

PUBLIC PRIVATE PARTNERSHIP AUTHORITY

Project Preparation, Appraisal and Development Guidelines

The Public Private Partnership Authority Act, 2017 (the “P3A Act”) was enacted for the purpose of facilitating Public Private Partnership (“PPP”) transactions at the federal level. Since it is expected that the demands for public infrastructure in Pakistan will exceed the funding available under the Public Sector Development Program (“PSDP”), a large number of consequential projects to be undertaken in the public interest will likely be developed under PPP mode in the future.

The P3A Act is applicable to PPP projects undertaken by federal “Implementing Agencies,” as such term is defined under the P3A Act. Included within the definition are line ministries, attached departments, body corporate, autonomous bodies of the Federal Government, or any organization or corporation owned or controlled by the Federal Government.

The Public Private Partnership Authority (the “P3A”) has a mandate to enable the Federal Government’s PPP agenda, and to facilitate the development of the PPP eco-system in Pakistan. P3A encourages Implementing Agencies to work on the development of their PPP programs, keeping in view the constraints in delivering public goods and services solely through public financing. In addition to inviting private financing for the development of public infrastructure, there are a number of other additional benefits (in terms of efficiency and expertise) of developing projects in the PPP mode.

In order to facilitate Implementing Agencies, private parties, and other stakeholders, P3A has developed these guidelines, which identify the various steps to be taken with respect to procurement for PPP projects. *These guidelines set forth the preparation, appraisal and development process for qualified projects (as defined under the P3A Act).* These Guidelines have been prepared so as to facilitate Implementing Agencies to conduct the procurement for qualified PPP projects efficiently. However, for legal and regulatory compliance purposes, please consult the P3A Act and the rules and regulations made thereunder (which shall prevail in the event of any conflict).

Prior to project execution, a PPP project goes through three distinct phases: (i) Project Identification; (ii) Proposal Development and Project Appraisal; and (iii) Bidding and Award. Accordingly, these Guidelines have been organized in a manner so as to address each phase separately, as well as to highlight the process and responsibilities of various stakeholders with respect to each phase.

It is noted at the outset that the Public Private Partnership Authority remains available to provide further guidance and/or feedback to Implementing Agencies planning to implement a PPP projects, in order to assess the potential scope of delivering a project under the PPP mode and to ensure that such project is managed through each of the aforesaid phases efficiently and effectively. For further information, please visit our website (<https://p3a.gov.pk/>).



1. Project Identification Phase

- 1.1. It is recommended that (depending on the scope and potential for PPPs in their respective sectors) Implementing Agencies should set up dedicated internal PPP teams. For Implementing Agencies expecting to engage in a large number of PPPs (or complex and/or large-sized projects), a PPP department or PPP Node is recommended to be set up. For those expecting occasional PPP projects, at the very least, a focal person for PPP projects should be appointed (or additional charge should be given in this regard to an official who is familiar with the intricacies of a PPP project) (hereinafter, the internal team, in whatever form, shall be referred to as the “IA Project Team”).
- 1.2. The IA Project Team should be tasked with identification, conceptualization, development, management, coordination, execution, monitoring and reporting of PPP projects under its implementation. It is advisable that Implementing Agencies, especially those that envision undertaking multiple projects (or complex and/or large-sized projects), have a mechanism in place to ensure that the IA Project Team can continue to function continuously without interruptions during key phases of the project development and execution.
- 1.3. Identification of suitable projects forms the basis of the successful delivery of PPP projects. As per the scheme of the P3A Act, although project identification is primarily the responsibility of the Implementing Agency, there are other avenues for identification of projects, such as:
 - a) development of a project concept by a private party on an unsolicited basis;
 - b) forwarding of a project (originally intended to be funded by public funds) to P3A by the CDWP; and
 - c) P3A may, in order to carry out the purposes of the P3A Act, identify suitable projects and highlight them for consideration of the Implementing Agencies.
- 1.4. In addition to the projects identified in accordance with paragraph 1.3 above, Implementing Agencies may, either through the IA Project Team or through hiring a consultant/expert, compile a preliminary list of projects which may be delivered under the PPP mode. This list may include the following type of projects:
 - a) listed in the PSDP; or
 - b) not listed in the PSDP but required to be delivered as a matter of public interest and can be potentially taken up under PPP mode.
- 1.5. After compilation of the preliminary list of projects as aforesaid, the Implementing Agency may, either through the IA Project Team or hiring of a consultant/expert, shortlist the most suitable and viable projects. Implementing Agencies may also seek guidance and/or feedback from P3A in this regard.
- 1.6. The shortlisted projects may then be bifurcated into qualified and unqualified projects based upon the criteria laid down in Section 2 (v) of the P3A Act read with the P3A (Qualified Project Criteria) Regulations, 2023 (the “Qualified Project Regulations”).



This assessment should be undertaken with the understanding that it shall be of a preliminary nature, since the actual contours of the project will become clear only after a proper feasibility study has been carried out.

- 1.7. In the event the shortlisted project is potentially a qualified project, the process laid down in the Process Flow Regulations shall be applicable, and the Implementing Agency would have to consider in the first instance whether to submit a project concept proposal (“PCP”) or a project qualification proposal (“PQP”) to the P3A.
- 1.8. Under the P3A Act, submission of a PCP is optional and does not constitute a necessary step in the approvals process for qualified projects. However, submission of a PCP is advisable for the following reasons:
 - a) the Implementing Agency would be able to determine whether the preliminary concept and rationale of the project is sufficiently sound, so as to justify preparation of a PQP;
 - b) the Implementing Agency would save the valuable time and resources that an Implementing Agency would have to be allocated in preparation of a PQP in case the project concept itself is determined not to be viable (in case of complex projects, or others which would require comprehensive feasibility studies, it is strongly recommended that PCPs be submitted); and
 - c) approval of the PCP may support the Implementing Agency if it intends to apply to the P3A for availing funding from the Project Development Facility (“PDF”) for preparation of the PQP.
- 1.9. PCPs shall be developed and submitted in accordance with Part II of the Process Flow Regulations. As per Regulation 4 thereof, a PCP submitted by an Implementing Agency shall include the following:
 - a) a description and technical overview of the project including the sectoral background and fit with national plans, project rationale and proposed delivery model;
 - b) a statement highlighting the unmet public need the project intends to address and details of project outputs;
 - c) a preliminary analysis of the economic viability of the project including, without limitation, the estimated project cost and potential means of recovery of such costs;
 - d) a brief description and explanation of legal, regulatory, environmental and social impacts anticipated as a result of or in connection with the project; and
 - e) such related documentation or information as the P3A may, from time to time, require.
- 1.10. In addition to basic eligibility criteria (see guidelines issued by P3A on USPs from time to time), Regulation 6 of the Process Flow Regulations requires that a PCP submitted by a private party on an unsolicited basis shall include the following:



- a) a description and technical overview of the project including the sectoral background and fit with national plans;
 - b) details of how the project is unique and innovative or creates exceptional value for the public or is the first of its kind in the national development context or focuses on a neglected sector;
 - c) an analysis detailing how the project intends to meet the relevant public need;
 - d) estimates and analyses of the costs, options and viability of the project including, without limitation, capital costs, operating costs, periodic maintenance / upgradation costs, all assets and resources required for the project, the anticipated financial attractiveness of the project along with any other benefits thereof;
 - e) the proposed business and financial model of the project including potential direct and indirect revenue sources for and involvement of the private sector along with the anticipated duration of the public private partnership agreement;
 - f) a description and explanation of any legal, regulatory, environmental and social impacts anticipated as a result of or in connection with the project; and
 - g) such related documentation or information as the P3A may, from time to time, require.
- 1.11. As per Part II of the Process Flow Regulations, PCPs are required to be submitted to the P3A, which shall, upon determining that the applicable submission requirements as set forth in the Process Flow Regulations have been fulfilled, forward the same to the P3WP along with its recommendations. In case any required information or documentation has not been provided along with the PCP, the P3A shall inform the Implementing Agency or the private party (in case of a PCP submitted on an unsolicited basis), as applicable.
- 1.12. Pursuant to Section 13A (2)(a) of the P3A Act, the P3WP is competent to grant approvals with respect to PCPs. As per various provisions contained in Part II of the Process Flow Regulations, the P3WP may approve or reject the PCP or return it to the Implementing Agency / private party with comments.
- 1.13. It must be noted that approval of a PCP shall only indicate that the preliminary concept and rationale of the project is consistent with the national development framework and is sufficiently sound, and under no circumstances whatsoever would such approval be construed as a guarantee or indication that the PQP prepared in connection with the said project would also be approved.
- 1.14. Although the PDF is not available for PCP development, Implementing Agencies may take guidance and/or feedback from P3A, prior to submission of the PCP, with respect to conceptualization of any project being planned to be delivered under the PPP mode.
- 1.15. While some Implementing Agencies may have specialized personnel internally capable of developing proper PCPs, for others, it is encouraged that a short-term consultant may be engaged to help with the preparation of a professional PCP.



2. Proposal Development and Project Appraisal Phase

- 2.1. Subsequent to identification and conceptualization of suitable projects, Implementing Agencies must proceed to develop proposals for the same by getting feasibility studies (and other analyses) conducted in order to determine whether the project is suitable for delivery under the PPP mode, and subsequently procure necessary approvals under the P3A Act with respect to the project qualification proposal and the project proposal.
- 2.2. From the Proposal Development Phase onwards, it is recommended that Implementing Agencies may consider constituting a special committee tasked with the responsibility of developing the project, facilitating approvals, and subsequently evaluating the progress of the project, ensuring its smooth delivery under PPP mode and overseeing all matters connected therewith (the "Project Committee").
- 2.3. In case an Implementing Agency lacks sufficient resources for development of proposals for qualified projects, including PQPs or PPs, Implementing Agencies may apply for support from the Project Development Facility in accordance with the P3A (Project Development Facility) Regulations, 2022 (available on the P3A's website). It is noted that availability of PDF support shall be subject to the criteria and process set forth in the P3A (Project Development Facility) Regulations, 2022.
- 2.4. The successful development of a PPP project is to a large degree dependent on quality transactions advisers. While proposals for certain smaller-sized and non-complex projects may be developed by internal resources, generally as the projects become more complex, it is recommended that Implementing Agencies consider engaging professional transactional advisers. It is therefore important that sufficient resources may be allocated for hiring of a transaction adviser and development of the requisite proposals. It would be important to ensure that the terms of reference and the criteria for selection is relevant and tailored to engaging high quality experts. Generally, expertise would be required in three areas: technical, financial and legal. Hiring of transactional advisers shall be pursuant to the legal regime generally applicable to procurement of consultants and transaction advisors, i.e. the Public Procurement Regulatory Authority Ordinance 2002 and the rules and regulations made thereunder (unless any other legal regime has been made applicable to the Implementing Agency pursuant to any law). Reference may also be made to the Public Private Partnership Authority (Direct Contracting of IFIs as Transaction Advisers) Regulations, 2023, which may be applicable under certain limited conditions (as set forth in the said regulations).
- 2.5. It shall be the responsibility of the IA Project Team to liaise with, work closely with, and oversee the work of, the transaction adviser(s) / consultant(s) and to ensure that all tasks related to development of the required proposals are performed efficiently and effectively. In this regard it is recommended that there should be a focal person nominated by the IA Project Team to coordinate closely with the transaction adviser(s).
- 2.6. The IA Project Team along with the transaction adviser(s) would ensure preparation and submission of a PQP in accordance with Regulations 7 of the Process Flow Regulations; sub-regulation (2) whereof states that a PQP submitted by an Implementing Agency shall, at a minimum, include the following:



- a) a feasibility study (along with all supporting documentation, supplementary studies etc.), need assessment and an outline of the transaction structure of the project;
 - b) a techno-economic analysis explaining the project rationale, fit with national development plans, bankability, economic and financial viability, and project cost and financial model;
 - c) analyses with respect to legal, regulatory, environmental, social and gender impact of the project considering applicable international best practices;
 - d) a risk review;
 - e) detailed information as to any government support which may be required in connection with the project including funding through the viability gap fund or the project development facility;
 - f) the management and operation plan for the project, including proposed delivery mode; and
 - g) such related documentation or information as the Authority [P3A] may, from time to time, require.
- 2.7. In case an Implementing Agency submits an incomplete PQP, P3A is empowered to return the same, along with comments identifying the missing documents, and require resubmission of complete PQP.
- 2.8. Approval of a PQP only indicates that the proposal: (i) fits with national and sectoral development plans and priorities; (ii) is economically viable and feasible; and (iii) is approved as it meets the requirements of P3A. Under no circumstances shall such approval be construed as a guarantee or indication that the project proposal prepared in connection with the said project would also be approved.
- 2.9. As per Chapter 1 of Part III of the Process Flow Regulations, PQPs are required to be submitted to the P3A, which shall, upon determining that the submission requirements as set forth in Regulation 7 of the Process Flow Regulations have been fulfilled, forward the same to the P3WP along with its recommendations. In case any required information or documentation has not been provided along with the PQP, the P3A shall inform the Implementing Agency regarding the missing documents.
- 2.10. Pursuant to Section 14 (a) of the P3A Act, the P3WP is competent to grant approvals with respect to PQPs. As per various provisions contained in Chapter 1 of Part III of the Process Flow Regulations, the P3WP may approve or reject the PCP or return it to the Implementing Agency / private party with comments.
- 2.11. In case an Implementing Agency is desirous of pursuing a project for which a PQP has been approved by P3A, a project proposal (“PP”) for such project is subsequently required to be submitted to P3A no later than a period of one (01) year from the date of approval of a PQP.



- 2.12. The PP must be prepared by the IA Project Team (ideally with assistance from transaction adviser(s), especially for complex or large-scale projects) in accordance with the requirements of Regulation 9 of the Process Flow Regulations, which lists the following as necessary constituents of a PP:
- a) comprehensive details of the proposed transaction structure with all supporting documents including a complete techno-economic feasibility study, together with all associated and supplementary studies required to conduct an appraisal; and
 - b) a techno-economic analysis explaining the project rationale, fit with national development plans, bankability, economic and financial viability, and project cost and financial model;
 - c) analyses with respect to legal, regulatory, environmental, social and gender impact of the project considering applicable international best practices;
 - d) a risk review;
 - e) detailed information as to any government support which may be required in connection with the project including funding through the viability gap fund or the project development facility;
 - f) the management and operation plan for the project, including proposed delivery mode; and
 - g) such related documentation or information as the Authority [P3A] may, from time to time, require.
- 2.13. Pursuant the proviso to Section 14 (1) of the P3A Act read with Regulation 10 of the Process Flow Regulations, the risk management unit shall evaluate the project related documentation (provided to it by the Authority) as part of the approvals process and communicate the result of its evaluation to the Authority within a period of four (04) weeks of the receipt of the documents from the Authority.
- 2.14. As per Regulation 9 (5) of the Process Flow Regulations, while approving the PP, the P3A Board may specify and set certain conditions, including with respect to whether and to what extent certain approved terms and conditions may subsequently be negotiable between the successful private party bidder and the Implementing Agency.
- 2.15. As per Section 14 (1) (b) of the P3A Act, a qualified project is required to be approved by the CDWP as part of the project approval process for the purpose of determining whether the project is: (i) economically and financially sound; and (ii) is consistent with national and sectoral priorities.
- 2.16. In case the total cost of the project exceeds Rupees Ten Billion (PKR 10 Billion) and ECNEC has not previously considered and approved the project, upon approval of the PP by the P3A Board, the PP shall be forwarded to ECNEC for its consideration and approval.



- 2.17. Upon receipt of notice of approval from P3A, and compliance with any conditions specified therein, the Implementing Agency may proceed to the next phase of delivering a project under PPP mode, i.e. Bidding and Award Phase.

3. Bidding and Award Phase

- 3.1. Upon obtaining the approvals required under the P3A Act (as discussed in Section 2 above), Implementing Agencies shall, through the IA Project Team along with transaction adviser(s), advertise the project for procuring of a private party for delivery/execution of the PPP project.
- 3.2. It is essential that the bidding documents prepared are consistent with all conditions specified by the P3A Board while approving the project proposal, particularly regarding any non-negotiable terms and conditions. Any such approved terms that the P3A Board has specified to be included in the bidding documents should be so reflected in the relevant bidding documents.
- 3.3. It shall be the responsibility of the Implementing Agency to obtain all relevant approvals under applicable laws before the project is advertised / floated. This includes any internal approvals, as well as any other approval that may be required under the laws, rules, regulations, and policies applicable to the Implementing Agency.
- 3.4. Once the bidding documents are finalized as aforesaid, in order to invite interested private parties, the Implementing Agency shall follow the procedure set forth under the Public Procurement Regulatory Authority Ordinance, 2002 and the rules and regulations prescribed thereunder (and/or any other procurement laws applicable to it). It is recommended that advertisements for PPP projects shall also be promptly published on the websites of P3A and the Implementing Agency, for which purpose, the IA Project Team shall share the advertisement with the P3A as soon as possible (and not later than twenty-four hours) after it is published.
- 3.5. In the event the Implementing Agency is desirous of inviting international private parties, it may, subject to procurement of any approvals required under applicable law or internal procedures of the Implementing Agency, cause publication of the advertisement on international platforms as well as such international newspaper or magazine which is either: (a) a key global resource where such advertisements are normally posted; or (b) is known to be widely followed in the relevant industry. For relevant projects, Implementing Agencies may also seek assistance of the Ministry of Foreign Affairs, particularly the Trade and Investment Office, to establish contacts with the foreign trade missions in Pakistan and Pakistani trade missions abroad in order to further advertise the PPP project and invite any private parties interested therein.
- 3.6. Assistance of the Special Investment Facilitation Council (SIFC) or the Board of Investment (BOI) may also be sought by Implementing Agencies to make use of any database of investors who may be informed of the advertisement in order to ensure maximum reach.
- 3.7. Unless any other mode is chosen in accordance with applicable laws, Implementing Agencies shall conduct the bidding process for selection of private parties through open competitive bidding under the Public Procurement Rules, 2004 (as amended from time to time).



- 3.8. Implementing Agencies may negotiate with the successful private party with respect to negotiable terms and conditions.
- 3.9. Pursuant to Regulation 9 (9) of the Process Flow Regulations, at least seven (07) business days prior to the execution of the PPP Agreement, the Implementing Agency shall provide a written certification to P3A from its independent third-party advisors that provisions of the final PPP Agreement are consistent with the terms and conditions approved by the P3A Board, and, if applicable, by ECNEC.
- 3.10. In case there is a deviation from the terms and conditions upon which the PP had been approved under the P3A Act (and the rules and regulations made thereunder), an amended PP, reflecting such deviation, shall be submitted to the P3A for approval of its Board (and, if applicable, the approval of ECNEC shall also be sought). In case the deviation relates to a matter within the mandate of the risk management unit, the amended PP shall be submitted to the risk management unit for re-evaluation.

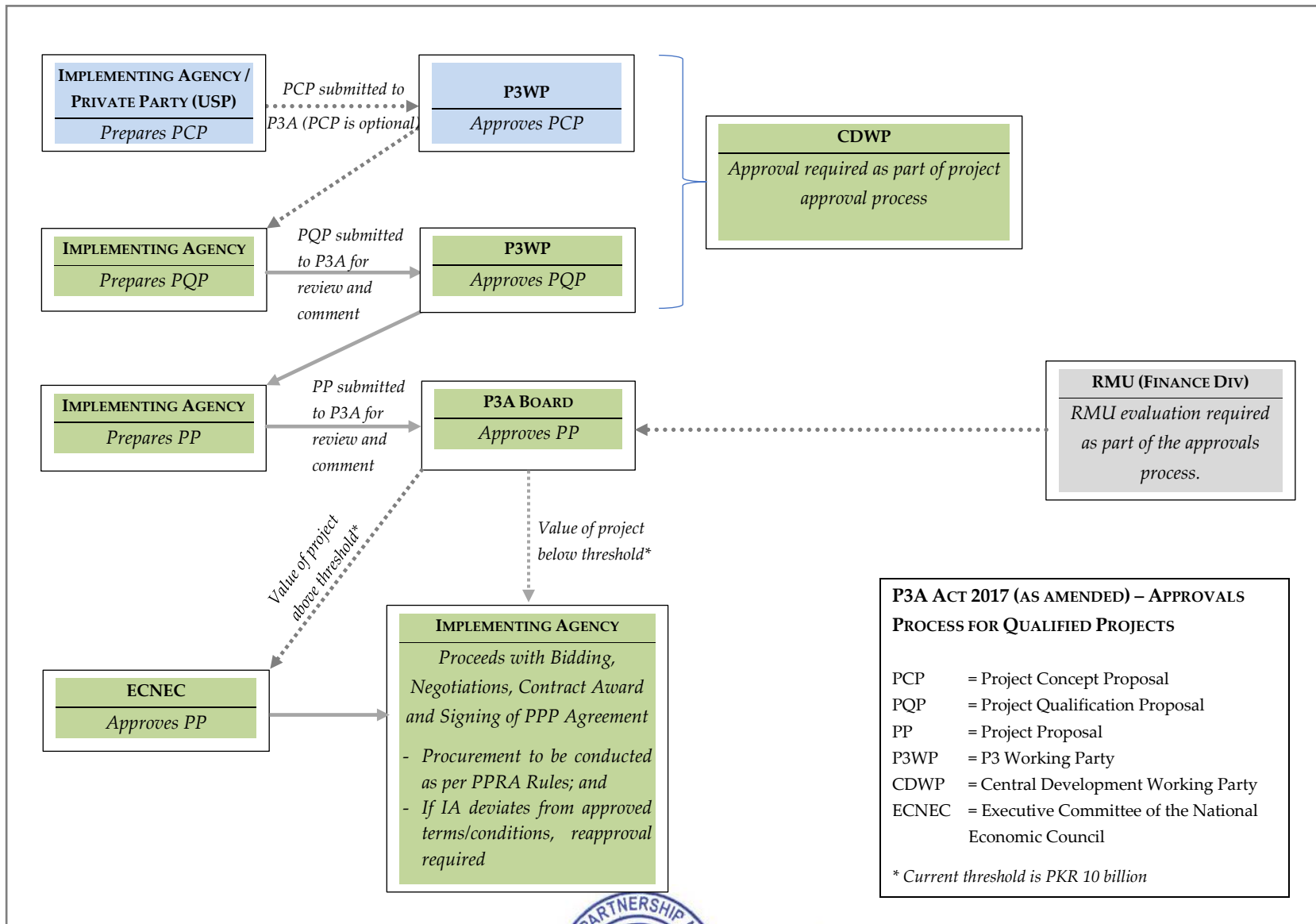
As noted above, P3A remains available to provide further guidance and/or feedback to Implementing Agencies planning to deliver projects under PPP mode.



LIST OF ABBREVIATIONS AND DEFINED TERMS

CDWP	Central Development Working Party
IA Project Team	Implementing Agency Project Team (see paragraph 1.1)
P3A	Public Private Partnership Authority
P3A Act	Public Private Partnership Authority Act, 2017
PCP	Project Concept Proposal
PDF	Project Development Facility
PP	Project Proposal
PPP	Public Private Partnership
PQP	Project Qualification Proposal
Process Flow Regulations	P3A (Approvals and Process Flow) Regulations, 2021
Project Committee	Committee proposed under paragraph 2.2
PSDP	Public Sector Development Programme
Qualified Project Regulations	P3A (Qualified Project Criteria) Regulations, 2023





MOHAMMAD AWAIS, HEAD LEGAL AFFAIRS,
P3A

*EACH PAGE SIGNED AND STAMPED