WORLD BANK/ GOVERNMENT OF PAKISTAN

OPERATIONAL DESIGN OF THE PROJECT DEVELOPMENT FUND AND THE VIABILITY GAP FUND

March 2009

Inception Note

DRAFT

Submitted by:

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CEPA

CONTENTS

1. INTRODUCTION

This Note summarises our findings at the inception phase of the assignment "Operational Design of the Project Development Fund (PDF) and Viability Gap Fund (VGF)". In this section, we summarise the project's key objectives and the structure of this Note.

1.1. Key objectives of the project

The central objective of this assignment is to prepare and finalise detailed business plans to operationalise the PDF and VGF. These plans will include the following:

- a methodology for developing the project pipeline;
- the institutional and organisational structure;
- operating policies and management processes; and
- funding requirements and funding sources.

1.2. Content of the Inception Note

The content of this Note is as follows:

- The revised work plan for the project, as approved by the World Bank on March 18, 2009, is summarised in Section 2.
- The project pipeline, as developed to date, along with our approach to updating this, is summarised in Section 3.
- A summary critique of the existing plans and studies provided on the PDF and VGF in Pakistan, is summarised in Sections 4 and 5.

The work undertaken to prepare this Note is based on:

- desk based review of the documents we were provided with, as listed in the following sections; and
- research of publicly available data and information.

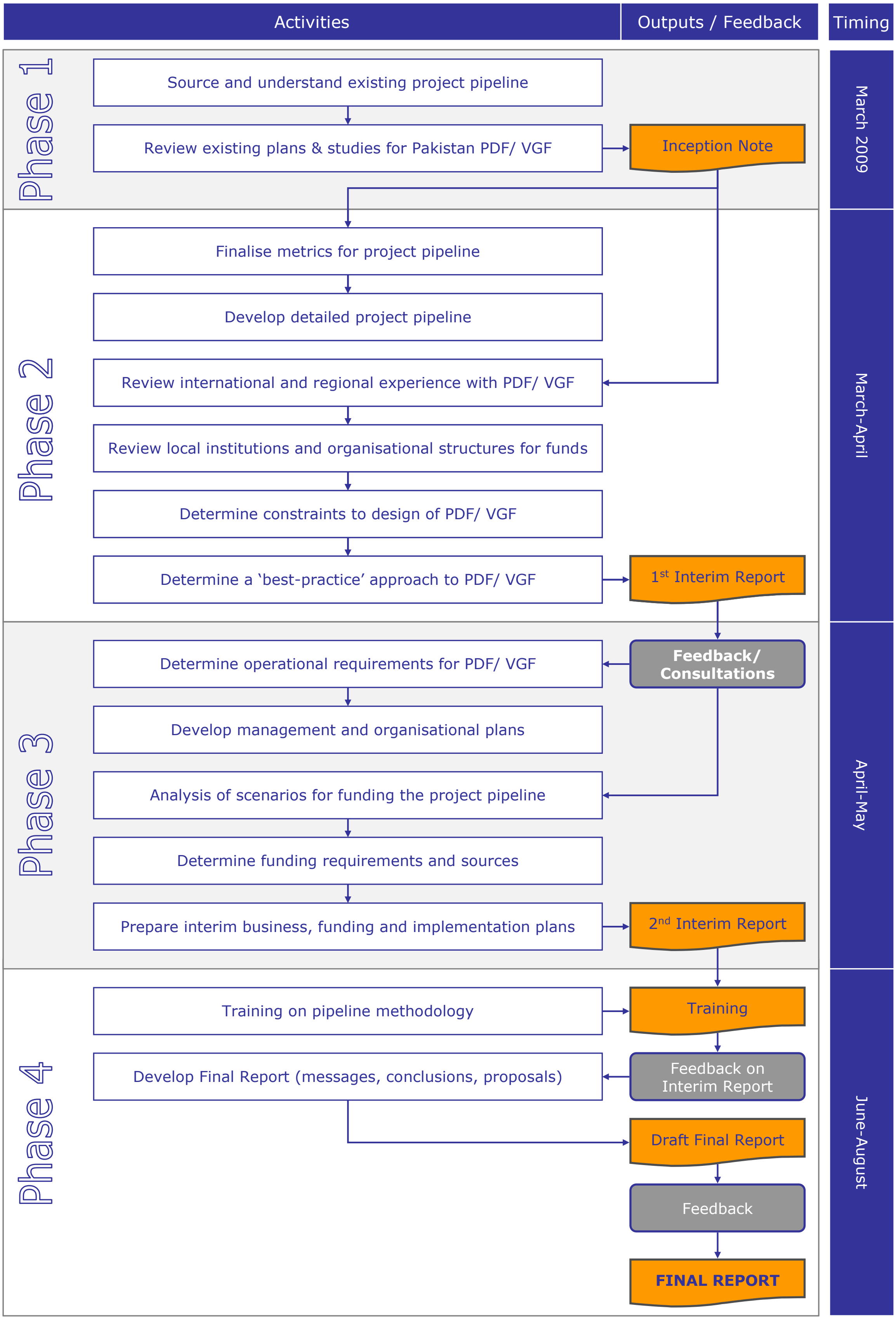
2. REVISED WORK PLAN

We would suggest the following four high level phases of work for our revised work plan. The work is divided as follows:

- Phase 1: an inception phase based on understanding the existing project pipeline and reviewing existing documents pertaining to the PDF and VGF.
- Phase 2: a first interim phase developing and analysing the project pipeline and taking forward the existing PDF and VGF documentation to an implementable state, taking account of the local institutional and organisational context.
- Phase 3: a consultation and second interim phase incorporating feedback on the first interim report; developing operational and management plans; and scenario modelling and funding analysis for PDF and VGF business plans, in the light of the agreed approaches.
- Phase 4: a final phase for training on project pipeline methodology and delivery of the final reports.

The work plan is presented in Figure 1.1 below.

Figure 1.1: Summary workplan



2.1. Phase 1 – Inception note

The first phase involves developing a short inception note detailing our understanding of the current pipeline as developed to date and how we propose to update this. We also provides a brief critique of the existing plans and studies provided on the PDF and VGF in Pakistan, based on our knowledge of the pertinent issues.

2.1.1. Understanding the project pipeline

This component provides an initial understanding of the government's existing project pipeline and the work on the pipeline undertaken to date. These might include, but are not limited to examining the pipeline of around 200 projects under the Infrastructure Project Development Facility (IPDF), quoted in the Castalia Report (2008).

2.1.2. Review of studies and documentation

This component assesses the work and research undertaken to develop the PDF and VGF . We would request that the Government and the World Bank supply any design and feasibility documents and studies available in addition to the below:

- Government of Pakistan (2007): *Policy on Public Private Partnerships*
- World Bank/ Ministry of Finance (2007): *Draft concept note for the establishment of a project development fund for public-private partnerships*
- IPDF (2007): *Viability Gap Fund for Infrastructure PPPs: Proposed structure*
- Castalia (2007): *Instructions for Submitting and Reviewing Viability Gap Fund Applications*

We shall produce a short inception note providing an initial analysis of the project pipeline and a short critique of the conceptual background and planning for the PDF and VGF done to date.

Table 1.1: Phase 1 deliverables and milestones

Deliverable and milestones	Staff involved	Suggested timing
Inception Note	Mark Cockburn Gabriella Bazzano	24 March[1]

2.2. Phase 2 – Pipeline analysis and "best-practice" for funds

In this phase, we shall conduct a detailed desk-based analysis of the project pipeline before providing recommendations on how to take forward the PDF and VGF within Pakistan, taking into account any international precedents.

[1] The submission date for the Inception Note has been agreed with the World Bank.

2.2.1. Project pipeline analysis

This component involves developing and then analysing the infrastructure project pipeline in Pakistan so as to understand the implications for the scale and potential funding requirements of the PDF and VGF respectively. In doing this, we will:

- consult agencies, such as the Private Power Investment Board (PPIB) and the Water and Power Development Board (WPDB); and
- seek to identify any new or additional PPP projects across local, provincial and central government; requesting any other material deemed relevant by the government.

In terms of analysing the pipeline, we consider:

- the stage of the development cycle that a PPP project has reached, in terms of identification, pre-feasibility, feasibility etc
- the sector and likely financial scale of the project;
- the public sector sponsor of the project; and
- the basic preliminary financial and economic fundamentals of projects in the pipeline in terms of their intended financial structures and risk transfer, together with their likely financing requirements and the scale of any likely viability gaps, to the extent that this information is available.

From this, we can make an initial assessment of the magnitude of required project development and viability-gap funding.

2.2.2. Developing the existing documentation

Taking the documentation that has already been developed, together with our suggestions set out in the inception note as to how to take these forward, we will develop the documentation for both the PDF and VGF in parallel.

Project Development Fund

We will draw on previous relevant work and experience with supporting project development activities in determining an appropriate approach for the PDF. Some of the issues to take into account will include:

- **Activities covered**. The procurement process will need to take into account the appetite of private sector developers for different types of projects in order to determine which activities and in which sectors it will focus its support on.
- **Fund sustainability**. As a funded entity, a revolving fund approach will be more sustainable over time. In this case, the PDF will have to identify those activities

from which costs can be recouped as opposed to those which will be largely written-off. For example, early-stage project development activities, where the risk of a project not reaching completion is greater, might be written off as overhead, albeit with some contribution from the sponsoring ministry, whilst the costs of later-stage structuring of the PPP might be expected to be recouped at financial close from the project, and possibly at a margin.

- **Rules for accessing the PDF**. Consideration needs to be made as to whether it is only government originated projects that may benefit from the fund, or whether it might be used, for instance, to perform due diligence on either unsolicited approaches or "open season" procurements.
- **Governance and management**. There is a range of governance, legal and structural issues that need to be addressed. For instance, whether the PDF should be a corporate entity rather than a government agency; the appropriate composition of any board, particularly its public / private sector balance, and who any management team might be.

Viability-gap Fund

The conceptual background to viability-gap funding is less established, although a viability gap might be defined simply as the financial requirement, over and above project revenues (tariffs or unitary payments) required to financially close a PPP project. Whilst Castalia expresses this entirely as an issue of lack of affordability, bankability will also take account of a project's risk profile, and can be addressed either simply through a capital grant or more imaginatively through its financing and capital structure. We will draw upon our experience in designing subsidy-based financing mechanisms, such as the PIDG Water Window and Output-Based Aid subsidies, to develop the conceptual framework of a VGF for PPP projects.

In developing an approach for the VGF, many of the high level issues will be the same as for PDF, in terms of establishing appropriate governance and other arrangements. Sustainability of funding will also be an issue.

In developing our approach, we will specifically consider any lessons learnt from the Indian VGF experience.

2.2.3. Reviewing local institutions

Our analysis of approaches to project development and viability-gap funding will consider the local circumstances and institutional arrangements for the operation of these funds and for PPPs in general. Furthermore, the role of the funds vis-à-vis the IPDF, as a facility, will be central to their structural design. As mentioned in the Technical Proposal, our local legal advisors will take part in the review of legal documentation, liaising with our institutional specialists and developing guidelines for the design of the funds.

Table 1.2: Phase 2 deliverables and milestones

Deliverable and milestones	Staff involved	Suggested timing
Pipeline analysis	Gabriella Bazzano	March-April
Development of documentation	Mark Cockburn Gabriella Bazzano Pritha Venkatachalam	
Institutional review and legal consultations	Mark Cockburn Pritha Venkatachalam Legal partners	
First Interim Report		**21 April**[2]

2.3. Phase 3 – Feedback and operational consultations

The third phase will present our analysis from the first two stages and gauge feedback in our initial consultations with stakeholders. From there, we shall determine the operational, management and organisational plans for the funds, and further develop our analysis of the project pipeline through scenario modelling and funding analysis. These might be seen as the implications that flow from our recommendations in the first interim report.

2.3.1. Feedback and consultations

We will present the findings from the first Interim Report to Government and World Bank staff, gauging feedback and assessing the direction of the implementation of the PDF and VGF going forward. This will involve a field visit to Pakistan.

2.3.2. Management and operational plans

The main work component for this Phase will be the development of Operating Policies and Procedures (OPPs) for both the PDF and VGF, comprising inter alia, guidelines on institutional arrangements, rules for the dispersion of funds, mechanisms for funding projects, fund management etc.

The output from this stage will be a Second Interim Report, including a set of draft OPPs.

2.3.3. Scenario analysis and funding requirement

[2] One week later than deadline of 14 April, as set out in the Revised Work Plan.

We will construct a detailed financial model providing capital requirements over a defined time-period to model the likely commitment and disbursement patterns of the two funds and their likely funding requirements.

The modelling and funding analysis will be integrated into the Draft Final Report, which shall include operational, governance and funding plans.

Table 1.3: Phase 3 deliverables and milestones

Deliverable and milestones	Staff involved	Suggested timing
Feedback meetings and consultations in Pakistan	Mark Cockburn Gabriella Bazzano UBL Bank	w/c 20 April
Management and operational plans	Charles Groom Gabriella Bazzano	April-May
Pipeline scenario and funding analysis	Gabriella Bazzano Nebojsa Novcic	April-May
Second Interim Report		**20 May**

2.4. Phase 4 – Workshops and final reports

We will gauge feedback on the second Interim Report by conducting workshops on the operational, governance and funding plans for the funds. We will also conduct training on the development and analysis of the project pipeline. All feedback shall be collected into the draft Final Report, to be delivered on 30 June.

Any further feedback shall be reflected in the Final Report, to be delivered on 7 August.

Table 1.4: Phase 4 deliverables and milestones

Deliverable and milestones	Staff involved	Suggested timing
Workshops in Pakistan	Mark Cockburn Gabriella Bazzano	w/c 1 June
Project pipeline training	Gabriella Bazzano	w/c 1 June
Draft Final Report		30 June
Final Report		**7 August**

2.5. Team members

The composition of the core team is unchanged compared to the team suggested in our Technical Proposal. However, we propose to include a junior economist, who will support the core team during all the phases of the project.

Please find attached his short profile.

James Doree

James is a CEPA Economist with experience of infrastructure finance in emerging markets. He is currently part of the CEPA team implementing the business plan for InfraCo Asia and procuring a management services team. He has worked on several assignments for the Private Infrastructure Development Group (PIDG), including a guide to private infrastructure finance, as well as assignments for the UK Department for International Development (DfID) and the Commonwealth Business Council (CBC). James has also undertaken financial pre-feasibility analysis for an emerging-market energy-sector investor, Globeleq. He is currently working on strategic business and financial plans for two agri-business projects in Mozambique. In 2007, James completed his Postgraduate degree in Development Economics at Oxford University, where his research into infrastructure services and manufacturing in achieved a Distinction. He has previously worked in Corporate Finance for Pricewaterhouse Coopers (PwC) in Nairobi, gaining experience with infrastructure projects in the power and rail sectors, including sector liberalisation and a concession. James has a First Class undergraduate degree in History and Economics from Balliol College, Oxford.

3. PROJECT PIPELINE ANALYSIS

This section presents our preliminary analysis of the project pipeline based on the documentation supplied to date.

3.1. Scope of the project pipeline analysis

The purpose of this phase of work is to take stock of the work and research that have been undertaken, to review the government's existing project pipeline, and to develop a detailed methodology for developing the project pipeline up to 2013.

Within this over all scope of work, for this Note, we have sought to establish an initial understanding of the IPDF's project pipeline, as outlined in the "Castalia Report" (Castalia [2008], *Pipeline of PPP Projects and Size of the Project Development Fund and the Viability Gap Fund*). We have also examined other available sources, such as the IPDF website.

3.2. Project pipeline analysis as per the Castalia Report

The Castalia Report presents 16 projects as target for PDF and VGF support in 2008-09, seven of which were sourced from the Public-Sector Development Programme (PSDP) with the rest proposed separately by government bodies as candidates for PPPs and considered by the IPDF. Two of the latter category had yet to sign an MOU with the IPDF and might be considered to be at an earlier stage of development. All of the projects in the pipeline were due to have commenced feasibility studies before April 2009. The expected project costs were a little less than $2.5bn, with PDF funds requirements of almost $21m and viability gap funding requirements of $75m.

Table 3.1: Origin, and average size of existing project pipeline (as per the Castalia report)

Origin	Projects	Average size	Average feasibility funds	Average transaction funds	Average VGF funds
PSDP	7	$137m	$0.26m	$0.81m	$14m (2 projects)
Non-PSDP (MOU signed)	7	$34m	$0.13m (6 projects)	$0.27m	$6.6m 5 projects
Non-PSDP (No MOU)	2	$636m	$1.5m	$3.75m	None
	Overall	**$154**	**$0.38m (15 projects)**	**$0.94m**	**$8.29m (7 projects)**

Table 3.1 summarises the project pipeline for PDF and VGF funds in 2008-09, distinguishing the former between feasibility study support and transaction support. Costs, funding and timing are further summarised in Annex 1. Some of the later stage project development activities (transaction advisory and structuring) were due to run into

2010, according to the Castalia Report. However, we expect that this information is largely out of date and so will seek verification from IPDF.

The seven PSDP projects were selected from a shortlist of 16, on the basis that they were a realistic target for the IPDF to prepare in 2008-09 (since the IPDF had already been delegated authority by the Prime Minister's Office). Furthermore, they were considered core infrastructure projects appropriate for fast-track PPP. The shortlist of 16 was itself chosen from a list of 200 on the basis that they were the largest projects across a spread of infrastructure sectors and sufficiently attractive to the private sector.

The nine non-PSDP projects were selected from 17 proposed by government bodies. The eight not considered as part of the PDF/ VGF pipeline for 2008-09 included four that were at a 'hypothetical' stage of development and four for which advisors had been hired or budget allocations made, thus negating the need for PDF and VGF resources respectively. One of the 'hypothetical' projects is a $22.4bn water reservoir project.

3.2.1. Additional sources

In addition to the Castalia Report, we consulted some other available sources such as the IPDF website and the 2007 Business Plan for the Pakistan Infrastructure Financing Facility (IPFF).

The IPDF website lists 21 projects, in addition to the projects summarised in the Castalia Report. All but five of these projects are recognisable from the 33 mentioned already (i.e. the shortlist of 16 PSDP and 17 non-PSDP projects). While the IPDF projects may provide an alternative source, the information also appears to be out of date (circa. 2006).

The 2007 Business Plan for the Pakistan Infrastructure Financing Facility (IPFF) lists 21 projects in the appendix, 15 of which are not recognisable as IPDF projects listed in the Castalia Report. The status of these 15 projects need to be evaluated in the next phase of work.

3.3. Key issues relating to the project pipeline

This section summarises our evaluation of the usefulness of the existing project pipeline, as well as discusses the pipeline methodology and analysis going forward.

3.3.1. Comments on the existing pipeline

As stated above, information on progress of projects in the Castalia Report is likely to be out of date. Updating this pipeline will be part of a the broader process of expanding it to examine a full range of government-originated projects. The IPDF initially selected 200 PSDP projects on the basis that they were large (with overall project costs of more than $7-8m), already had allocations in the 2007-08 budget, were appropriate for PPP, and were spread across a mix of sectors. At that time, the IPDF had little information on the vast majority of projects in the PSDP as it had not obtained the relevant Project Concept (PC 1) document. It would seem appropriate to re-assess the project pipeline from the long list of 200 PSDP projects, as well as any new projects meeting these conditions, subject to the additional information available.

Furthermore, there were nine projects originated from other sources of government that were earmarked for PDF and VGF funding in the Castalia Report, as well as eightothers deemed viable without PDF or VGF support or at the hypothetical stage. We would hope to ascertain the precise origin of these projects and other projects not part of the PSDP as part of the pipeline analysis.

3.4. Developing a methodology to select projects

Since the time horizon for the pipeline analysis runs up to 2013, we will consider a greater number of pipeline projects for the PDF and VGF than in the Castalia Report. Furthermore, since that document originates in 2007, we will determine the updated status of the projects in the existing pipeline. Some of the criteria that we will consider, inter alia, in determining the methodology to select projects are:

- project eligibility criteria;
- government priorities;
- stage of the project cycle;
- suitable form of the PPP; and
- project economics.

3.4.1. Project eligibility criteria

In developing the project pipeline, we shall determine the overall eligibility criteria for projects qualifying for the PDF and VGF. This will include setting eligibility criteria in terms of sector, nature of project (for example, whether only PPPs), size of project, value of support etc.

Project size and sector

The average cost of projects in the existing project pipeline as per Castalia's report (and as shown in Table 2.1 above) is $154m – ranging between $1.02bn (combined for the shipyard projects at Karachi and Gwadar) and $3m (for the Kalinger Water Supply project). The five water and sanitation projects cost a combined $196m, while the five highway projects amount to $850m. The remaining six projects are spread across logistics sectors (rail, a bridge, ports and airports) and one hospital project. There has clearly been an effort to ensure that projects are (i) above a minimum size threshold, and (ii) cover a range of sectors.

PPP Legal framework

We shall also consider the existence of a suitable legal, policy and institutional framework for PPPs for the sector, as well as the track record of successful PPPs in the sector to date, when assessing the potential project pipeline. For example, we understand that that sectors such as energy and telecoms in Pakistan have a framework that allow PPP transactions, unlike others such as urban infrastructure. This will be an important criterion to evaluate eligibility.

3.4.2. Government priorities

Importantly, we will need to determine the relative government priorities in respect of sectors and regions covered and the size of projects. For example, it may be the case that given the energy deficit situation that Pakistan is facing, there is an urgent need to mobilise private financing for energy sector projects. In doing this, we will need to consider the wider objectives and priorities of the Government and how these influence the type of project selected, e.g. an aim of 'development of urban infrastructure' will necessitate a different project pipeline to the aim of 'attracting foreign/regional investments for infrastructure'.

In developing the project pipeline, we will also need to determine how responsibilities and finances for project development are allocated between local, provincial and national government (and associated agencies). One related issue is to clarify which level of government will set the priorities for the PDF and VGF, in terms of the projects being screened.

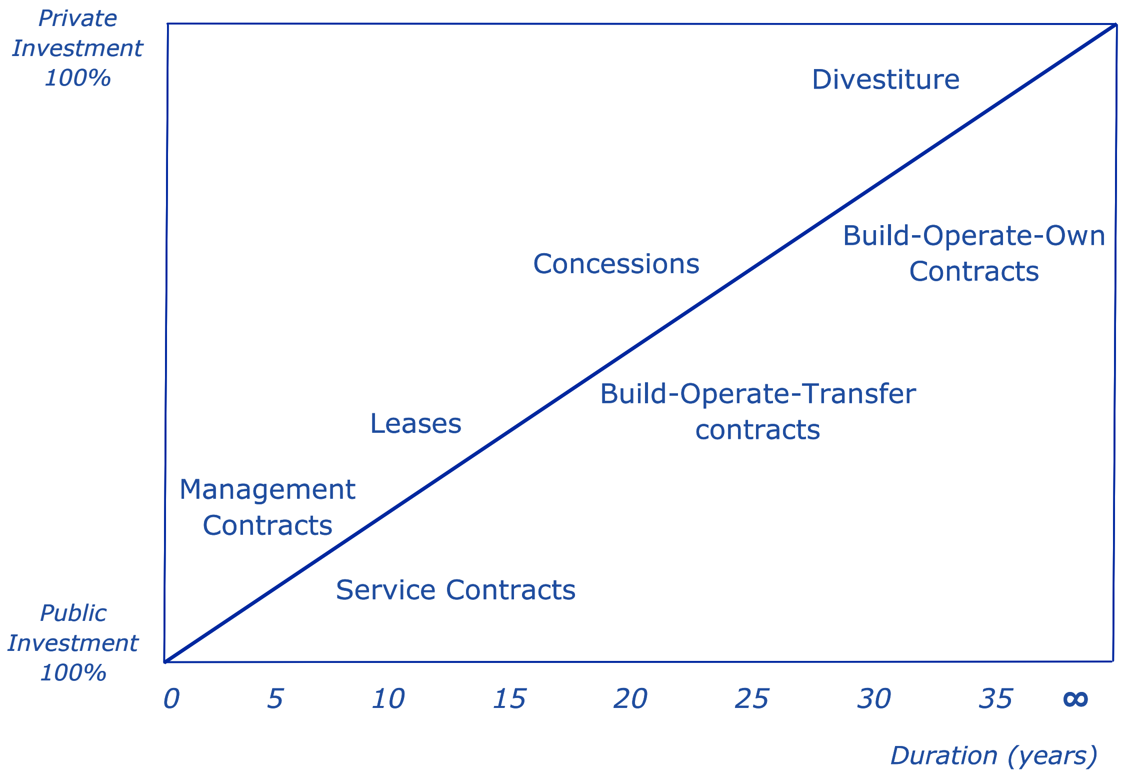
3.4.3. Stage of the project cycle

In terms of identifying overall priorities for PDF, we will distinguish at which stage of the cycle a project is and the specific project development activities undertaken to date. For example, a project at a very early stage may require PDF support for both the development of a feasibility study and to hire transaction advisors. On the other hand, the need for VGF support and the extent of support may be better known when the project has been structured and its financial viability and attractiveness to financiers better known. One option to consider for the PDF is the stage(s) of the project cycle it supports and the required documentation on the project for it to be considered for eligibility. Clearly, from a sustainability perspective, i.e. should PDF look to recover at least a percentage of its costs, it would seem more advisable for the PDF to fund greater levels of transaction support rather than early stage pre-feasibility and feasibility studies. That said, if the main bottleneck is lack of government funds / initiative to develop a project to be offered for procurement, PDF assistance may be vital at an earlier stage of the project development cycle. In that stage, it needs to be determined whether, at a minimum, there should at least be a well developed concept note on the project, including some government assurance that there are no 'show-stoppers' such as disputed land for the project site.

3.4.4. Suitable forms of PPP

Taking into account the Government's priorities, consideration has also to be given to the suitability of projects for PPP. The essence of PPPs is the transfer of risk from the public sector to the private sector for the delivery of infrastructure and public services.[3] Based on the nature of risk allocation and contract duration, there can be a spectrum of PPP contracts, ranging from concessions and BOOTs where there is significant private investment, to management contracts and leases, where there may be greater levels of public investment. Figure 2.2 below presents the spectrum of PPPs.[4] Some projects are not appropriate for any PPP arrangement. We will determine a set of criteria to assess of the projects are of PPP nature and whether they are suitable for consideration in the pipeline for PDF or VGF support.

Figure 3.2: PPP options



3.4.5. Project economics

We will need to assess the basic preliminary financial and economic fundamentals of projects, in order to provide some estimates of the level of support required, particularly as regards to VGF.

3.5. Next steps to update the project pipeline

[3] These risks may pertain to the supply side (e.g. capital cost over-run, completion delay, operating performance, operating costs, lifecycle costs) or demand side (e.g. market risk, volume risk, price risk, payment and credit risk).

[4] Technically, divestitures are not considered to be PPPs, but rather PPI / PSP contracts. However, these contracts do point to the nature of private sector appetite for infrastructure projects in the country.

As stated in the Revised Methodology, we will take the following immediate steps to update the project pipeline:

- Call and/or video call consultations with the World Bank and IPDF to update and expand upon the existing 16 projects in the pipeline (as per the Castalia report) through the full PSDP list (as well as the selected non-PSDP projects);
- consultations with relevant government agencies, such as the Private Power Investment Board (PPIB) and the Water and Power Development Board (WPDB);
- identification of any new or additional projects across local, provincial and central government, as well as other materials deemed relevant by the government; utilizing World Bank and IPDF contacts;and
- collection of any known project proposals that have originated from the private sector, say through unsolicited bids.

The update of the project pipeline will enable us to build an outline of the "demand" for the activities of the funds and will inform our detailed methodology for developing the PPP project pipeline. The update of the project pipeline will be presented in our first interim report.

However, it is important to note that such an analysis is only an estimate of potential demand. In reality, any project pipeline at any given point in time is merely a snapshot of what might be, in practice, projects proceed through the project cycle at varying speeds depending upon the many challenges which they face. Some projects would be dropped or be suspended whereas some new projects may emerge.

4. PROJECT DEVELOPMENT FUND

In this section, we outline our approach to the design of the PDF on the basis of our understanding of the PDF key objectives. In defining our approach, we looked at the existing draft design for the PDF as set out in the "draft concept note for the establishment of a project development fund for public-private partnership" (Draft Note), a World Bank document prepared in April 2007.

4.1. The primary and secondary objectives of PDF

The Government of Pakistan recognizes that the delivery of PPP projects with good fundamentals and efficient contractual structures is constrained by a lack of capacity and resources at various government levels.

As set out in the Draft Note, the primary objective of the PDF is therefore to fund a significant portion of potential PPP projects' preparation and transaction advisory costs with the following key objectives:

- to improve the quality of PPP structure so as to attract private investors and deliver value for money to the Government;
- to increase the speed and the number of successful PPPs; and
- to reduce the impact on Government Institutions' budgets.

Other, secondary objectives are:

- to improve good practice in developing PPP projects;
- to support the project management and ownership of PPP projects by Institutions;
- to ensure self-sustainability of the PDF; and
- to develop the PPP projects' advisory services market.

These objectives inform the suggested approach to the PDF design which is outlined below.

4.2. The institutional structure

The Draft Note presents the PDF under the control of the Ministry of Finance as a separate current account. Institutional options for the PDF vis-à-vis the Ministry of Finance (MoF), IPDF and the GoP's PPP framework as a whole will be considered. A few comments on the institutional structure of the PDF are as below:

- An account within the MoF would be subject to a degree of political discretion, which may distract from core operational priorities, but at the same time would ensure a degree of accountability for public resources.

- The role of the IPDF, in particular whether the PDF would be legally a Trust Fund held by the Facility, must be clarified. Should the IPDF have sole access to the PDF and potentially manage it? Should the Board of the PDF be the same Board as that of the IPDF with an extended mandate, as the Draft Note suggests? Whilst this option may leverage existing skills, it may limit the scope and operations of the proposed PDF.

- A private (independently managed and governed) company undertaking the intended operations of the PDF could be structured such that the IPDF would be one of several entities able to access funds, based on clearly defined criteria. This may potentially help mobilise a greater amount of private finance (both locally and from overseas) for infrastructure development in Pakistan.

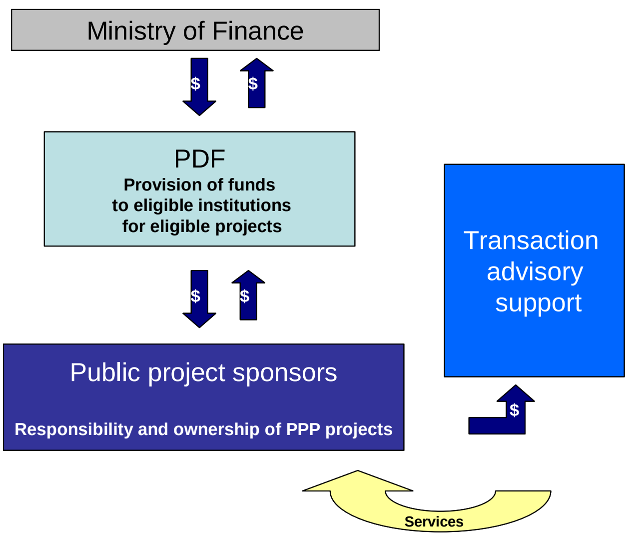
- Relationship with existing institutions. The GoP has worked on the establishment of an Infrastructure Project Financing Facility (IPFF) to help finance projects in Pakistan. When designing the PDF, it might be worth considering possible co-operation/ coordination between PDF and IPFF, given the contiguous stages of the infrastructure project cycle that they concentrate on.

4.3. PDF concept

One possible approach is an Advisory Fund established to support public sector stakeholders in project development activities. The PDF will make available financial resources to support the public sector both in developing and transacting projects. With such an approach, the PDF does not provide project development services itself, but rather manages a fund which would provide the resources to Government project sponsors required for third party transaction advisers.

The possible approach is depicted in Figure 4.1 below.

Figure 4.1. PDF approach



In this approach, project responsibilities and ownerships remain with the public project sponsors. The PDF would provide financial resources to the government agencies on a demand-led basis, and would be subject to eligibility requisites, which will be clearly set out in the operating policies and procedures. The project sponsor will select and appoint third party transaction advisers through a bid process consistent with the IPDF guidelines. The project sponsor would also be responsible for managing the transaction process, and overseeing the work of the appointed advisers. Where possible, the sponsoring agency should make a co-contribution to the funds provided by the PDF, to promote greater ownership and accountability. The rules around the co-contribution of the public sponsor will be analysed further in the next phase of work, and during the consultation phase.

The Draft Note sets out a similar approach to the one outlined above, except that, in the Draft Note, fees for external services are paid by PDF directly to the third party advisers (rather than channelled through the public sponsor). Whilst this approach may work and indeed may be preferred to ensure that PDF funds are not diverted to other uses, and are only used to support the approved transaction advisory mandates, the role of PDF in procuring the third party advisory services needs to be clarified.

The Draft Note states that the procurement procedures will have to be consistent with the guidelines being prepared by IPDF. A draft of these guidelines, if available, would need to be reviewed to ensure consistency with the proposed PDF approach and remit, and to also clarify the role and involvement of the PDF in the procurement process. These aspects will be discussed in the next stage of the project where options will be presented and evaluated.

We now turn to review some specific aspects of the PDF design such as:

- operations,
- structure and governance; and
- funding.

Issues related to the recovery of PDF disbursements are discussed in section 4.5.

4.4. Operations

In this section, we outline some of the issues in the definition of the PDF operations.

4.4.1. Activities to be funded

External advisory support along the stages of the project cycle

A PPP project cycle comprises different stages and activities, which are set out in the Table 4.1 below.

Table 4.1: Phases of a PPP project cycle and related activities

	Project development phase	Types of activities
	Phase 1: Enabling environment	□ Designing enabling legislation □ Designing regulatory approaches □ Project related institutional reforms □ Capacity building; Consensus building
Early Stage	**Phase 2: Project definition**	□ Identification of desired outputs □ Prioritisation vs. other projects □ Identification of project partners □ Action planning □ Pre-feasibility studies
	Phase 3: Project feasibility	□ Organisational / administrative □ Financial / financial modelling □ Economic □ Social / environmental □ Technical / engineering
Later Stage	**Phase 4: Project structuring**	□ Public / private options assessment □ Project finance □ Legal structuring □ Technical / engineering
	Phase 5: Transaction support	□ Project financing (ongoing) □ Legal structuring (ongoing) □ Technical / engineering (ongoing) □ Procurement
	Phase 6: Post implementation support	□ Monitoring □ Evaluation □ Renegotiation / refinancing

A key distinction of the project cycle stages and their related activities, is the following:

- Phases 2 and 3 include activities such as pre-feasibility and feasibility studies which are relatively lower cost compared to transaction advisory costs which occur in the subsequent phases of the project cycle. However, they have a high development risk component as projects examined in these phases may not pass to next phases of the project cycle;

- Phases 4 and 5 typically require technical, financial and legal advisory costs which are expensive but are less risky than activities undertaken at previous stages of the project cycle. At this stage, project concepts are expected to be already confirmed by feasibility studies and the PPP projects, if properly structured, are expected to achieve financial close.

There are several phases of the PPP project cycle where the PDF may provide funds. It would be important to clarify at what stage of the project cycle, the PDF intervention is mostly required. The Draft Note seems to suggest that the PDF may fund activities to be undertaken from Phase 3 to Phase 5 of the project cycle.

Should there be a lack of other resources to support external advisory costs from phase 2 through the end of the project cycle, it seems reasonable that the PDF will fund any of them. However, in doing this, some of the issues to be taken into account are:

- **Impact of early stage activities on business sustainability of the PDF**. Activities at the early stage of the project cycle imply limited costs on each single project but costs for a large numbers of projects, of which some will not move forward through the project cycle. In addition, even for projects that achieve financial close, the development costs incurred at early stage are unlikely to be recovered through a success fee or any other mechanism at closing of the transaction. These factors will impact the business sustainability of the PDF and are to be considered in conjunction with the funding strategy and financing constraints of the PDF.

- **Risk of overloading the PDF with funding applications.** If projects are eligible for PDF funding even at an early stage of the project cycle, there is a risk that PDF will be overloaded with demands for funding, thus limiting its effectiveness in providing financial resources to eligible projects. In this case, minimum key documents that the sponsoring government agency has to provide to apply for PDF funding have to be clearly set out in the Operating Policies and Procedures. For example, this may need to include a clear project definition / concept, whether it is to be procured / structured as a PPP, the comfort that there are no major land acquisition or licensing issues facing the project, when developed etc.

- **Budget allocation**. Given the different nature of the structuring and advisory stages of the project cycle compared to project definition and feasibility assessment stages, as well as the implication for costs and risk profile thereof, different criteria might be designed for the allocation of financial resources to early stage and to late stage support, and the selection of qualified projects.

- **Role and contribution of the sponsoring entity**. Should the PDF be designed to support both early and late stages of the project cycle, the role and financial contribution requirements of the public sponsor in each of these stages need to be specified. If the PDF aims to be a largely sustainable entity, the sponsoring entity may be expected to contribute more towards the early stage costs (which as mentioned, are riskier but less in magnitude than transaction advisory costs) out of its own budget.

As to phase 6 of the project cycle, given the long-term nature of PPP agreement, it is likely that at some point during the life of the projects, the PPP agreement will have to be renegotiated. This phase might require external legal / financial support. The operations of PDF will set out whether or not external advisory support in contract renegotiation might be funded by PDF.

Project management activities

In addition to the external advisory services, the Draft Note states that PDF should also be allowed to fund project management support related directly to the Institutions' management of the project.

In the next phase of this work, it will be clarified what type of funding is needed, how the PDF will assess the need for project management support and who may provide this service.

4.4.2. Product offering

At this stage of the PDF design and as presented in the Draft Note, the product offering has not been discussed yet. We suggest that the form of funding may be different depending on the type of activities to be supported. For example, PDF grants - a pure form of subsidy - may be largely focused on supporting early stage project cycle activities, (such as technical, legal, and financial feasibility studies) of the projects, to which the project sponsoring entities would also be expected to contribute. Later stage activities may be supported on the assumption that any third party costs incurred by PDF will be reimbursed (i.e. a revolving fund type operation). Detailed assumptions on the types of funding will have to be discussed taking into account both the types of project cycle stages to be supported, and the self-sustainability objective of PDF.

As stated in the Draft Note, the PDF may also attach conditions to funding as appropriate.

4.4.3. Eligibility

Eligibility criteria for projects and for institutions which may submit applications for PDF support will be developed.

Criteria for project eligibility

The PDF Operating policies and procedures will set out criteria for eligibility of projects. One issue to be explored in this context will be the degree of authority of PDF in setting project priorities. The Draft Note sets out that PDF will develop sector priorities across infrastructure sectors. Further, other priorities may have to be agreed such as preference for a type of PPP agreement or for a specific range of project sizes. The role of the PDF vis-à-vis the relevant government agencies in setting these priorities needs to be examined. Nonetheless, it is important for PDF to set out clear eligibility criteria for the projects that it will fund.

Some of the eligibility criteria may be:

- PPP nature of the project;

- economic and social viability of projects;
- project sustainability; and
- impact of intervention by PDF.

The eligibility criteria will be linked to the criteria set out in the methodology for the development of a project pipeline, as discussed in Section 3 of this Note.

Institutions eligibility

As set out in the Draft Note, all federal, provincial and local government entities and agencies, departments and organisations under their control are eligible institutions for PDF support. One issue to be discussed is whether any eligible institution may apply directly for PDF support or whether the applications can be processed by higher-level government institutions which will gather PDF applications from its local agencies and organisations, and evaluate and prioritise those for PDF support.

Should institutions at more than one level be involved in a PPP project, the responsibility and accountability for the support received by PDF has to be clearly set out.

Another aspect to be explored is the institution's credibility when they present projects for funding and their capability to manage PPP projects and transactions.

Unsolicited project proposals

While the current plan is that only projects sponsored by the public sector will be included in the project pipeline, it may be worth exploring the potential for private sector originated PPPs as well (e.g. unsolicited bids). Whilst these may be viable (which may explain the private sector interest in the project), the government may still require PDF support in developing and taking the project forward at least for the perspective of supporting the public sector in later stage activity

This issue will be discussed during the consultation process in the next phase of the project.

4.4.4. Project screening and evaluation

Processing applications for PDF support received by eligible institutions and screening projects for funding will be a key activity of the PDF. It is key that clear criteria for evaluating the project applications are put in place and are followed by the PDF team. Some of the issues to be addressed in designing these operational guidelines of the PDF are:

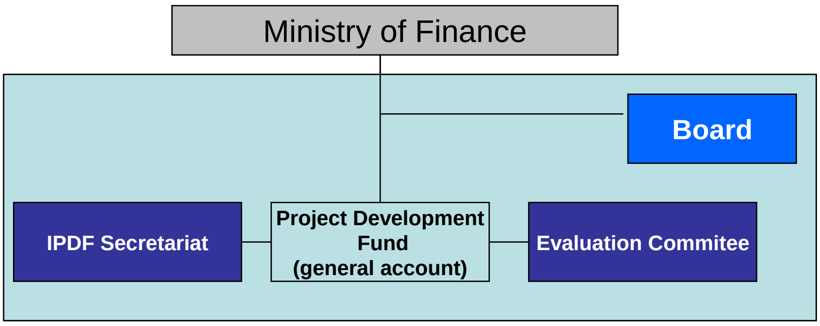
- **Independence of the PDF from other institutions,** both from the institutions submitting the project applications and from other institutions which may have conflicting interest with the PDF's mandate.

- **Understanding of the commitment of the sponsor**, to ensure that limited PDF funds are provided to support the projects of only those government agencies that are serious (and / or have a track record) in taking projects forward, if viable, to financial close; and where feasible, the agencies are able to provide a reasonable co-contribution to project development costs.
- **Skilled resources within the PDF** with knowledge of government policies/ priorities and with the experience and understanding of the PPP project cycle and risks.

4.4.5. Structure and governance

The PDF structure and governance need to provide appropriate accountability for public funds. The PDF structure suggested in the Draft Note is set out in Figure 4.2 below

Figure 4.2: PDF Structure



Board

As stated in the Draft Note, the Board will have key functions such as setting priority sectors, policy directives, and approving operating policies and procedures. It is also suggested that IPDF Board represent the PDF Board with an extended mandate. The exact composition of the Board vis-à-vis its functions will be examined in the next phase of work.

This may not be the most appropriate way to establish the relationships. An alternative approach would be for the Evaluation Committee to report to the Board, which in turn will report to the Ministry of Finance. The IPDF could operate as the Secretariat or Manager of the PDF, subject to some constraints, responsible for making proposals to the Evaluation Committee.

Evaluation Committee

The Evaluation Committee will evaluate applications put forth by the PDF project / institutions screening team and select the projects for funding.

In broad terms, the structure set out in the Draft Note reflects good practice. A few comments are set out below:

- **IPDF Board and PDF Board**. Even though appointing a separate Board might appear as a duplication of roles, we suggest it is worth considering this alternative option which would have the benefit of providing PDF with more independence compared to existing institutions such as IPDF. For instance, one alternative solution might be a Board comprising Ministries or senior public servants from different infrastructure sectors which may rotate every three or five years, as well as one or two competent private sector representatives.

- **Composition of the Evaluation Committee**. The Evaluation Committee members should have strong experience and knowledge in preparing and transacting PPP projects across sectors. In light of this, we suggest that some members of the Evaluation Committee are taken from the private sector.

- **Role of IPDF**. It is unclear how much the PDF is expecting to rely on IPDF's resources. On one side, the Draft Note mentions that the IPDF will perform a Secretariat role, on the other side, two out of the five proposed members of the Evaluation Committee, are from IPDF. These proposals and other alternatives will be evaluated when developing the governance and design of the PDF.

- **Need for sector specific accounts within the PDF general account.** The Draft Note proposes setting up of a PDF general account and several sector specific accounts (e.g. power, municipal services etc.), each to be funded, managed and reported as a distinct entity. Whilst this may ensure that a specific sector is not neglected at the cost of others, it is important to examine sector priorities and pipeline projects in any year to decide whether such delineation of accounts and funds is required. The downside of several accounts is the risk of unused funds in a sector, and the higher costs of management and governance.

- **Legal form of the PDF.** A governance issue that will have to be discussed is whether the PDF should be a corporate entity or a government agency. The legal form of the PDF may affect its structure, funding, and governance requirements.

4.5. Funding of the PDF

In relation to funding, a central issue is the extent to which PDF will be reimbursed by fee income – typically in the form of success fees paid for projects that reach financial close.

The Draft Note sets out that one of the secondary objective of PDF is to ensure that PDF is sustained by recovering disbursements from PPP projects where appropriate.

Where possible, there is a strong case that the projects should at least reimburse their development costs, so that they can be reinvested in other projects. Funding considerations will feedback into the decision on the role and strategy of the PDF. These will have to take into account:

- **Nature of the financing mechanism for the PDF.** The nature of the financing mechanism for the PDF will depend on a number of design factors, which will be explored in the subsequent Phases of the work. These design factors will drive the decisions related to the overall financing mechanism options. For instance, it will be more difficult to recover early stage funding as opposed to later stage support. A host of key questions will need to be considered, such as where the funding will be sourced from, what conditions will be attached to this funding, what management and accountability requirements will be needed for these funds, etc.

- **Use of funds by the PDF.** The other side of these considerations will be the focus on how PDF will use the funds it has at its disposal. This will also depend on the design of the PDF. Some of the questions that need to be considered include: Would the PDF provide grant support to project preparation activities? Would it provide funding to projects which are also sponsored by other institutions? Would it support the preparation of projects come about through unsolicited bids?

4.6. Next steps

The next steps in taking forward the PDF concept will be:

- to confirm the key objectives of PDF;
- to confirm that the "Advisory Fund" approach is suitable for the PDF in relation to its key objectives;
- to provide case studies of similar experiences in other developing countries; and
- to develop operational, organisational and funding options for the PDF.

The above steps will be undertaken through consultations with government agencies, private sector developers/ financiers, and other stakeholders. The outputs from these consultations will be a detailed understanding of the demand for the PDF's activities, draft guidelines on the legal and institutional arrangements for the fund, and a set of draft financial and operational guidelines to govern the disbursement and other activities of the fund.

5. THE VIABILITY GAP FUND

In this section, we begin by providing a summary of the existing proposed VGF design. We then turn to some of the specific issues that we believe need to be considered further, namely:

- defining and measuring the viability gap;
- VGF products and calculating the level of subsidy; and
- governance and operations.

Whilst we agree with much of what has currently been proposed, we believe, in particular, that subsidies could be deployed in a more sophisticated and efficient manner.

5.1. Summary of the proposed approach

This summary is based largely on the following documents:

- "Viability Gap Fund for Infrastructure PPPs: Proposed Structure" (IPDF September 2007); and
- "Instructions for Submitting and Reviewing Viability Gap Fund Applications.

The papers first provide a definition for the viability gap, based on the difference between the level of infrastructure service consumption desired and what is affordable, for projects that are otherwise economically justifiable (that is, where economic benefits are greater than economic costs). They then go on to raise issues regarding:

- eligibility for VGF support;
- the scale of VGF support;
- control, governance and administration of the VGF;
- requests for, and approvals of, VGF support and how this cycle fits with that of the IPDF project cycle; and
- sources for funds.

These are considered further, together with any issues arising, in the next section.

5.2. Defining and measuring the viability gap

In the sub-sections below, we consider a number of issues relating to the current working assumptions.

5.2.1. Financeability vs bankability

We believe that the fundamental definition of the viability gap is not quite right, at least from a project financing perspective. The documents describe the viability gap as being the difference between the sum of opex and capex costs which is set out as being a financial viable level of revenues - and those actually received.

Whilst this is partially correct from an economic perspective (it would be usual to include some required rate of return), it is more accurate to focus on project "financeability" or "bankability" rather than "financial viability". Project financeability is a higher standard in that it represents the extent of revenues required to reach financial close: financial viability is a necessary but not sufficient condition in this respect. To be financeable, not only do revenues need to cover costs, interest and a risk related return, key indicators such as the debt / equity balance and debt service cover ratio must be viable under severe stress tests. If anything, the difference project financeablity will require a higher level of revenues, thus increasing the scale of the viability gap.

5.2.2. Measurement of the viability gap for a given project

The viability gap can be measured as the net of the present values of the projected available funding (from affordable tariffs and unitary payments) and the projected funding required to meet the project's financing requirements.

5.2.3. Determination of the scale of the viability gap

There are a number of determinants of the scale of the viability gap, assuming the definition set out above:

- The level of the realisable customer tariff, which in turn will be determined by:
    - Ability to pay – any industrial off-take is likely to increase this; household customer bases will only be able to pay a proportion of their incomes for infrastructure services.
    - Willingness to pay – even where there might not be an apparent affordability constraint, consumers are typically resistant to any increases in the politically sensitive tariff.
- The scale of the new investment required. Greenfield projects are particularly problematic where there are few initial customers with resulting limited economies of scale.
- In the case of private finance or PPPs:
    - Private financing is typically more expensive than public and its tenor is also typically shorter, meaning that loans are more expensive and need to be paid back more quickly and over fewer years, increasing the required tariff[5].

[5] In corporate finance theory, however, public and private finance should be priced similarly because the project risk – which determines the risk premium – is inherently the same.

- Risk adversity amongst private financiers – in the absence of any guarantee, lenders will look for a large amount of equity in a project structure, to cushion them against any unforeseen shocks (such as unfavourable exchange rate movements, recessions etct), which will have the impact of increasing the cost of capital and therefore the required tariff and any likely viability gap.
- In the case of some concessions, the length of the concession is much shorter than the economic life of the assets: if there is no award of a terminal value to the concessionaire at the end of the concession, the resulting amortisation schedule will lead to a high annual depreciation charge and again a higher tariff if the project is to be profitable. If, for instance, a dividend is to be paid, it is necessary for the project to have both the cash and a level of profitability that enables this.

5.3. VGF products, determining the level of subsidy and approaches to its allocation

5.3.1. VGF products

The documents propose that a capital grant is provided as the main form of VGF "product". This is certainly an acceptable, but perhaps not an optimal approach. Ideally, the financial product provided to address the viability gap should be that which is best placed to address the underlying problem. For instance:

- It may be that the viability gap is driven by the lack of longer term debt; or put another way, if the tenor on the senior loans could be extended, the tariff in question could be reduced in any one year thus improving its affordability. An interest rate subsidy may be the best way of achieving this.
- The viability gap may be primarily a (market) risk gap, where a high degree of conservatism leads to highly pessimistic expectations as regards how a project might perform. In the absence of a government guarantee, this will likely entail increasing the amount of equity in the project's structure to act as a cushion, should such an unfavourable outcome materialise. This, however, will push up the project cost of capital and hence required tariff. This could be reduced by providing subsidy as part of a "deferred equity" product, which is subordinated to the other equity investors (effectively putting them in a preferred position).

5.3.2. Extent and measurement of subsidy / concessionality

Whereas a pure grant can be seen as being either a 100% subsidy or 100% concessional, other forms of financial products can have a degree of subsidy / concessionality built in to them, by way of increased grace period, lower interest rate, higher risk absorption etc.[6]

[6] These would all have the impacted of lowering the anticipated rate of return.

For instance, a 40 year IDA credit has been calculated to be approximately 67% grant or subsidy.

Theoretically, the extent of any subsidy might be measured in two main ways:

- On a **relative** basis – that is as compared to the returns made by an entity with a comparative position within the market. In practice, this would be a very difficult approach as it would be difficult to establish like for like comparators.
- On an **absolute** basis, evaluating the extent of the subsidy where the expected return is less that than of the discount rate applied. Thus, if say a high real rate of, say, 6% discount rate, were to be applied, any lower return would represent a subsidy.

Thus, we would suggest that the absolute basis set out above be adopted. This would work as follows. The amount of subsidy would be measured on a net present value basis: payments by the VGF would be netted off against any receipts and then discounted. As shown in Table 5.1 , any negative results in present value terms would represent the value of the subsidy allocation.

Table 5.1 Redeemable grant/interest free loan

Year	0	1	2	3	4	5	6	7	8	9	10
Payments	-30m										
Receipts									10m	10m	10m
Net cash flow	-30m								10m	10m	10m
NPV discount rate 6% = -US$12.22m	-30m								6.27m	5.92m	5.58m
Total subsidy = -US$12.22m											

The subsidy contract between the VGF and the project would take into account the proposed profile of repayments by the project, which would be written into the agreement as a contractual commitment to repay. If payments were delayed, this would be akin to a default, in which the VGF would have various step-in rights (to be defined). However, as the net obligation was set in present value terms at the time of commitment, there may be an incentive for the project to pay back any subsidies sooner rather than later as because of discounting, this would reduce the absolute amount of cash to be repaid – especially if the nominal discount rate were set to be higher than the weighted other costs of borrowing. The sooner the money is returned to the VGF the better, as it can be recycled in to other projects.

5.3.3. Rules for allocating subsidies

As per the documentation, we would agree that the best approach would be to allocate the subsidies on a least subsidy basis, in which projects compete for each other on the basis of how much subsidy is required. The method of calculating the subsidy would be as set out above. Those projects with the lowest subsidy requirement, in net present terms, would rank highest in the competition as illustrated in Table 5.2.

Table 5.2: mechanism for subsidy allocation

Bidder	**Required subsidy (US$m)**	**Total funding requirement (US$m)**	**Funding balance (US$m)**	
			b/f	**c/f**
Proposal 1	25	100	500	400
Proposal 2	35	150	400	250
Proposal 3	50	200	250	50
Proposal 4	*65*	*80*	*50*	*Insufficient availability*
Subsidy carried forward to next competition			50	

As shown, the amount of funding used up would involve the total amount of funds required, rather than just the subsidy amount. The total amount of funds includes both the subsidy component the amount that would be repaid to VGF over the life of the project. The Net Present Value of the required subsidy will be the difference between:

- the Net Present Value of the total funding disbursed from VGF to the project and
- the Net Present Value of the projected repayments to VGF over the life of the project.

Given an amount of total funding required, clearly the required subsidy in net present terms will depend upon the amount and the timing of repayments to VGF and on the discount rate applied to those cash repayments to VGF.

Step-in-rights should be put in place in favour of VFG, in case repayments are delayed compared to the committed time during the bid process. This mechanism should incentivise bidders to estimate a reasonable subsidy requirement, in present value terms, and reduce incentives fro gaming.

The total amounts committed should also be capped, either as an absolute amount or as a share of the funding available – say 30%. In the above example, in a given competition, awards are only made whilst there are sufficient funds available. Any unused amounts are forwarded on to the net competition assuming that VGF applications are awarded on a competitive basis.

Different types of projects can be dealt with by establishing different divisions, within which projects compete with each other. This may be employed, for instance, for reasons of sector or regional equity, or project size.

In addition, clear eligibility criteria for the projects to qualify for VGF support need to be set out as part of its operating guidelines and procedures. For instance, it should be set out at which stage of the project cycle projects would be eligible for VGF support. In light of the project financeability concept described above, we note that when projects are in late stage of the project cycle, thus already in their financing structuring phase, it should be easier to identify the project financeability issues which may require a VFG support.

5.4. Governance and operations

As with the PDF, the two main options for the form of vehicle for the VGF would be either a government agency or a corporate entity, both established with a public interest mission. Both models could also theoretically comprise a mix of civil servants and private sector representatives, although they differ in terms of the legal obligations that each faces. As per the documentation, we would argue for a corporate entity comprising:

- a company limited by shares;
- a Board comprising a mix of civil servants executives combined with non-executives from the private sector, which would be responsible for setting overall subsidy policies and overseeing their implementation;
- a third party fund management team responsible for:
  - working with potential bidders to minimise their subsidy requirements through appropriate structuring of the subsidy;
  - analysing the impact of any subsidy requirements on Pakistan's public sector balance sheet; and
  - operating the period competitions for subsidy.

5.4.1. Staffing and skills

The VGF team should have the knowledge and experience of commercial structuring of PPP transactions across sectors, both at the national and sub-national levels, preferably including designing appropriate subsidy mechanisms. Whilst some sector specific skills would be desirable (for example, in power, transport, municipal infrastructure etc.), the aim would be to keep the team lean and competent so as to operate cost effectively. The VGF fund management team would be independent and report directly to the Board.

5.5. Source of funding

As the discussion above highlights, the objective of designing suitable VGF products based on the specific project viability gap is to ensure that there are incentives for repayment for a part of whole of the VGF support provided as soon as project revenues are available. This would allow the VGF to recycle some of its funds for new projects.

In the first instance, it is to be explored if the VGF would be financed by government funding, donor support, or a combination of both. Also, the extent of VGF funding required would depend on various factors such as the characteristics and financing needs of the project pipeline, design of the VGF products, appetite of the private sector for PPP projects, any co-contribution by the government etc. The proposed budget and financing requirements of the VGF would be developed in the next phase of work.

5.6. Next steps

The next steps in taking forward the VGF concept will be:

- to confirm that the suggested approach is suitable for the VGF in relation to its key objectives;
- to provide case studies of similar experiences in other developing countries, to the extent that they exist; and
- to develop operational, organisational and funding options for the VGF.

The above steps will be undertaken through consultations with government agencies, private sector developers/ financiers, and other stakeholders. The outputs from these consultations will be a detailed understanding of the demand for the VGF's activities, draft guidelines on the legal and institutional arrangements for the fund, and a set of draft financial and operational guidelines to govern the disbursement and other activities of the fund.

ANNEX 1: PROJECT PIPELINE

Figure A1: Summary of 33 IPDF projects in Castallia Report

Project	Sponsor	Origination	Cost	IDPF aim	Feasibility	Transaction	Viability
Indus Highway N55 Phase III	Communications	PSDP	$105m	Non-priority	n/a	n/a	n/a
Hassanabdal–Abbottabad-Mansehra	Communications	PSDP	$300m	Target '08-09	$0.4m Aug-Oct '08	$1.5m Nov '08-Jun '09	None
Wazirabad-Pindi-Bhatian Expressway	Communications	PSDP	$345m	Target '08-09	$0.4m Aug-Oct '08	$1.5m Nov '08-Jun '09	None
Railway line and Container Yard Gwadar	Rail	PSDP	$83m	Target '08-09	$0.2m Jan-Jul '09	$0.5m Jul '09-2010	Unknown
Ten Cadet Colleges	Education	PSDP	$33m	Non-priority	n/a	n/a	n/a
South-North by-pass Multan	Finance	PSDP	$19m	Target '08-09	$0.15m Jun-Nov '08	$0.3m Jan-Jun '09	None
Nulla Ley Expressway	Finance	PSDP	$120m	Target '08-09	$0.25m Jun-Dec '08	$1.0m Jan-Aug '09	$24m Sep-Nov '09
400 Bed Women Hospital Rwp	Health	PSDP	$22m	Target '08-09	$0.15m Sep '08-Mar '09	$0.3m Mar-Aug '09	$4m Oct-Dec '09
Three Engineering Universities	Higher education	PSDP	$1,849m	Non-priority	n/a	n/a	n/a
PTDC Head Quarters*	Tourism	PSDP	$8m	Non-priority	n/a	n/a	n/a
Solid Waste Management	Environment	PSDP	$48m	Non-priority	n/a	n/a	n/a
Expo Center Lahore	Commerce	PSDP	$23m	Non-priority	n/a	n/a	n/a
NAB HQ	Housing & works	PSDP	$9m	Non-priority	n/a	n/a	n/a

Project	Sponsor	Origination	Cost	IDPF aim	Feasibility	Transaction	Viability
Bulk Water Supply Islamabad	Interior	PSDP	$782m	Non-priority	n/a	n/a	n/a
3rd & 4th Lane Kashmir Hwy	Interior	PSDP	$37m	Non-priority	n/a	n/a	n/a
New Gwadar Airport	Defence	PSDP	$68m	Target '08-09	$0.3m Jan-Aug '09	$0.6m Aug '09 - 2010	Unknown
Islamabad-Rawalpindi Transit	Unknown	Uncertain viability	$407m	Hypothetical	n/a	n/a	n/a
Karachi BRT	Unknown	Uncertain viability	$203m	Hypothetical	n/a	n/a	n/a
Lahore Mass Transit	Unknown	Uncertain viability	$2,440m	Hypothetical	n/a	n/a	n/a
Islamabad Airport	Unknown	Uncertain viability	$254m	Target '08-09	$0.5m Apr-Oct '08	$2.0m Nov '08-Sep '09	None
Karachi and Gwadar Shipyards	Unknown	Uncertain viability	$1,017m	Target '08-09	$2.5m Mar-Nov '08	$5.5m Dec '08-Sep '09	None
Multipurpose Water Reservoirs	Unknown	Uncertain viability	$22,367m	Hypothetical	n/a	n/a	n/a
PSEB IT Park	Unknown	Non-PSDP (MOU)	$153m	Not needed	n/a	n/a	n/a
CBR Automation	Unknown	Non-PSDP (MOU)	$127m	Not needed	n/a	n/a	n/a
Karachi CNG Buses	Unknown	Non-PSDP (MOU)	$5m	Not needed	n/a	n/a	n/a
Charsaddah Solid Waste	Unknown	Non-PSDP (MOU)	$8m	Not needed	n/a	n/a	n/a
Kalinger Water Supply	Unknown	Non-PSDP (MOU)	$3m	Target '08-09	Unknown Jan-Feb '08	$0.08m Mar-Sep '08	$0.6m Oct-Dec '08
Bridges over River Indus	Unknown	Non-PSDP (MOU)	$41m	Target '08-09	$0.15m Mar-Oct '08	$0.36m Nov '08-Apr '09	$8m May-Aug '09
Hyderabad-Mirpurkhas Road	Unknown	Non-PSDP (MOU)	$66m	Target '08-09	$0.18m Mar-Oct '08	$0.42m Nov '08-Apr '09	$13m May-Aug '09
Lahore Solid Waste Mgt.	Unknown	Non-PSDP (MOU)	$66m	Target '08-09	$0.09m	$0.21m	$2m

Project	Sponsor	Origination	Cost	IDPF aim	Feasibility	Transaction	Viability
					Oct '08-Mar '09	Apr-Sep '09	Oct-Dec '08
Faisalabad Solid Waste Mgt.	Unknown	Non-PSDP (MOU)	$41m	Target '08-09	$0.12m Mar-Nov '08	$0.28m Nov'08-May '09	$8m May-Aug '09
Lahore WASA Billing	Unknown	Non-PSDP (MOU)	$10m	Target '08-09	$0.15m Sep '08-Mar '09	$0.35m Mar-Sep '09	$13m Oct-Dec '08
Faisalabad WASA Billing	Unknown	Non-PSDP (MOU)	$10m	Target '08-09	$0.09m Apr-Oct '08	$0.21m Oct '09-Apr '09	$2m May-Aug '09