interpretation of the scope of work. This meeting will cover the following:

- (i). Detailed schedule of activities leading to the implementation of the Program for private sector participation in DISCOs of the third batch, including, in particular, all major milestone activities and harmonized with the timeline approved by GOP for completing it;
- (ii). Confirm the organization of the Financial Advisor's team (including the project leader and experts) and the detailed functions of the experts;
- (iii). Indicative Schedule of meetings, reviews, presentations, and the objectives for each;
- (iv). Confirm Deliverables, clarifying further, if necessary, the scope of each deliverable and the Delivery Schedule including Implementation Plan;
- (v). Interface Requirements, in particular the designation of representatives of GOP and NEPRA;
- (vi). Any specific issues requiring attention of the Privatisation Commission on an immediate basis; and
- (vii). Other issues or details of tasks and activities requiring clarification by the Financial Advisor or the Privatisation Commission.

Under no circumstances would the objective of the First Review Meeting be to redefine the scope of work committed in the Agreement of the Financial Advisor. In case of inconsistencies between the Agreement and the First Review Meeting and Inception Report, the former will rule unless specifically, and in writing, agreed otherwise.

The Financial Advisor will deliver an Inception Report summarizing the results and commitments of the First Review Meeting.

- Deliverable:**
- i) Inception Report
 - ii) Implementation plan containing sequencing and timelines of tasks / activities.

4.1.2: Global Experience:

- i) Reviewing and evaluating successful electric distribution utilities privatisations undertaken globally including through concession model. For this purpose, Financial Advisor shall develop a list of comparable electricity distribution utilities.

- ii) For each utility the Financial Advisor is expected to describe;

- a) Operational and transactional parameters such as area of coverage, post-privatisation number of utilities carved out, customers base, electric distribution capacity, power handling capacity,

Key features of Privatisation including investment commitments, treatment of existing employees, infrastructure development & expansion, mode of achieving private sector participation, transaction structure, restructuring if any incentives given regulatory & legal frameworks in place, subsidies / penalties, etc.

Deliverable: Report on Global Experiences covering:

- i) List of examples
- ii) Review each example
 - a. Operational and transactional parameters of entity
 - b. Key features of privatisation transactions
- iii) Recommendations

4.1.3: Review of the sector-level Due Diligence Report

This activity will include (but not limited to) the following tasks:

- a) The FA will review the sector level due diligence report prepared earlier and provide to the Client by the FA on privatisation of first two batches DISCOs, identify areas of concern and provide recommendations against these. The FA review will include a brief on the impact of Competitive Trading Bilateral Contracts Market (CTBCM) mechanism, Governance Structure of Power Distribution and Multi Year Tariff Mechanism for DISCOs. The recommendations are to be supported by examples of their successful adoptions, regionally or globally.
- b) review of the DD report from the point of view gaining understanding of the sector's current legal & regulatory framework (including but not limited to tariff, technical, etc.) as a whole and in particular for distribution and supply activities, the structure, features, and history of the power sector.

- c) Review the modifications in policies or regulations planned and / or underway to be completed, identify any areas of improvement(s) and provide appropriate recommendations with a view to encourage private sector participation in DISCOs.
- d) The Privatisation Commission will be responsible for sharing the review and recommendations with the relevant Government Ministries or Agencies but may require the Financial Advisor to present and explain their review and findings to the relevant ministries or agencies.
- e) The Privatisation Commission will facilitate the Financial Advisor in arranging all relevant information from stakeholders required for completion of this transaction.
- f) During the course of the Sectoral review, the Financial Advisor will also be required to identify any potential post privatisation risks under existing legal / regulatory frameworks that may impact the Government and the end-consumers and suggest mitigation measures.
- g) The Financial Advisor will draft a document describing the scope and results of the sectoral due diligence report and present the key findings of its review to the Privatisation Commission / GoP, particularly explaining the issues identified and proposed mitigation measures.

Deliverable: Review Report on Sector due diligence, which amongst others, covers following areas:

- i. Red flags and recommendations with respect to due diligence report provided by Client;
- ii. Identification of any issues that may affect private sector participation in DISCOs and the recommendations to mitigate these risks;
- iii. Identification of any risks that may affect GoP, Private Investor and Consumers post privatisation and the recommendations to mitigate these risks;
- iv. The results of the meeting with the Privatisation Commission, and how the feedback and comments received were addressed in the document.

4.1.4: Preliminary Market Sounding

- a) The purpose of this task is to:
 - (i). Assess investor appetite for participation of private sector in DISCOs in third batch whether DISCOs can be offered to the potential investors simultaneously or in a phased manner.
 - (ii). Assess market interest in each DISCO in third batch and also seek input with regards to any recommendations from the investors to successfully carry out the transaction.

- (iii). Based on the feedback received, recommend the number and phasing of the DISCOs in third batch to be offered in the market.
- (iv). Assess investor's preference regarding the preferred corporate & financial structure of DISCOs in third batch and transaction structure option to ensure maximum private sector participation in each DISCO in third batch and maximize the value for GoP.
- b) In this regard, the Financial Advisor is expected to reach out to the potential investors both local and international level likely to be interested in the transaction;
- c) Develop target investors profile, along with their financial and technical capabilities;
- d) Financial Advisor is expected to conduct meetings at local and at-least one at international level, with potential investors, investment houses and leading businesses etc.

Deliverable: A detailed report on investor's meeting along with the feedback of the potential investors. The report shall confirm engagement with not less than [X] international and [Y] domestic prospective investors, as specified by PC based on sector benchmarking prior to RFP issuance. Failure to meet this minimum threshold shall require the Financial Advisor to submit a remedial outreach plan for Client approval before proceeding to Phase III.

4.2 PHASE-II: Company - Level Due Diligence

For each DISCO in third batch, the Financial Advisor will conduct a detailed review and analysis of operations (physical, financial, technical, legal, regulatory and institutional, environmental, labour, etc.). The review of the Financial Advisor will include, among others:

- applicable legislation,
- contractual obligations,
- ownership, when applicable,
- liabilities that impact the successful completion of the private sector participation transaction for the DISCOs.

The purpose of the due diligence is to identify issues and considerations in each of the below-mentioned areas that need to be considered by the Privatisation Commission and other entities of the GOP that are material to affect the privatisation process. The issues thus identified will then be addressed in the plan for private participation and prepared subsequently by the Financial Advisor to implement the plan successfully.

The Privatisation Commission, through the management of the DISCOs will be available to assist the Financial Advisor in conducting the due diligence, including providing the required information and documentation. The Financial Advisor may have to undertake the Company-Level Due Diligences in parallel, with sectoral due diligence, as communicated by Privatisation Commission.

4.2.1: Legal and Regulatory:

Conduct due diligence on the following:

- a. Review readiness of DISCOs in terms of compliance with all legal and regulatory requirements;
- b. Review documents provided by the DISCOs and Power Division, required to assess the status of DISCO's legal and contractual obligations and provide disclosures to potential investors, with the Privatisation Commission's approval;
- c. Review applicable licenses of the DISCOs and identify issues or concerns, if any;
- d. Build an understanding of NEPRA tariff methodologies and processes for distribution and for suppliers, as applicable for DISCOs;
- e. Any other task required to assess the condition of DISCOs from the legal and regulatory aspects and identify gaps or issues, if any;
- f. Review of the existing / foreseen contractual arrangement between DISCOs and other counterparties to identify the issues / bottlenecks and recommend the appropriate solution to address the problems;
- g. Review of title deeds to ascertain ownership of properties in the name of DISCOs and identifying any associated obligations related to payments to WAPDA or any other entities. Advise on possible options to address any issues with regards to ownership of the properties;
- h. Review and undertake assessment of manpower relating different contractual obligations including labor unions resulting in highlighting risk areas and recommendations to mitigate these risks;
- i. Make a list of potential red flags that may impact the Privatisation of DISCOs and recommend mitigation measures.

Deliverable: Legal and Regulatory Due Diligence Report identifying issues and respective recommendations

4.2.2: Technical:

Conduct technical due-diligence for each DISCO in third batch on the following:

- a) the agency agreement with CPPA-G to procure power on the DISCO's behalf, the obligations and rights resulting from that agreement, and power/energy purchase agreements;
- b) the number of and energy sales to customers, per category and total;
- c) compliance with performance standards regulations and history of efficiency indicators such as distribution losses and collections;
- d) staffing levels;
- e) the decisions on the determined multi-year tariffs (for distribution and supplier), in particular, the investment plan and the instructions on actions or reporting due by the DISCO;
- f) any issue on environmental performance and compliance;
- g) Detailed Due diligence on DISCOs' assets and its operations, such as

- (i). Purchase of energy from CPPA-G, sale of energy to customers, staffing levels, forecasted sale projection, current state of the network, network enhancements required, IT Systems and future requirements, etc.;
- (ii). Review the operational agreements of DISCOs in the third batch with CPPA-G and associated parameters of the agreements;
- (iii). Review alignment of DISCOs technical, operational and commercial operations with Multi Year Tariff (MYT) tariff petitions submitted by the DISCOs to determine the areas of concerns and make necessary recommendations, where required;
- (iv). Review on-going procurements particularly relating to infrastructure under different funded programs and their impact on DISCOs business with private sector participation;
- (v). Review and confirm inventORIZATION of the assets and their reconciliation with reported figures;
- (vi). Others that may be required to assess and determine the condition of assets and compliance with applicable regulations;

Deliverable: Technical Due Diligence Report.

4.2.3: Financial:

- a) Review the latest available audited financial statements from FY 2024-25, the management / audited accounts from FY 2025-2026, and different aspects of tariff, tax, financial structure, financial accounts and comment about their adequacy or any issue that can significantly impact the transaction(s). Identify different trends in balance sheet, Profit & loss and Cash flow statements, etc., which have significance for the transaction(s).
- b) Valuation of the business as per applicable international standards including estimating the value of material assets held in inventory / stores, etc., related to operations.
- c) Review the decisions of the GOP on cleaning the balance sheets and recommend, if considered necessary, other actions for cleaning up the balance sheets, taking into consideration major lender guidelines/covenants and GOP objectives.
- d) The results and recommendations of this financial review will be presented by the Financial Advisor to the Privatisation Commission for their decision on the next steps. The Privatisation Commission may invite the participation of other stakeholders in the presentation to collect further comments.
- e) In addition to that, the Financial Advisor will be responsible for:

- (i). The implementation of the financial restructuring, including management of DISCOs liabilities, will be the responsibility of the Financial Advisor, based on the inputs received from the Privatisation Commission.
- (ii). Wherever loan guarantees, lenders' consents, or GOP approvals are involved, the Financial Advisor, with the help of its legal team members, will identify the necessary consents and procedures required, draft the necessary documents to obtain such consents, and assist the Privatisation Commission to obtain the necessary consents.
- (iii). Financial Advisor to undertake a comprehensive review of the legal status of DISCO's liabilities, including assessing liabilities including, contingent liabilities and obligations that DISCO's may have developed over the years.

Deliverables:

- i) Financial & Tax Due Diligence Report identifying issues and respective recommendations for the GoP

4.2.4: Human Resources

- a) Review of different aspects relating to Human Resources / manpower of the DISCOs;
- b) Review various components of the manpower costs (including pension and employee relating liabilities) both at departmental and organizational level across various cadres / pay scales;
- c) Review labor related matters / obligations and potential risks along with recommendations;
- d) Review of the post-retirement commitments DISCOs has to undertake and provide recommendations in this regard;

Deliverable: HR Due Diligence Report identifying issues and respective recommendations for the GoP.

4.2.5: Environmental & Safety

Due diligence on environmental & safety processes and compliance requirements alongside recommendations to mitigate any risks and corrective actions.

Deliverable: Environmental Due Diligence Report identifying issues and respective recommendations for the GoP.

4.2.6: Summary of key findings of Due diligence

The Financial Advisor will consolidate the findings, recommendations, and results of the above deliverables in a summary report on key findings of the due diligence.

Deliverable: Summary Report on Key Findings of Due Diligence Report

4.3 Phase-III: Preparation of the Transaction

The Financial Advisor may be required to carry out this Phase in parallel with other phases, as communicated by Privatisation Commission. This phase consists of following:

4.3.1: Restructuring Plan

To ensure that the GOP/ Federal Cabinet has latest /updated information available for making an informed decision, Financial Advisor, if required, based on Due Diligence work carried out and market sounding in Phase I above, will be required to submit a draft restructuring report covering any envisage restructuring, with Financial Advisor's firm recommendations from options, solutions on various inherent issues, along with timelines and strategies, and to make a clear recommendation to the GOP on the most preferred course of action to maximize the value from private sector participation in the DISCOs.

The preferred option should indicate net benefits and conformance to the GOP objectives, vis-à-vis, other options in a quantifiable manner. At this stage, GOP envisages that Financial Advisor will provide clear recommendation regarding any financial and / or corporate restructuring ensuring:

- a) Post restructuring, the DISCO's will generate maximum investor's interest and maximize the value for the GOP from the privatisation proceeds.
- b) Complete list of assets and liabilities (Financial Statements), including any recommendations for the cleaning-up/split of the balance sheets with updated valuation of retained and carved out assets and liabilities, development of post-restructuring financial model and recommendation of base valuation, restructuring of the existing debt & lease arrangements etc.
- c) The recommended restructuring plan to specifically identify which processes and actions are required to undertaken and their sequencing to ensure implementation of the restructuring plan.
- d) Prepare the necessary required documentation for the proposed restructuring options, with clearly mentioning the requirements of the process and expected timelines.
- e) Provide a complete list of policy, corporate and regulatory actions required to be undertaken by different stakeholders, which are necessary for undertaking implementation of the restructuring report.
- f) Prepare a detailed implementation plan covering the timelines and stakeholders responsible for undertaking the identified recommendations on financial, structural, operational, technical legal and regulatory changes / amendments / interventions, etc., required to attract private sector participation in DISCOs.

Deliverable:

- i) Restructuring plan approval from the Federal Cabinet
- ii) Develop Implementation Plan for redressing of issues to ensure private sector participation in the DISCOs and Financial Advisor will also be responsible for:
 - a. the implementation of the financial restructuring, including management of DISCOs liabilities,
 - b. Report containing recommendations with regards to financial restructuring required, if any.
 - c. the elaboration of the necessary consents and procedures required, drafting the necessary documents to obtain such consents, approvals and assisting the Power Division / DISCOs to obtain the necessary consents, approvals, wherever loan guarantees, lenders' consents, or GOP approvals are involved. Undertake required corporate / regulatory actions for assistance in implementation of the approved transaction structure and implementation plan.

4.3.2: Transaction Structure

- i. Based on the Due Diligence activities and market sounding activities undertaken, considering the restructuring plan and based on preliminary input from potential investors; Financial Advisor will be required to,
 - a) Evaluate different possible transaction structures based on the identified issues, material terms to be incorporated and likely proceeds to Client / GOP, transaction structure options with associated pros, cons and risks for private sector participation with a clear recommendation to the GOP on the most preferred transaction structure option for attracting private sector participation in the DISCOs.
 - b) a target investor profile particularly specifying what financial and technical capabilities are required (qualifications required); and
 - c) Transaction Contract draft to be submitted to the Client for approval.
 - d) any other aspect related to preparing, organizing, and administering the transactions.
- ii. Comparative Analysis of Equity Sale vs Long-Term Concession Models for DISCOs in Batch III. This analysis evaluates the relative merits and drawbacks of two privatisation approaches i.e. Equity Sale and Long-Term Concession Model for each DISCO in Batch III, with tailored recommendations based on operational, financial, and governance considerations.
- iii. It is expected that the transaction structure would, inter-alia, include:

- a) detailed transaction structure features including pros and cons and recommendation for each DISCO along with the justifications;
 - b) material terms to be incorporated and likely proceeds to Client / GOP
 - c) target investor(s) profile;
 - d) Implementation plan and schedule of activities;
 - e) Transaction Contract draft
 - f) any other related aspects.
- iv. In this regard, Financial Advisor is expected to make presentations to the Privatisation Commission Board, CCoP / Federal Cabinet or any stakeholders required for approval of the Transaction Structure. The Financial Advisor is also expected to provide assistance to the Privatisation Commission / GOP entities to facilitate implementation of the approved transaction structure and implementation plan.

Deliverables: Transaction Structure Report and its Approval by the Federal Cabinet

4.4 Phase-IV: Implementation of the Transaction(s) and Closure

The scope of work of Phase IV will cover the following Tasks described below together with the expected deliverables, which may be required to be carried out in parallel with other phases, as communicated by Privatisation Commission:

4.4.1: Marketing

The Financial Advisor is expected to conduct marketing throughout Phase III as an ongoing parallel activity.

- a) Due to the complexity of the product to be privatised, the initial phase of the marketing activities will be to sound out the appetite of the market for participating in this process. The Financial Advisor must take into consideration that the marketing targets should be largely focused on international operators meeting the qualification criteria.
- b) The Financial Advisor will work with the Privatisation Commission to develop and assist in the implementation of a marketing strategy to attract qualified investors. Financial Advisor will be required to recommend, arrange and manage the local and international Road Shows to highlight the DISCOs offered for private sector participation, the sector structure, framework, and policies related to private sector participation, the opportunities arising from efficient management of the company, and the investment climate in Pakistan for local and international investors.
- c) The Financial Advisor will be required to have a teaser document and be able to present it to potential investors;
- d) The Financial Advisor will develop and assist in the implementation of a marketing plan for introducing the company and projecting its image through various media at

home and abroad to bolster the value and expand the interest of the strategic investors in the company.

- e) Besides focusing on marketing to prospective investors and considering the sensitivity and socio-economic aspects of the transaction, Financial Advisor will also delineate media engagement strategy through effective usage of various media channels/forums. Effective print, electronic and social media campaign is envisaged to focus on highlighting and projecting the benefits and countering any negative coverage relating to transaction.
- f) Financial Advisor will be required to be present/available for discussions with potential investors.

Deliverable: i) Marketing & Communication Plan

ii) Road Shows and complete briefs on all the interactions with the investors

4.4.2: Information Memorandum

The information memorandum will be an indicative document for bidders, who will have, with the facilitation of the Privatisation Commission, the right to make their own due diligence to assess their participation and bids.

- a) The Financial Advisor will prepare the proposed Information Memorandum based on the results and activities carried out in Phase II. The Financial Advisor will present the draft Information Memorandum to Privatisation Commission for their review and comments. The Privatisation Commission may share the document with the Power Division, NEPRA, and/or the applicable DISCOs for their review and comments.
- b) The Financial Advisor will prepare the final Information Memorandum addressing the comments received.

Deliverable: Information Memorandum for the Transaction

4.4.3: Financial Model and Reference Price

The purpose of the financial model of a DISCO(s) is to assess the potential value of the businesses of the DISCO(s).

- a) After completing Phase III and based on its results, the Financial Advisor will develop / update (if available) the Financial Model of the DISCO(s), in coordination with the management of the respective DISCO, its associated database to evaluate each DISCO's business potential considering potential demand growth, evolution of targets for losses, current approved tariffs and future earnings, and other business considerations, etc.
- b) With the Financial Model of a DISCO(s), the Financial Advisor will carry out the calculation of the proposed Reference Price for the corresponding DISCO(s) in the

transaction. The calculation amongst other will include a sensitivity analysis, considering scenarios on changes in key variables, such as losses, tariff levels and debt-equity ratio, on the businesses' overall value in the DISCO(s). The Financial Advisor shall use the most prudent and relevant techniques to assess and determine the Reference Price of each DISCO and include in its proposal a description of the methodology and concepts it will use to calculate the reference price.

- c) The Financial Advisor will provide a description of the model, including details of all assumptions, reasoning, and recommendations. The assumptions and parameters of the model should be discussed with the concerned stakeholders, to avoid any disagreement over the model's outcome at the final stages and the description of data and assumptions, explaining the rationale of assumptions.
- d) The Financial Advisor shall present the inputs, assumptions, and results of its sensitivity analysis and recommended reference price for DISCO(s) to the Privatisation Commission Board, CCoP and Federal Cabinet for their review and approval. Other stakeholders, particularly the Power Division or members of the Board of the relevant DISCO(s), may participate in the presentation to provide observations and feedback.
- e) The financial models along with the associated database will be kept confidential and will be the property of PC / relevant DISCO / GoP.

Deliverable: Financial Model resulting in Reference Price and Sensitivity Analysis Report with assumptions and results for each DISCO.

4.4.4: Expressions of Interest and Pre-qualification

In parallel with other tasks in this phase, the Financial Advisor will prepare the documents for the process of solicitation of Expressions of Interest (EOI) and Request for Statement of Qualifications (RSOQ) including pre-qualification criteria, for pre-qualification of potential bidders for DISCOs included in the transaction.

- a) **Preparation:** The Financial Advisor shall prepare the documents for the request for EOI, including the following:
 - (i). A summary description of the transaction based on the approved Information Memorandum;
 - (ii). All pre-qualification criteria, with a particular focus on expertise in efficiently operating and administering and/or turning around power distribution utilities;
 - (iii). the timeline and all formal requirements to submit the EOI, including the deadline (date and time);
 - (iv). any evidence or other information required to be submitted to demonstrate their qualifications;

- (v). the right of the Privatisation Commission to decide not to proceed with the procurement of a Financial Advisor.

b) Launch of request for EOI: The Privatisation Commission will review and approve the documents to launch the request for EOI. The Financial Advisor shall ensure the request for EOI is widely disseminated in the local media and internationally and to potential interested parties to foster a competitive process.

c) Evaluation of EOIs and prequalification of bidders: The Financial Advisor will assist Privatisation Commission in evaluating the Statement of Qualifications (SoQs) received against the criteria and determine the pre-qualified parties that meet at least the minimum requirements to participate in the privatisation process.

- (i). The Financial Advisor will prepare a report encapsulating the process followed, EOI submitted, SOQs received, and results recommending the pre-qualified parties, with the corresponding assessment with approved qualification criteria and justification. The recommendations will be submitted before the Board of the Privatisation Commission, which will review and approve the pre-qualified bidders, who will then be invited to the next stage of the bidding process.
- (ii). Establishment of Virtual Data Rooms for facilitating due diligence by the pre-qualified bidders. This will include development and signing of non-disclosure agreements with the pre-qualified bidders before granting access to the data rooms and managing data rooms including answering any queries.
- (iii). Financial Advisor will be required to conduct site visits, expert sessions, presentations on the business plans, etc., to facilitate pre-qualified bidders in their respective buy side due diligence.

Deliverables:

- (i) EOI documents & Advertisement.
- (ii) Request of Statement of Qualification
- (iii) Pre-Qualification Criteria and its approval from the Privatisation Commission Board,
- (iv) Review of the SOQs submitted and its evaluation Report
- (v) Approval of Pre-Qualified Bidders from Privatisation Commission Board and
- (vi) Establishing the Virtual Data Rooms.

4.4.5: Bidding Documents

The Financial Advisor will be responsible for preparing the bidding documents describing the process and timetable, evaluation criteria for the bidders (technical, operational, and financial), and legal agreements.

In particular, the Financial Advisor will prepare the following information for the bidding documents along with bid application form:

- (i). the deadline for submitting bids;
 - (ii). the structure of bids, as separate technical and financial proposals, and the minimum content and format required for the proposals;
 - (iii). the mode to submit bids (electronic submissions or submissions in paper);
 - (iv). the minimum qualification requirements (bids that do not comply with those requirements will be rejected) and the technical and financial evaluation criteria;
 - (v). the draft of the legal agreement(s) along with a separate report highlighting the post privatisation material risks for GoP / respective DISCO (s) / End-consumers including risk of exploitation of any legal / regulatory provisions by the buyer to the disadvantage of Government/ DISCO(s)/ End-consumers; and appropriate protections in legal agreement(s).
 - (vi). Scheduled deadline for requests for clarifications and comments and response to comments received.
 - (vii). Planned timelines for the evaluation of proposals, selected bids, negotiation, and award;
- a) In the technical proposal, the bidder may be required to present its plans to manage DISCOs, including but not limited to: (i) its plan to provide the distribution services and control losses, including practical experience; (ii) its plan as a supplier, related to administration of commercial cycle (billing, collection, and non or late payment); (iii), in general, its plan for the modernization of management and operation practices to improve quality of services, in particular, achieve performance standards; (iv) any other plan the bidder considers will enhance the efficiency of the DISCO(s);
 - b) The Financial Advisor will prepare drafts of the bidding documents and legal agreements. If necessary, the Financial Advisor will revise the documents according to the instructions received from the Privatisation Commission, feedback from pre-qualified bidders and finalize the bidding documents.
 - c) The Financial Advisor will ensure that all documents are prepared in accordance with local and international disclosure requirements and should meet good business practice norms.

Deliverables: Bidding documents including Legal Agreements

4.4.6: Bidding Process

- a) The Financial Advisor will administer the entire bidding process on behalf of the Privatisation Commission, including but not limited to pre-bid conference(s), facilitation of bidder's due diligence, data room set up, revision of bidding documents (if necessary), solicitation of bids/proposals, questions period, bid opening and evaluation, recommendations on the award, post-bid activities, etc.
- b) Where interested bidders require it, the Financial Advisor will facilitate and support bidders in the general understanding of the applicable tariff regime and guidelines.
- c) The bidding will consist of a competitive tender process, which features will be exhaustively informed in the bidding documents. The Financial Advisor will be required to recommend a bidding structure and any bid evaluation criteria. The bidding documents will include the requirement of submission of two envelopes, a technical proposal, and a financial proposal. The Financial Advisor could propose other requirements as considered appropriate for the bidding.
- d) The Financial Advisor will include in the bidding documents the forms required to be submitted by the bidders as part of their bids.
- e) The Reference Price will be confidential, and the Privatisation Commission will instruct the Financial Advisor on who can access that information.
- f) Following bidding, Financial Advisor will be responsible to assist Privatisation Commission to obtain necessary GOP approvals and developing the requisite correspondences in this regard.

Deliverables:

- i) Bidding Results
- ii) Approval of Bidding process/ results by the Federal Cabinet.

4.4.7: Awards and Signing of Agreements

- a) The Financial Advisor will present the evaluation of the investors' bids for each DISCO to the Privatisation Commission with the ranking results according to the evaluation criteria to the Privatisation Commission /GoP for approval.
- b) The winner among the bidders approved by the GOP/Privatisation Commission will be considered preferred bidder(s) for the DISCOs and subject to approval of the Federal Cabinet will be invited for signing of Agreements.
- c) The Financial Advisor is expected to assist the Privatisation Commission in negotiating with the pre-qualified bidders, if required, as per rules, The Financial Advisor will oversee the completion of all post-privatisation legal formalities.

4.4.8: Financial Closure

The Financial Advisor will assist the preferred bidder of the DISCOs with all aspects of the transaction that they may need for the financial closure.

- a) Financial Advisor will assist and facilitate Privatisation Commission / GOP to achieve financial closure of the deal and the successful investors.
- b) Financial Advisor will also arrange compliance with the terms of privatisation including transfer of Sales Proceed, by the successful bidder to GOP nominated accounts followed by notification of Financial Closure in the official gazette.
- c) Financial Advisor will oversee the eventual privatisation through the completion of all post privatisation legal formalities.

Deliverable: Financial Closure.

5. *Financial Advisor's Responsibilities*

The responsibilities of the Financial Advisor include but are not limited to:

- a) Providing resources and services essential to meet the overall objectives of GoP based on the experience of the Financial Advisor on similar transactions / assignments and power utility experience.
- b) The activities specified in the Terms of Reference (TORs) should be viewed only as indicative, and Financial Advisor is expected to spell out a complete set of activities required to successfully conclude the activity as per best practices.
- c) Appointing a Project Director / Team Leader to assume overall responsibility of the project and to act as sole interface with Privatisation Commission, GoP and its other departments & agencies on all matters related to the transaction including legal, financial, technical etc.; and
- d) Appointing a senior level focal person for day-to-day coordination with Privatisation Commission / GoP.
- e) Developing and presenting mechanism for Project Reviews, Presentation of the Reports and other project management activities based on the Financial Advisor's experiences elsewhere on other similar transactions/privatisations.
- f) Ensure that all used data / sources used by Financial Advisor are accurate & authentic.

- g) As part of the privatisation process make presentation to Privatisation Commission, Privatisation Commission Board, CCOP / Federal Cabinet, any other forum as and when requested by Privatisation Commission / GoP.
- h) Adopting most transparent course for the entire process in line with international best practices and applicable local laws and ensure maximum possible disclosure at all stages of the process.

6. *GOP Responsibilities*

Privatisation Commission responsibilities include but are not limited to:

1. Giving, in a timely manner, the required Government approvals to execute transactions of the selected DISCOs;
2. Provide access to the Financial Advisor to the data and documents necessary for the preparation and successful completion of the transaction and;
3. Facilitate the Financial Advisor in obtaining necessary visas, work permits and access to the DISCOs infrastructure to complete the assignment and import equipment if required.

7. *Assignment Completion*

Privatisation Commission intends to issue the EOI for privatisation of two DISCOs and complete the transaction(s) in the shortest possible time. Therefore, Privatisation Commission / GoP expects Financial Advisor to plan the activities by allocating suitable resources and where admissible carryout the activities simultaneously, however, Privatisation Commission may in its absolute discretion decide to privatise any of two DISCOs sequentially or in a phased manner. The Financial Advisor must ensure to submit an implementation plan/timeline to complete the scope of work within the shortest possible time. Privatisation Commission /GoP in its absolute discretion may amend the timelines mentioned above.

Appendix - B



Privatisation Commission Government of Pakistan

DRAFT FINANCIAL ADVISORY SERVICES AGREEMENT

PRIVATE SECTOR PARTICIPATION IN TWO (02) POWER DISTRIBUTION
COMPANIES NAMELY
PESHAWAR ELECTRIC SUPPLY COMPANY (PESCO),
&
HAZARA ELECTRIC POWER COMPANY (HAZECO)

FINANCIAL ADVISORY SERVICES AGREEMENT

This Agreement (hereinafter called the “Financial Advisory Services Agreement”) is made on the _____ day of the month of _____, 2026:

Between

The Privatisation Commission, Government of Pakistan, having its office at Constitution Avenue, Islamabad (hereinafter called the “Client”) on the one hand;
and

(name & address of the Party) (hereinafter called the “Financial Advisor”) on the other hand.

[The Client and the Financial Advisor are individually referred as Party and collectively as Parties]

WHEREAS

- (a) The Client has published the “Expression of Interest” to engage a multidisciplinary team of Experts of the Financial Advisor to provide certain services as defined in Appendix ‘A’ of this Agreement (hereinafter called the “Services”);
- (b) In response to the Expression of Interest, the Client issued the “Request for Proposal” to the shortlisted interested parties and the interested parties submitted their technical and financial proposals on the basis of which the Client selected the Financial Advisor;
- (c) The Parties represent that this Agreement constitutes binding legal obligations and the persons signing this agreement are competent and legally authorized to bind the Parties; and
- (d) The Financial Advisor represents to the Client that it, along with its Sub-Contractors, has the required professional skills, personnel, expertise and technical resources to provide the Services to perform this Agreement.

NOW THEREFORE, the Parties agree as follows:

1. The following documents attached to this Agreement shall form an integral part of the Agreement:
 - I. The General Conditions of the Agreement;
 - II. The Special Conditions of the Agreement;
 - III. Appendices:
 - Appendix A: Terms of Reference or Services;
 - Appendix B: Implementation Schedule;
 - Appendix C: Integrity Pact.

2. The General Conditions of the Agreement shall not be changed and any change required in the General Conditions shall be effected through Special Condition of the Agreement.
3. The mutual rights and obligations of the Client and the Financial Advisor shall be as set forth in the Agreement, in particular:
 - (a) the Financial Advisor shall carry out the Services in accordance with the provisions of the Agreement; and
 - (b) the Client shall make payments to the Financial Advisor in accordance with the provisions of the Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be signed in their respective names as of the day and year first above written.

For and on behalf of Privatisation Commission

(Name & Designation)

For and on behalf of (name of the Financial Advisor)

(Name & Designation)

Witnesses:

1. _____
2. _____

I. GENERAL CONDITIONS OF THE AGREEMENT

A. GENERAL PROVISIONS

1. Definitions:

1.1 The terms used in this Agreement shall have the following meanings:

- (a) “Agreement” means the Financial Advisory Services Agreement (‘FASA’) signed between the Client and the Financial Advisor;
- (b) “Applicable Law” means any common or customary law, constitutional law, any statute, Act, regulation, resolution, rule, ordinance, enactment, judgment, order, code, decree, directive, notification, clarification, guideline, policy, requirement or any other governmental direction having the force of law in the Islamic Republic of Pakistan.;
- (c) “Client” means Privatisation Commission (the “PC”) established under Section 3 of Privatisation Commission Ordinance, 2000;
- (d) “Consortium” means a group of body corporates or firms that have agreed to be jointly and severally responsible for the obligations under this FASA;
- (e) “Day” means a working day of the Client unless indicated otherwise in SCA;
- (f) “DISCO” or “DISCO’s” means PESHAWAR Electric Supply Company (PESCO), HAZARA Electric Power Company (HAZEKO);
- (g) “Effective Date” means the date on which this Agreement comes into force and effect pursuant to Clause GCA 9;
- (h) “Expert” means a key expert, non-key expert, or any other personnel of the Financial Advisor, assigned by the Financial Advisor to perform the Services or any part of Services under the Agreement;
- (i) “Federal Government” means the Government of Pakistan or GOP;
- (j) “Financial Advisor” means the external Advisor hired by the Client under the Agreement;
- (k) “Financial Closure” means as defined in SCA;
- (l) “GCA” means these General Conditions of Agreement;
- (m) “Local Currency” means Pakistani Rupees or PKR;

- (n) “Nominee” means a legal entity authorized by the Financial Advisor and approved by the Client for the purpose of receiving payments due to the Financial Advisor under this Agreement or parts thereof and specified in the SCA;
- (o) “Party” means the Client or the Financial Advisor, and “Parties” mean both of them;
- (p) “SCA” means the Special Conditions of Agreement by which the GCA may be amended or supplemented but not over-written;
- (q) “Services” means the work to be performed by the Financial Advisor pursuant to the Agreement described in **Appendix-A**;
- (r) “Sub-Contractor” means an entity to whom the Financial Advisor sub-contracts any part of the Services while remaining responsible for the performance of the Agreement;
- (s) “Success Fee” means the amount to be paid by the Client to the Financial Advisor on a financial closure as defined in the SCA;
- (t) “Third Party” means any person or entity other than the Sub-Contractor engaged by the Financial Advisor for performance of Services under the FASA;
- (u) “Transaction” means as defined in Terms of Reference (ToRs) and SCA.

**2. Relationship
between the Parties**

2.1. Nothing contained in the Agreement shall be construed as establishing a relationship of master and servant or of principal and agent as between the Client and the Financial Advisor. The Financial Advisor, subject to the Agreement, has complete charge of the Experts and Sub-Contractors performing the Services and shall be responsible for the Services performed by an Expert or a Sub-Contractor.

**3. Law Governing
Agreement**

3.1. The Agreement, its meaning and interpretation, and the relation between the Parties shall be governed by the Applicable Law.

4. Language

4.1. This Agreement has been executed in the language specified in the SCA, which shall be the binding and controlling language for all matters relating to the meaning or interpretation of the Agreement.

5. Headings

5.1. The headings shall not limit, alter or affect the meaning of this Agreement.

6. Communications

6.1. Any communication required or permitted to be given or made under the Agreement shall be in writing in the language specified in Clause GCA 4. Any such notice, request or consent shall be deemed to have been given or made when delivered in person to an authorized representative of the Party to whom the communication is addressed, or when sent to such Party at the address specified in the SCA.

6.2 A Party may change its address for notice under the Agreement by giving the other Party notice of such change at the address specified in the SCA.

7. *Authorized Representatives*

7.1 Any document required or permitted to be executed under this Agreement by the Client or the Financial Advisor shall be executed by the individuals in accordance with the SCA.

8. *Corrupt and Fraudulent Practices*

8.1 The Client requires compliance with its policy in regard to corrupt and fraudulent practices. In pursuance of this policy, the Client:

(a) defines, for the purpose of this paragraph, the term ‘corrupt and fraudulent practice’ as follows:

“corrupt and fraudulent practice” includes the offering, giving, receiving, or soliciting of anything of value to influence the action of a public official or the supplier or contractor in the procurement process or in contract execution to the detriment of the Client; or misrepresentation of facts in order to influence a procurement process or the execution of a contract, collusive practices among bidders (prior to or after bid submission) designed to establish bid prices at artificial, non-competitive levels and to deprive the Client of the benefits of free and open competition and any request for, or solicitation of anything of value by any public official in the course of the exercise of his duty;

(b) may terminate the Agreement if it determines that the Financial Advisor has, directly or through an agent, engaged in a corrupt or fraudulent practice, or any collusive or coercive practice in competing for the Agreement; and

(c) may sanction, including declaring the Financial Advisor ineligible, either indefinitely or for a stated period of time, to be awarded any agreement of the Client if, at any time, it determines that the Financial Advisor has, directly or through an agent, engaged in corrupt or fraudulent practice, or collusive or coercive practice in competing for, or in executing, the Agreement.

B. COMMENCEMENT, COMPLETION, MODIFICATION AND TERMINATION OF AGREEMENT

9. *Effectiveness of Agreement*

9.1 This Agreement shall come into force and become effective upon signing by both the Parties.

10.

NIL

11. *Commencement of Services*

11.1 The Financial Advisor shall confirm availability of key Experts or professional staff and begin carrying out the Services no later than the dates specified in the SCA.

12. *Expiration and Duration of Agreement*

12.1 Unless terminated earlier pursuant to Clause GCA 17, this Agreement shall remain valid till such time period as specified in the SCA.

12.2 The Financial Advisor shall perform the Services within the time set out in the implementation schedule (**Appendix-B**) and subject to Clause 11 of the GCA.

13. *Entire Agreement*

13.1 This Agreement contains all covenants, stipulations and provisions agreed by the Parties. No agent or representative of either Party has authority to make, and the Parties shall not be bound by or be liable for, any statement, representation, promise or agreement not set forth in the Agreement, except under the Conditions mentioned in SCA.

14. *Modifications or Variations*

14.1. Any modification or variation of the terms and conditions of the Agreement, including any modification or variation of the scope of the Services, may only be made by written agreement between the Parties.

15. *Force Majeure*

a. Definition

15.1 For the purposes of Clause CGA 15, “Force Majeure” means an event which is beyond the control of a Party, is not foreseeable, is unavoidable, and makes a Party’s performance of its obligations under the Agreement impossible or so impractical as to be considered impossible under the circumstances, and subject to those requirements, includes war, riots, civil disorder, earthquake, fire, explosion, unexpected flood or other unusual adverse weather conditions, strikes, lockouts or other industrial action, confiscation or any other action by a Government agency.

15.2 Force Majeure shall not include (i) any event which is caused by the negligence or intentional action of a Party or such Party’s Expert or professional staff, Sub-Contractor or agent or employee, nor (ii) any event which a diligent Party could reasonably have been expected to both take into account at the time of the conclusion of this Agreement, and avoid or overcome in the carrying out of its obligations under the Agreement.

15.3 Force Majeure shall not include insufficiency of funds or failure to make any payment required under the Agreement.

b. No breach of Agreement

15.4 The failure of a Party to fulfill any of its obligations under the Agreement shall not be considered to be a breach of, or default under, the Agreement in so far as such inability arises from an event of Force Majeure, provided that the Party affected by such an event has taken all reasonable precautions, due care and reasonable alternative measures, all with the objective of fulfilling the terms and conditions of the Agreement.

c. Measures to be Taken

15.5 A Party affected by an event of Force Majeure shall continue to perform its obligations under the Agreement as far as it is reasonably practical, and shall take all reasonable measures to minimize the consequences of any event of Force Majeure.

15.6 A Party affected by an event of Force Majeure shall notify the other Party of such event as soon as possible, and in any case not later than seven (07) days following the occurrence or first occurrence of such event, providing evidence of the nature and cause of such event, and shall similarly give written notice of the restoration of normal conditions as soon as possible and in any case not later than three (03) days following the restoration of normal conditions.

15.7 Any period within which a Party shall, pursuant to this Agreement, complete any action or task, shall be extended for a period equal to the time during which such Party was unable to perform such action as a result of Force Majeure.

15.8 During the period of their inability to perform the Services as a result of an event of Force Majeure, the Financial Advisor, upon instructions from the Client, shall either:

- (a) demobilize, in which case the Financial Advisor shall be reimbursed for additional costs they reasonably and necessarily incurred, and, if required by the Client, in reactivating the Services; or
- (b) continue with the Services to the extent reasonably possible, in which case the Financial Advisor shall continue to be paid under the terms of the Agreement.

15.9 In the case of disagreement between the Parties as to the existence or extent of Force Majeure, the matter shall be settled according to Clauses GCA 33 & 34.

16. *Suspension*

16.1 The Client may, by written notice of suspension to the Financial Advisor, suspend all payments if the Financial Advisor fails to perform any of its obligations under the Agreement, including the carrying out of the Services. The notice of suspension shall: (i) specify the nature of the failure; and (ii) request the Financial Advisor to remedy such failure within a period not exceeding fifteen (15) days after receipt by the Financial Advisor of such notice of suspension.

17. *Termination*

17.1 A Party may terminate the Agreement as per provisions set out below.

a. By the Client

17.1.1. The Client may terminate this Agreement in case of the occurrence of any of the events specified in paragraphs (a) to (f) of this Clause. In such an occurrence, the Client shall give prior written notice of termination to the Financial Advisor: (i) in case of the events referred to in paragraphs (a) to (d); at least thirty

(30) days' written notice; and (ii) in case of the event referred to in paragraph (e) and (f) at least five (5) days' written notice.

- (a) If the Financial Advisor fails to remedy a failure in the performance of its obligations under the Agreement, as specified in a notice of suspension pursuant to Clause GCA 16.
- (b) If the Financial Advisor becomes (or, if the Financial Advisor consists of more than one entity, if any of its members becomes) insolvent or bankrupt or enter into any agreement with their creditors for relief of debt or take advantage of any law for the benefit of debtors or go into liquidation or receivership whether compulsory or voluntary.
- (c) If the Financial Advisor fails to comply with any final decision reached as a result of arbitration proceedings pursuant to Clause GCA 34.
- (d) If, as the result of Force Majeure, the Financial Advisor is unable to perform a material portion of the Services for a period of not less than thirty (30) days.
- (e) If the Client, in its sole discretion and for any reason whatsoever, decides to terminate the Agreement.
- (f) If the Financial Advisor fails to confirm availability of Key Experts or professional staff as required under Clause GCA 11.

17.1.2. If the Client determines that the Financial Advisor has engaged in corrupt or fraudulent practice, or collusive, coercive or obstructive practice, in competing for or in executing the Agreement, the Client may, after giving fourteen (14) days written notice to the Financial Advisor, terminate the Agreement.

**b. By the
Financial
Advisor**

17.1.3. The Financial Advisor may terminate this Agreement, by not less than thirty (30) days' written notice to the Client, in case of the occurrence of any of the events specified in paragraphs (a) to (d) of this Clause.

- (a) If the Client fails to pay any money due to the Financial Advisor pursuant to the Agreement and not subject to dispute pursuant to Clause GCA 34 within forty-five (45) days after receiving written notice from the Financial Advisor that such payment is overdue.
- (b) If, as the result of Force Majeure, the Financial Advisor is unable to perform a material portion of the Services for a period of not less than sixty (60) days.

- (c) If the Client fails to comply with any final decision reached as a result of arbitration pursuant to Clause GCA34.
 - (d) If the Client is in material breach of its obligations pursuant to the Agreement and has not remedied the same within forty-five (45) days.
- c. **Cessation of Rights and Obligations**

17.1.4. Upon termination of the Agreement pursuant to Clause GCA 17, or upon expiration of this Agreement pursuant to Clause GCA 12, all rights and obligations of the Parties under the Agreement shall cease, except: (i) such rights and obligations as may have accrued on the date of termination or expiration; (ii) the obligation of confidentiality set forth in Clause GCA 20; and (iii) any right which a Party may have under the Applicable Law.
- d. **Cessation of Services**

17.1.5. Upon termination of the Agreement by notice of either Party to the other Party pursuant to Clauses GCA 17a or GCA 17b, the Financial Advisor shall, immediately upon dispatch or receipt of such notice, take all necessary steps to bring the Services to a close in a prompt and orderly manner and shall make every reasonable effort to keep expenditures for this purpose to a minimum.
- e. **Payment upon Termination**

17.1.6. Upon termination of the Agreement, the Client shall make the following payments to the Financial Advisor:

 - (a) payment for Services satisfactorily performed prior to the effective date of termination; and
 - (b) in the case of termination pursuant to paragraphs (d) and (e) of Clause GCA 17.1.1, reimbursement of any reasonable cost incidental to the prompt and orderly termination of the Agreement, including the cost of the return travel of the Experts or professional staff.

C. OBLIGATIONS OF THE FINANCIAL ADVISOR.

18. General

- a. **Standard of Performance**

18.1 The Financial Advisor shall perform and carry out the Services with all due diligence, efficiency and economy, in accordance with generally accepted professional standards and practices, and shall observe sound management practices. The Financial Advisor shall always act, in respect of any matter relating to the Agreement or to the Services, as a faithful Advisor to the Client, and shall at all times support and safeguard the Client's legitimate interests in any dealings with the third parties.

18.2. The Financial Advisor shall employ and provide such qualified and experienced Experts or professional staff and Sub-Contractors as are required to carry out the Services.

- b. **Law Applicable to Services** 18.3. The Financial Advisor shall perform the Services in accordance with the Agreement and the Applicable Law and shall take all practicable steps to ensure that its Expert, professional staff and Sub-Contractor comply with the Applicable Law.

19. Conflict of Interests 19.1. The Financial Advisor shall hold the Client's interests paramount, without any consideration for future work, and strictly avoid conflict with other assignments or its own corporate interests.

- a. **Prohibition of Conflicting Activities** 19.1.1 The Financial Advisor shall not engage, and shall cause its Experts, professional staff and Sub-Contractors not to engage, either directly or indirectly, in any business or professional activities that would conflict with the activities assigned to them under the Agreement.

- b. **Strict Duty to Disclose Conflicting Activities** 19.1.2 The Financial Advisor has an obligation and shall ensure that its Experts, professional staff and Sub-Contractors shall have an obligation to disclose any situation of actual or potential conflict that impacts their capacity to serve the best interest of the Client, or that may reasonably be perceived as having this effect. Failure to disclose said situations may lead to the disqualification of the Financial Advisor or the termination of the Agreement.

20. Confidentiality 20.1 Except with the prior written consent of the Client, the Financial Advisor and its Experts, professional staff and Sub-Contractors shall not, at any time, communicate to any person or entity any confidential information acquired in the course of the Services, nor shall the Financial Advisor, the Experts, professional staff and Sub-Contractors make public the recommendations formulated in the course of, or as a result of, the Services.

21. Liability of the Financial Advisor 21.1 Subject to additional provisions, if any, set forth in the SCA, the Financial Advisor liability under the Agreement shall be governed by the Applicable Law.

22. Reporting Obligations 22.1 The Financial Advisor shall submit to the Client the reports, documents and information as specified in SCA.

23. Proprietary Rights of the Client in Reports and Records 23.1 Unless otherwise indicated in the SCA, all reports and relevant data and information such as plans, databases, other documents and software, supporting records or material compiled or prepared by the Financial Advisor for the Client in the course of the Services shall be confidential and become and remain the absolute property of the Client.

D. EXPERT AND SUB-CONTRACTOR

24. Replacement of key Experts or Sub-Contractors 24.1 Except as the Client may otherwise agree in writing, the Financial Advisor shall not make any change in the key Experts, professional staff or Sub-Contractors mentioned in the Agreement.

24.2 Notwithstanding the above, the substitution of a key Experts, professional staff or Sub-Contractors during Agreement execution may be considered only based on the Financial Advisor's written request and due to circumstances outside the reasonable control of the Financial Advisor. In such case, the Financial Advisor shall forthwith provide a replacement acceptable to the Client.

25. Removal of key Experts or Sub-Contractors

25.1 If the Client finds that any of the Experts, professional staff or Sub-Contractors has committed misconduct or has been charged with having committed an offence, or an Expert, professional staff or Sub-Contractor has engaged in corrupt or fraudulent practice, or collusive, coercive or obstructive practice while performing the Services, the Financial Advisor shall, at the Client's written request, provide a replacement within the time stipulated by the Client.

25.2 In the event that any of the Expert, professional staff or Sub-Contractor is found by the Client to be incompetent or incapable in discharging assigned duties, the Client, specifying the grounds therefore, may request the Financial Advisor to provide a replacement.

25.3 Any replacement of the removed Expert, professional staff or Sub-Contractor shall possess equal or better qualifications and experience and is acceptable to the Client.

25.4 The Financial Advisor shall bear all costs arising out of or incidental to any removal and/or replacement of an Expert or professional staff or Sub-Contractor.

E. OBLIGATIONS OF THE CLIENT

26. Assistance and Exemptions

26.1 Unless otherwise specified in the SCA, the Client shall use its best efforts to:

- (a) assist the Financial Advisor by providing requisite information or documents as are necessary to enable the Financial Advisor to perform the Services.
- (b) provide to the Financial Advisor any other assistance as is specified in the SCA.

27. Payment Obligation

27.1 In consideration of the Services performed by the Financial Advisor under this Agreement, the Client shall make such payments to the Financial Advisor for the deliverables as specified in SCA.

F. PAYMENTS TO THE FINANCIAL ADVISOR

28. Agreement Price

28.1 The Agreement price is fixed and is set forth in the SCA.

28.2 Any change to the Agreement price specified in Clause 28.1 can be made only if the Parties have agreed to the revised scope of Services pursuant to Clause GCA 14 and have amended in writing the Terms of Reference in **Appendix A**.

- 29. Taxes and Duties** 29.1 The Financial Advisor is responsible for meeting the tax liabilities arising out of the Agreement, as per Applicable Laws.
- 30. Currency of Payment** 30.1 Any payment under the Agreement shall be made in the currencies specified in SCA.
- 31. Mode of Billing and Payment** 31.1 The total payments under this Agreement shall not exceed the Agreement price set forth in Clause GCA 28.1.
- 31.2 The payments under this Agreement shall be made in the following manner:
- (i) lump-sum payment shall be paid against deliverables as per implementation schedule comprising remuneration;
 - (ii) out of pocket expenses shall be paid on lump-sum basis against deliverables along with remuneration or as per actual expenses (within the limit fixed in SCA) against receipts or bills specified in the SCA; and
 - (iii) Success Fee shall be paid upon Financial Closure of each individual DISCO separately as specified in the SCA.
- 31.2.1 The Financial Advisor shall perform the tasks and complete the milestones within the time frame mentioned in the implementation schedule. The Client shall convey its approval of a deliverable within the period specified in SCA.
- 31.2.2 On receipt of approval of deliverable from the Client, the Financial Advisor shall submit verified invoice against the approved deliverable and the Client shall make payment within thirty (30) Days of receipt of the invoice.
- 31.2.3 In case there is a delay in verification of the deliverable by the Client due to the reasons conveyed in writing to the Financial Advisor, the Client may make a part payment against the deliverable as specified in SCA. In any such eventuality, the verification of a deliverable by the Client shall not exceed forty-five (45) Days.
- 31.2.4 If a deliverable is found unsatisfactory, the Client shall convey its observations with remedial measures to the Financial Advisor. The Client shall ensure that all of its observations on the deliverable are conveyed to the Financial Advisor in a consolidated form and not in a piecemeal manner. The Financial Advisor shall, within the period specified in SCA, submit the revised deliverable to the Client.
- 31.2.5 The Financial Advisor shall ensure that a deliverable submitted is in line with this Agreement before submission to the Client. In case of any payment required under SCA to be made directly to Financial Advisor, Sub-Contractor or its Nominee, the

Financial Advisor shall verify its invoices, invoices of its Nominee and the Sub-Contractor before submission to the Client.

31.2.6 All payments under the Agreement shall be made to the accounts of the Financial Advisor or its Nominee or a Sub-Contractor as specified in the SCA.

31.2.7 With the exception of the final payment under Clause GCA 31.2.2 above, payments do not constitute acceptance of the whole Services nor relieve the Financial Advisor of any obligations under the Agreement.

G. FAIRNESS AND GOOD FAITH

32. Good Faith

32.1 The Parties undertake to act in good faith with respect to each other's rights under the Agreement and to adopt all reasonable measures to ensure the realization of the objectives of the Agreement.

H. SETTLEMENT OF DISPUTES

33. Amicable Settlement

33.1 The Parties shall seek to resolve any dispute amicably by mutual consultation.

33.2 If either Party objects to any action or inaction of the other Party, the objecting Party may serve a written notice of dispute to the other Party providing in detail the dispute and the basis of the dispute. The Party receiving the notice of dispute will consider it and respond in writing within fourteen (14) Days after its receipt. If the other Party fails to respond within fourteen (14) Days, or the dispute cannot be amicably settled within fourteen (14) Days following the response of the other Party, Clause GCA 34 shall apply for resolution of dispute.

34. Dispute Resolution

34.1 Any dispute between the Parties arising under or related to the Agreement that cannot be settled amicably may be referred to by either Party to arbitration in accordance with the Arbitration Rules of the London Court of International Arbitration through appointment of three arbitrators under those rules. Each Party shall appoint one arbitrator while the Parties shall jointly appoint the third arbitrator who shall act as presiding arbitrator. In case of dispute on the appointment of third arbitrator, any Party may submit an application to the Chief Justice of Islamabad High Court for appointment of the third arbitrator and decision of the Chief Justice shall be final and binding on the Parties.

34.2 The arbitration shall take place in Islamabad or any other suitable place, agreed between the Parties. The language of the arbitration proceedings shall be English. The award shall be final and binding on the Parties.

34.3 The Parties agree that the Courts at Islamabad or any other suitable place, agreed between the Parties, shall have exclusive

jurisdiction with respect to the enforcement of an award or any litigation relating to or arising out of the Agreement.

34.4 In case of conflict between the provisions of the Arbitration Rules of the London Court of International Arbitration and the Arbitration Act 1940, the Court in Islamabad or any other suitable place, agreed between the Parties, shall apply the Arbitration Rules of the London Court of International Arbitration relating to arbitration proceedings and for enforcement of the award.

34.5 In case of any dispute arising out of the performance of the Services with respect to any one ~~(H)~~ DISCO, the Services in respect of the other DISCO(s) shall continue to be performed by the Financial Advisor unless notified otherwise by the Client.

35. Indemnification

I. MISCELLANEOUS

35.1 The Financial Advisor shall indemnify, protect and defend at Financial Advisor's own expense, the Client, its Chairman, Secretary, members, consultants, officers and employees, from and against any and all actions, claims, losses, damages or liabilities of a Third Party arising out of any act by the Financial Advisor, its Expert or professional staff, Sub-Contractor or employee to the extent that such fault is finally determined by a court or arbitral tribunal to have resulted from any act of the Financial Advisor, its Expert or professional staff, Sub-Contractor or employee.

35.2 If any action, suit, proceeding or investigation is commenced, as to which the Client propose to demand indemnification, the Client shall not, without the prior written consent of the Financial Advisor, settle or compromise any claim, or permit a default or consent to the entry of any judgment in respect thereof, unless such settlement, compromise or consent includes, as an unconditional term thereof, the giving by the claimant to the Financial Advisor of an unconditional and irrevocable release from all liability in respect of such claim. To the extent of any settlement, compromise or consent which requires payment to be made by the Client to the claimant, the Financial Advisor's liability hereunder shall continue to subsist.

35.3 The Financial Advisor shall, at its own cost and expense, upon request of the Commission, re-perform the Services in the event of Financial Advisor's failure to exercise the skill and care required under the Agreement.

35.4 The Client undertakes to keep the Financial Advisor, its Expert or professional staff, Sub-Contractor or employee indemnified from and against any losses, claims, damages or liabilities of a Third Party related to, arising out of any act by the Client to the extent that such fault is finally determined by a court or arbitral tribunal to have resulted from any act of the Client, its consultant or employee.

35.5 The Financial Advisor's or Client's aggregate civil liability to each other under this Agreement shall not exceed the amount of remuneration fee fixed under the Agreement.

36. Insurance

36.1 The Client undertakes no responsibility in respect of any life, health, accident, travel and other insurance, which may be necessary or desirable for the personnel of the Financial Advisor, including Experts and Sub-Contractors, nor for any members of any family of any such person.

37. Integrity Pact

37.1 The Parties are bound by the Integrity Pact (**Appendix-C**) and acknowledge the terms and conditions of the Integrity Pact.

38. Severability

38.1 If any provision of the Agreement is rendered invalid or unenforceable then: (i) to the fullest extent permitted by the Applicable Law, the other provisions of the Agreement shall remain in full force and effect and the Parties agree to carry out the agreements contained herein to give effect as near as possible to the original intention of the invalid or unenforceable provision; and (ii) the invalidity or unenforceability of any provisions of the Agreement shall not affect the validity or enforceability of such provision in any other jurisdiction.

II. SPECIAL CONDITIONS OF THE AGREEMENT

Number of GC Clause	Amendments of, and Supplements to, Clauses in the General Conditions of Agreement
1.1(b) and 3.1	The Agreement shall be construed in accordance with the laws of the Islamic Republic of Pakistan.
1.1(k)	“Financial Closure” means the transfer of Sales Proceed, by the successful bidder to GOP nominated accounts and the corresponding transfer of the shares or rights and management control of respective DISCO pursuant to the sale agreement or Concession Contract executed by the GOP or its nominated entity with the successful bidder-
1.1 (n)	List of Nominees
1.1 (s)	“Success Fee” means the amount to be paid by the Client to the Financial Advisor upon the successful Financial Closure based on fixed percentage of Sales Proceeds or any part thereof received by the Commission/GOP or any of its nominated entities for each individual DISCO separately.
1.1 (u)	“Transaction” means the Private Sector Participation in two (02) DISCOs, namely PESCO and HAZECO, through privatisation.
4.1	The language is: English.
6.1 and 6.2	The addresses are: Client: <u>Privatisation Commission, Government of Pakistan</u> Attention: <u>Advisor</u> Address: <u>4th Floor, Kohsar Block, New Pak Secretariat, Constitution Avenue, Islamabad, Pakistan.</u> Telephone : <u>+92(51)-9205146, Ext 267</u> Email: <u>asifjalal@privatisation.gov.pk</u> Financial Advisor: [•] Attention: [•] Address: [•]
7.1	The Authorized Representatives are: For the Client: [•] For the Financial Advisor (<i>Name & Designation</i>) [•]

11.1	(i) The Services with respect to Phase I shall commence upon signing of the FASA. (ii) The Services under Phase II and onwards for each DISCO shall commence on such date and in such sequence as the Client may specify by a written notice to proceed given to the Financial Advisor. (iii) The Client may, at its sole discretion, require commencement of the Services for two (02) DISCOs simultaneously.																																															
12.1	Unless terminated earlier pursuant to Clause 17 of GCA, this Agreement is valid for a period of twenty-four (24) months from the Effective Date unless extended in writing through mutual consent of the Parties.																																															
21.1	In case the Financial Advisor is a Consortium, liability of the members of such Consortium for performance of the Agreement shall be joint and several.																																															
28.1	<table><tr><th>Item</th><th colspan="3">Bid / Cost</th></tr><tr><td colspan="4">Cost of the Financial Proposal US\$</td></tr><tr><td colspan="4">Milestone Based Retainer Fee</td></tr><tr><td>1. Phase 1 i. Inception Report ii. Global Experiences iii. Review Report on Sector Level Due Diligence iv. Preliminary Market Sounding</td><td colspan="3">(Insert number here) (The total cost of this phase not to be more than 3% of Grand Total)</td></tr><tr><td></td><td>PESCO</td><td>HAZECO</td><td>Total</td></tr><tr><td>2. Phases 2, 3 & 4 Combined Milestone based Retainer Fee</td><td>(Insert number here)</td><td>(Insert number here)</td><td>(Insert number here)</td></tr><tr><td>3. Out of Pocket Expense US\$ (Should match the amount in Form FIN-3) Please see Notes below</td><td>(Insert number here)</td><td>(Insert number here)</td><td>(Insert number here)</td></tr><tr><td>4. Sub-Total US\$ (2+3)</td><td>(Insert number here)</td><td>(Insert number here)</td><td>(Insert number here)</td></tr><tr><td colspan="3">5. Grand Total US\$ (1 + 4) (Should match the amount in Form FIN-1) (Note: Weightage: 75%)</td><td>(Insert number here)</td></tr><tr><td>6. Success Fee (%) (Note: Weightage: 25%)</td><td colspan="3">{Insert Percentage Here} (% of sale Proceed; for calculation purposes PC shall announce a notional value for expected sale Proceed, which will be used for calculation of Success Fee prior to opening of Financial Proposals -pursuant to Regulation 9 of PC hiring of FA Regulations 2018. - One number applicable to all DISCOs- Mandatory to Quote Success Fee) </td></tr><tr><td>Total bid amount US\$ (for evaluation purpose only)</td><td colspan="3">Total bid amount (for evaluation) will be calculated based on the following formula: (75% x Grand Total (1+4) + 25% x Success Fee)</td></tr></table>				Item	Bid / Cost			Cost of the Financial Proposal US\$				Milestone Based Retainer Fee				1. Phase 1 i. Inception Report ii. Global Experiences iii. Review Report on Sector Level Due Diligence iv. Preliminary Market Sounding	(Insert number here) (The total cost of this phase not to be more than 3% of Grand Total)				PESCO	HAZECO	Total	2. Phases 2, 3 & 4 Combined Milestone based Retainer Fee	(Insert number here)	(Insert number here)	(Insert number here)	3. Out of Pocket Expense US\$ (Should match the amount in Form FIN-3) Please see Notes below	(Insert number here)	(Insert number here)	(Insert number here)	4. Sub-Total US\$ (2+3)	(Insert number here)	(Insert number here)	(Insert number here)	5. Grand Total US\$ (1 + 4) (Should match the amount in Form FIN-1) (Note: Weightage: 75%)			(Insert number here)	6. Success Fee (%) (Note: Weightage: 25%)	{Insert Percentage Here} (% of sale Proceed; for calculation purposes PC shall announce a notional value for expected sale Proceed, which will be used for calculation of Success Fee prior to opening of Financial Proposals -pursuant to Regulation 9 of PC hiring of FA Regulations 2018. - One number applicable to all DISCOs- Mandatory to Quote Success Fee)			Total bid amount US\$ (for evaluation purpose only)	Total bid amount (for evaluation) will be calculated based on the following formula: (75% x Grand Total (1+4) + 25% x Success Fee)		
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6. Success Fee (%) (Note: Weightage: 25%)	{Insert Percentage Here} (% of sale Proceed; for calculation purposes PC shall announce a notional value for expected sale Proceed, which will be used for calculation of Success Fee prior to opening of Financial Proposals -pursuant to Regulation 9 of PC hiring of FA Regulations 2018. - One number applicable to all DISCOs- Mandatory to Quote Success Fee)																																															
Total bid amount US\$ (for evaluation purpose only)	Total bid amount (for evaluation) will be calculated based on the following formula: (75% x Grand Total (1+4) + 25% x Success Fee)																																															

27.1 & 31.2	The Payment Schedule: Out of pocket Expense US\$ The out-of-pocket expenses, (lump-sum or as per actual) shall consist of following in nature, where relevant, and be reasonably incurred by the Financial Advisor its Sub-Contractor(s) in the performance of the Services: a) Hotel and subsistence costs including meal, which is actually incurred and based on corporate rates including cost of telephone and faxes; b) The cost of international and domestic transportation of the personnel by the most appropriate means of transport and the most direct practicable route including road shows; c) Miscellaneous travel expenses such as the cost of the transportation to and from airports, taxis, passport, visas, travel permits, vaccination; d) Cost to be incurred in communication plan; e) Cost to be incurred for establishment of Virtual Data Room etc.; f) Cost of marketing activities/ roadshows/bidding, including publication of EOIs for investors etc.; g) Above mentioned items are indicative, any other costs directly associated to the assignment may also be included, where deemed appropriate for the completion of the Transaction; and h) Cost of items not covered in the foregoing but which may be incurred or will be incurred by the Financial Advisor for completion of the Services, subject to the authorization of the Client. The Financial Advisor shall account for all out-of-pocket expenses associated with successful accomplishment of the Transaction.
30.1	Payment shall be made to the Financial Advisor in US\$ and or PKR as specified by the Financial Advisor.
31.2.1	Approval of Deliverables: The Client shall convey its approval or otherwise of deliverables within [●] Days of submission.
31.2.3	The Client may make part payment of up to [●] of the payment due against the deliverable.
31.2.4	Submission of Deliverables: The Financial Advisor shall submit the revised deliverable to the Client within [●] days.
31.2.6	The accounts are: for Local currency: _____ for Foreign currency: _____

TERMS OF REFERENCE

ORIGINAL

IMPLEMENTATION SCHEDULE

ORIGINAL

INTEGRITY PACT

Agreement Number: _____ Dated: _____
 Agreement Value: _____
 Agreement Title: _____

 (Name of Financial Advisor (FA)) hereby declares that it has not obtained or induced the procurement of any contract, right, interest, privilege or other obligation or benefit from Client or any employee or consultant thereof any other entity owned or controlled by the Client or GOP through any corrupt business practice.

Without limiting the generality of the foregoing, FA represents and warrants that it has fully declared the brokerage, commission, fee etc. paid or payable to anyone and not given or agreed to give and shall not give or agree to give to anyone within or outside Pakistan either directly or indirectly through any natural or juridical person, including its affiliate, agent, associate, broker, consultant, director, promoter, shareholder, sponsor or subsidiary, any commission, gratification, bribe, finder's fee or kickback, whether described as consultation fee or otherwise, with the object of obtaining or inducing the procurement of a contract, right, interest, privilege or other obligation or benefit in whatsoever form from GOP, except that which has been expressly declared pursuant hereto.

FA certifies that it has made and will make full disclosure of all agreement and arrangements with all persons in respect of or related to the Transaction with Client and has not taken any action or will not take any action to circumvent the above declaration, representation or warranty.

FA accepts full responsibility and strict liability for making any false declaration, not making full disclosure, misrepresenting facts or talking any action likely to defeat the purpose of this declaration, representation and warranty. It agrees that any contract, right, interest, privilege or other obligation or benefit obtained or procured as aforesaid shall, without prejudice to any other right and remedies available to Client under any law, contract or other instrument, be voidable at the option of Client.

Notwithstanding any rights and remedies exercised by Client in this regard, FA agrees to indemnify Client for any loss or damage incurred by the Client on account of corrupt business practice of FA and further pay compensation to Client in an amount equivalent to ten times the sum of any commission, gratification, bribe, finder's fee or kickback given by FA as aforesaid for the purpose of obtaining or inducing the procurement of any contract, right, interest, privilege or other obligation or benefit in whatsoever form from Client.

Client

FA
