Final Draft





PPP Screening Manual

09 April 2013

Public Private Partnership Office (Prime Minister's Office)



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Abbreviations

Asian Development Bank
Annual Development Program
Bangladesh Bridge Authority
Bangladeshi Taka
Build Operate Own
Build Operate Own Transfer
Build Operate Transfer
Cabinet Committee on Economic Affairs
Development Process Proposal
Departmental Project Evaluation Committee
Economic Resource Division
Government of Bangladesh
Output Specification
Planning Commission
Project Development Process Manual
Public Private Partnership
PPP Screening Manual
Private Sector Infrastructure Guidelines
Quick Rental Power Project
Request for Proposal
Request for Qualification
Roads and Highways Department
Technical Assistance
Value for Money
Viability Gap Fund

Preface

PPP is not new to Bangladesh. For more than a decade the Government of Bangladesh (GOB) has been pursuing the development of PPP supported by its development partners. Despite some initial success, GOB's efforts in creating an enabling and conducive environment for the development of PPP has not delivered the full level of success expected.

As a consequence, despite GOB's efforts, the private sector is likely to be skeptical towards GOB initiatives. It is important for restoring confidence that only PPP projects are presented to the market that are most likely to succeed in terms of bankability and Value for Money. This requires that the proposed PPP projects are carefully screened and adequately prepared.

Preparing PPP arrangements requires specific competencies and ample time. Competencies that are not quite commonly available within government agencies as is also the case in Bangladesh. GOB has established a PPP Office, who with the support of internal and external advisory support will help to facilitate the PPP development and implementation process. The required resources both internally and externally impose a severe demand on the government for preparing, tendering and contracting, which is mostly higher than in case of conventionally procured projects. In view of the limitation to the availability of such resources it is important that they are applied to the PPP projects that are most likely to succeed. This requires a careful screening process that filters the various initiatives into successful PPPs.

Despite these benefits, it is possible that some Ministries will perceive the screening process as unnecessarily burdensome at the early stage of project development. This is certainly not the intent. The goal of the process is to elicit as much usable information as possible, so as to allow the GOB to make intelligent decisions at every step in the development process.

This manual aims to provide a screening framework to facilitate such a filtering process and to guide the various stakeholders in their initiatives and required proceedings for ensuring an efficient and effective process.

The screening framework indicates the conditions for successful PPPs, the criteria to indicate the level of compliance with the conditions and the information requirements to assess the level of compliance.

The goal of this first stage of PPP screening is not to finally determine if a project is fully viable as a PPP, but to determine if it has the initial indications of being a promising candidate that should receive limited public resources to be fully studied and prepared as a PPP.

The Line Ministry is expected to submit such a PPP Proposal in accordance with the form as provided in Annex 1 of this Manual to PPP Office who will review in accordance with the defined screening framework and recommend if applicable to CCEA for In-Principle Approval. If In-Principle Approval is provided, the identified PPP project proceeds to the next phase, Project Development and is eligible for the Technical Assistance (TA) funding from the PPP TA Fund. The project development may also be financed from the implementing agency's own fund or fund provided by development partner under technical assistance funding.

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1 Introduction

1.1 Background

The Government of Bangladesh (GOB) has issued in August 2010 a new policy and guidelines for the formulation, appraisal and approval of Public Private Partnership (PPP) projects (hereafter referred to as PPP Policy and Guidelines 2010), rescinding the 2004 Private Sector Infrastructure Guidelines (PSIG) and reflecting the facilitating framework for preparing and implementing PPP.

The Framework consists of 3 pillars: (i) Legal pillar, (ii) Institutional pillar, and (iii) Financial pillar reflecting the different facilities established by GOB to increase private sector investment through PPP by establishing a PPP Program.



Figure 1-1 PPP Framework

The GOB recognized the need for further operational guidance in applying these Guidelines and operationalizing these pillars. To implement this initiative an Asian Development Bank supported Technical Assistance (TA) program, TA7691 (BAN) Public Private Partnership Program Operationalization, has been established for the development of a set of deliverables to strengthen the enabling environment for PPP, including operational guidelines for the different steps of a PPP lifecycle and organizational plans for the key institutions and financial instruments. This PPP Screening Manual has been developed as one of the deliverables under that TA program.

1.2 Objective of this Manual

The PPP Screening Manual (PPPSM) is the operational guidelines for screening proposed PPP projects in order to secure In-Principle Approval to these projects allowing them to proceed to the next phase, the Project Development Process.



Figure 1-2 PPP Policy & Guidelines vis-à-vis PPP Operational Manuals

As such this manual is to provide guidance to the main stakeholders i.e. the Line Ministry/ Implementing Agency that is proposing the PPP, the PPP Office that is reviewing and recommending the PPP, and the Cabinet Committee for Economic Affairs (CCEA) that is approving the PPP.

The manual also provides clarity and transparency on the basis of which PPP projects will be screened. This therefore identifies in advance the information that is required for project screening which will help to ensure that projects are adequately prepared for screening purposes.

This manual has been developed on the basis of the PPP Guidelines 2010 which represent government's existing policy on PPP projects.

1.3 Structure of this Manual

This manual firstly introduces a screening framework including criteria and assessment methodologies enabling the PPP proposal to be adequately appraised (Chapter 2). The criteria and assessment methodologies discussed in this manual provide a basis for initiating a PPP project proposal by an Authority and completing the assessment and approval process by the PPP Office.

Next, it introduces the process for submitting PPP proposals and clarifies how this process differs from conventional public sector project approval procedures (Chapter 3).

To provide context and perspective for PPP developers and illustrate the need for a welldefined screening framework in order to ensure efficient use of government resources and attract maximum interest from the private sector, the main principles of PPP in terms of its characteristics, and advantages and challenges are presented in a separate manual - PPP Overview.

Proceeding with a PPP project without such screening and value for money assessment may create a serious problem. For instance, in November 2002, the High Court ruled the approval of the Bangladesh Patenga-Pangaon Port Terminal - SSAB project as "illegal" on the grounds of composition of joint venture, lack of competition, discriminatory treatment of other applications to develop similar facilities, lack of feasibility/viability report indicating financial benefits to the Government. Further detail on this issue is included in Annex 1.

2 Criteria

2.1 Importance of Screening PPP Projects

PPP is an important complement to traditional public procurement. It provides an alternative financing route to delivering projects and when structured properly enables the delivery of enhanced Value for Money. PPP benefits the private sector by generating a profitable revenue stream or expanding market access. The benefits for the consumers include delivery of a service that people want and would not have access to at the same price and quality, in a business as usual situation. PPP also benefits the government through the fulfillment of political needs, social obligations, and development imperatives.

However, PPPs are complex arrangements where significant effort needs to be made at the outset to ensure that overall value is delivered and project successfully executed. This extra due diligence needs to start from the very beginning of the project, in terms of the initial selection and screening of a project to test its suitability as a PPP project.

2.2 PPP Policy

The PPP Policy and Guidelines 2010 provide the reference for the PPP Screening Framework by defining in 'Para 4 Applicability of PPPP' the criteria that needs to be met for a project to be considered for delivery under a PPP arrangement.

In screening a project for PPP the specific provisions set out under the PPP Policy and Guidelines 2010 need to be met. This includes confirming that one of the five circumstances identified for considering the use of a PPP arrangement exists, that the non-applicability conditions do not apply and that it falls within the sector coverage. Any project proposal must be endorsed and submitted by the Line Ministry/Implementing Agency. In addition there is a need to consider aspects of the project that may impact on the legal and financial viability of the project and ensure that overall value for money can be delivered.

The notion of legal viability is obvious. No PPP should be considered in case of legal or regulatory restrictions. As part of the TA program, a review of relevant legislation has been undertaken to identify any such impediments. The review concluded that there are no legal or regulatory restrictions for PPP [Legal, Regulatory & Policy Report, 16th August 2011, Issued under ADB-TA7691 (BAN: Public Private Partnership Programme Operationalization)].

A key rationale for the application of a PPP modality in delivering projects is to deliver value for money and support government by easing pressures on the public finances while enabling the delivery of social and economic infrastructure services. Infrastructure projects require large amounts of financing, which if arranged by the public sector alone would create significant pressures on public finances. PPP relieves these fiscal pressures and make funds available for priority economic and social sector projects. Apart from providing relief from pressure on public finances, other key considerations for choosing PPP is to gain advantages from private sector efficiency by way of innovation, enhanced efficiency, cost certainty, timely implementation of projects, and higher quality of service.

In order to ensure that a project can deliver these benefits there is a need to check whether a number of key features are met by the project. For example the Authority will need to be assured that there is 'market capability' to deliver the project and that the project is 'output driven' to enable private sector performance to be measured. To attract private sector partners the project must be 'financially viable' for the private investor and 'bankable' to enable financing to be secured. The project should be of 'sufficient size' to ensure that the transaction delivery costs are not disproportionate to the project size. Finally it is crucial to ensure that the project is 'implementable' taking into consideration stakeholder, environment and social and linked project issues.

2.3 PPP Screening Framework

A screening framework is important to ensure the suitability of the projects for being implemented under the PPP regime. An effective initial screening represents significant advancement towards successful project implementation. The PPP Screening Framework includes a common set of conditions, their indicators and the data requirements to be used both by PPP project originating Authority in preparing a proposal and the PPP Office in assessing and recommending proposals for In-Principle Approval.

Figure 2-1 Conceptual Screening Framework



However, development of a screening procedure is a continuous process. The criteria explained in the following sections will be tested in an iterative manner at different stages of project development such as Initial Feasibility Study, In-Principle Approval, Detailed Feasibility Study, Request for Qualification (RFQ) and Request for Proposal (RFP).

Based on international experience,	the following	conditions ar	e generally	accepted	as
requirements for successful PPPs:					

Requirements for a Successful PPP							
1. Applicability of PPP	2. Sector coverage	3. Legally possible					
4. Output driven	5. Sufficient size	6. Financially viable					
7. Marketable	8. Bankable	9. Implementable					
10. Endorsement							

Considering the conceptual screening framework and taking into account these requirements i.e. conditions, the following PPP Screening Framework has been defined, which will be further explained in the next paragraphs.

Screening Conditions	Criteria	Information
1. Applicability of PPP	1.1 Does project meet the Applicability criteria?1.2 Does project fall within the Non-applicability criteria?	1.1 Confirmation 1.2 Confirmation
2. Sector Coverage	 2.1 Is project included in the Sector Coverage of PPP Policy and Guidelines, 2010? 2.2 Is project included in the sector policy? 3.1 Is project within the remit of the Ministry originating the proposed PPP? 3.2 Can delivery be transferred to the private 	 2.1 Confirmation 2.2 Sector policy/ Master plan 3.1 Legal reference / reference
3. Legally Permissible	sector? Is it allowed to charge users? 4.1 Can output be defined and measured?	projects 3.2 Legal reference / reference projects
	5.1 Is the delivery cost likely to be disproportionate to the project size?	4.1 Description of end service
4. Output Driven 5. Sufficient Size	6.1 Can the private sector operator raise sufficient revenue to recover their cost and generate sufficient commercial return?	5.1 Tentative value of investment and operating expenditure
6. Financially Viable	 7.1 Has envisaged PPP been done elsewhere? 7.2 Is there a market capability to deliver the project? 	6.1 Tentative revenue potential assessment
7. Marketable	8.1 Are the risks envisaged to be transferred potentially manageable by private sector?	7.1 Best practices7.2 List of potential project sponsors
8. Bankable	 9.1 Is sufficient time available for development after the IPA prior to launch of procurement? 9.2 Can land be made available for the project on time? Are their additional linked projects that may be required? 9.3 Is the project likely to raise significant 	8.1 Tentative risk matrix9.1 Project timeline
9. Implementable	 environmental or social issues? 9.4 Have the key stakeholders and potential issues been identified? 9.5 Has Line Ministry confirmed that they have 	9.2 Land acquisition status
	sufficient resources for the project?	9.3 Initial Feasibility Study
	10.1 Is project authorized by the head of the Line Ministry?	9.4 Initial Feasibility Study9.5 Project team description and resource planning
10. Endorsement		10.1 Approval from head of Line Ministry
Requirements for success	Indicators for level of compliance	Data requirement for compliance

Figure 2-2 PPP Screening Framework

The Line Ministry/Implementing Authority, while identifying a PPP project and preparing a proposal for In-Principle Approval, will take into account the ten conditions and nineteen criteria of the PPP Screening Framework. In submitting their proposal to the PPP Office the Line Ministry/Implementing Agency should ensure that they provide the requisite information that enables their proposal to be screened against these stipulated conditions and criteria. Likewise, the PPP Office, while assessing and processing a PPP proposal, will apply the principles presented in this manual for each of the conditions and criteria.

2.4 Application of Screening Framework

The PPP Screening Framework will be applied by the PPP Office when assessing the PPP project proposals submitted by the Line Ministry / Implementing Authority using the PPP Project Proposal Form ('PPP Proposal').

The PPP Proposal will be first evaluated in light of the provisions for 'Applicability of PPP' and 'Non-applicability of PPP', as mentioned in the PPP Policy and Guidelines 2010 and whether the project has received adequate endorsement from the Line Ministry / Implementing Agency.

If the project does not satisfy the PPP applicability and non-applicability conditions, the project will not be considered for further assessment. The projects that satisfy the applicability, fall outside the non-applicability conditions of PPP, will be considered for further assessment.

If the project is not adequately endorsed then, the PPP Office will not be able to finalize their assessment until the Line Ministry / Implementing Agency have provided their requisite endorsement.

A qualitative assessment will be conducted to ensure the project's compliance to the conditions and criteria set in the screening framework.

Based on the qualitative assessment, the Line Ministry/ Implementing Agency submitting the PPP Proposal will be advised that:

- Recommendation has been provided for the project to be submitted to the relevant Authority (CCEA or Line Minister) for In-Principle Approval; or
- Recommendation for In-Principle Approval cannot be given without additional information being provided or the proposal being revised and resubmitted.

Screening Condition 1: Applicability of PPP

The projects will first be assessed to ensure that they comply with the applicability and nonapplicability requirements set out in the PPP Policy and Guidelines 2010.

Criteria 1.1

Does project meet the Applicability Criteria set out in the Section 4a (Applicability of PPP) of the PPP Policy and Guidelines 2010?

To assess the level of compliance with this criterion, the proposal must satisfy that at least one of the circumstances included in the Section 4a of the PPP Policy and Guidelines 2010 (figure: 2-3) exists for the project. Where this confirmation cannot be provided additional information must be submitted with sufficient detail that enables the PPP Office to carry out an applicability assessment.

Figure 2-3 PPP Policy and Guidelines 2010

4. APPLICABILITY OF PPP

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

- *i.* The implementation of the project is difficult with the financial resources or expertise of the government alone;
- *ii.* Private investment would increase the quality or level of service or reduce the time to implement compared to what the government could accomplish on its own;
- *iii.* There is an opportunity for competition, where possible, among prospective private investors, which may reduce the cost of providing a public service;
- iv. Private investment in public service provides an opportunity for innovation; and
- v. There are no regulatory or legislative restrictions in taking private investment in the delivery of public service.

Criteria 1.2

Does project fall within the Non-Applicability Criteria in the Section 4b (Non-Applicability of PPP) of the PPP Policy and Guidelines 2010?

To assess the level of compliance with this criterion, the PPP proposal must confirm that the project does not demonstrate any of the non-applicability features set out in the Section 4b of the PPP Policy and Guidelines 2010 (figure: 2-4).

Figure 2-4 PPP Policy and Guidelines 2010

4. APPLICABILITY OF PPP

b. Non-applicability of PPP: The following action/activities will not fall under the PPP purview:

- *i.* Outsourcing of a simple function of a public service;
- ii. Creating a government owned enterprise (State Owned Company); and
- *iii.* Borrowing by government from the private sector.

Screening Condition 2: Sector Coverage

The PPP Policy and Guidelines 2010 sets out a provision for the Sectoral Coverage of PPP (figure:2-5) where a number of priority sectors for PPPs have been identified. These are areas which have been identified as being priority areas for delivering PPP projects and any

project meeting this requirement will be deemed to have met the requirement for sector coverage.

Where projects do not fall within any of the listed areas for Sectoral Coverage of PPP, Line Ministries / Implementing Agencies will need to demonstrate that the proposed project is embedded in a sector policy or a sector master plan.

Criteria 2.1

Is project included in the Section 5 (Sectoral Coverage of PPP) of the PPP Policy and Guidelines 2010?

To assess the level of compliance with this criterion, the PPP proposal needs to refer to Section 5 of the PPP Policy and Guidelines 2010 to ensure that the project is included in the Sectoral Coverage of PPP. The project description needs to set out clearly which of the priority sectors that the proposed project falls within for this assessment to be carried out.

Figure 2-5 PPP Policy and Guidelines 2010

5 SECTORAL COVERAGE OF PPP

Any project fulfilling one or more of above-mentioned applicability criteria in any economic sector, according to the International Standrad Indistrial Classification (ISIC) of all Economic Activities, Revision 4, specified by the United Nations, is eligible for PPP. However, the priority sectors are:

- (a) exlporation, production, transmission, and distribution of oil, gas, coal and other mineral resources (ISIC 05-09);
- (b) oil refinery, and production of LPG (ISIC 19);
- (c) production of fertilizzer (ISIC 20);
- (d) power generation, transmission, distribution and services (ISIC 35);
- (e) airports, terminals and related aviation facilities (ISIC 42 and 51);
- (f) water supply and distribution, sewerage and drainage, effluent treatment plans (ISIC 36-39);
- (g) land reclamation, dredging of rivers, canals, wetlands, lakes and other related facilities (ISIC 42);
- (h) highways and expressways including mass-transit, bridges, tunnels, flyovers, interchanges, city roads, bus terminals, commercial car parking etc. (ISIC 42 and 49);
- (*i*) port development (sea, river and land) including inland container terminals, inland container depot and other services (ISIC 52);
- (*j*) *deep sea port development (ISIC 52);*
- (k) telecommunication systems, networks and services including information and communication technology (ICT) (ISIC 60-63);
- (l) environmental, industrial and solid waste management projects; (ISIC 38-39) railway systems, rolling stock, equipment and facilities (ISIC 49);
- (m) tourism industry (ISIC 79);
- (n) economic zone, industrial estates and parks, city and property development, including services to support commercial and non-commercial activites (ISIC 81-82);
- (o) social infrastructure e.g. health, education, human resource development, research and development, and

cultural facilities, (ISIC 85-88);

- (*p*) *e-service delivery to citizens* (ISIC 85);
- (q) Poverty Alleviation Projects (ISIC 84);
 - *i.* Pourashava and village water supply (ISIC 36);
 - *ii.* Remote Area Power Supply Systems (RAPSS), Rural gas supply (ISIC35);
 - iii. Rural Internet projects (ISIC 61);
 - iv. River passenger terminals /landing stations (ISIC 52);
 - v. Rural health services and hospital (ISIC 86);
 - vi. Irrigation and other agricultural services (ISIC 36);
- (r) other urban, municipal and rural projects that the Government views as priority areas for development so as to support economic development activities.

Criteria 2.2

Is project included in sector policy and/or sector master plan? If not, has the Line Ministry carried out a strategic needs assessment to confirm that the project will deliver their sector objectives?

Where the project does not fall within one of the priority areas identified under Sectoral Coverage of PPP, the PPP Proposal needs to refer to the underlying sector policy and/or sector master plan and include a copy of the relevant extract of policy or plan as an annex to the proposal.

Such a policy or plan proposes the main actions and projects proposed to address the key challenges a respective sector is facing today and in the future. A sector policy or plan is normally endorsed by the highest levels of government and sets the roadmap for the immediate future and therefore is complementary to the Sectoral Coverage of PPP already identified in the PPP policy.

If the project is not included in such a sector policy or sector master plan or the Sectoral Coverage under PPP it is unclear what the impact of the project is in relation to achieving the policy objectives and whether the project is attractive from a policy and social economic perspective. Therefore, the Line Ministry will need to confirm that it has carried out a strategic needs assessment, describes how this project will deliver their sector objectives and attach a copy of the strategic needs assessment report or any other relevant reference.

Screening Condition 3: Legally Permissible

The third condition for successful PPP is the assurance of an enabling legal environment for the proposed PPP mode. It is widely recognized, in all countries where PPPs are in use as a public procurement option, that the issue of legal remit or limitations of public authorities to enter into PPPs is seen as being crucial to their overall success. International experience has shown that investors in PPP projects require a high degree of legal certainty regarding the power of public sector contracting authorities. Many infrastructure projects involve major disruptions to populations resident on the site to be developed, existing businesses operating in the field, or other interested parties. Failure to properly consult with these stakeholders may pose risks to the project's development. For PPPs, these risks may be magnified due to the perception that the private party is responsible for the disruption.

The originating Ministry should also be able to state the statutory or regulatory basis for developing the project as a PPP, as well as the legal steps that will be required in its development. Information on the governing laws and regulations (e.g., what public body is authorized to perform the service) will help to identify proposals that will not make sense as PPPs. Also, such information may also be useful in the later prioritization process. For instance, if one proposed project requires further steps by GOB (e.g. the passage of new laws), but another proposed project is allowed under current law, then it may make more sense to proceed with the allowed project first. Even if the project is allowable under current law, the steps to comply with the law (e.g., changing zoning designations or obtaining rights of way for the project site) could take years. Failure to consider these questions could be a constraint for PPP project's development.

Criteria 3.1.

Is the project within the remit of the Line Ministry / Implementing Agency originating the proposed PPP?

The Ministry originating the proposed PPP must demonstrate that the proposed project falls within its legal mandate. This is to ensure that there is no duplication of effort within government in preparing projects and that only the institutions that have legal mandate undertakes the projects, and may be especially relevant where the roles of institutions overlap (e.g., RHD vis-à-vis BBA). In this case, the proposing Ministry should clarify what the role of each institution would be in project development and ongoing monitoring.

To assess the level of compliance to this criterion, the PPP proposal needs to refer to Allocation of Business, Planning Commission (PC) documents, minutes of inter-ministerial meetings and show that the project falls within the remit of the ministry and/or other relevant government agencies have been consulted.

Criteria 3.2.

Can delivery be transferred to the private sector? Is it allowed to charge users?

To assess the level of compliance with this criterion, the PPP Proposal needs to refer to the respective rules, legislation or executive decisions to confirm whether there are any specific provisions that allow or restrict a transfer of responsibility to the private sector and the ability for users to be directly charged for the use of the services.

The general legal assessment in relation to the ability of the public sector to transact PPP projects through the private sector carried out as part of the ADB TA program is set out in the [PPP Legal Assessment document]. This confirms that there are no legal or regulatory restrictions for PPP in Bangladesh. The Public Procurement Act 2006 and Public Procurement Rules, 2008 incorporate provisions for Government in accordance with Guideline and model contract document issued by it to enter into a concession contract with the private party for provision and operation of public utilities and services. This is now reinforced by the PPP Policy and Guidelines 2010 that sets out the further details in relation to the operation of PPP policy.

Nevertheless the PPP Proposal should refer to any specific provisions that may exist and which may impact on private sector service delivery and user charging envisaged in the proposal. If there are any prior examples of where services in these area have been delivered by the private sector and where user charging has been applied than these should also be highlighted.

Screening Condition 4: Output driven

PPP projects are long term arrangements and therefore need the Contracting Authority to be able to manage the performance and delivery of the service over the operational period by the private sector Concessionaire. For a PPP project to be manageable, the Contracting Authority needs to be able to define its requirements on the basis of output specifications for the service that will be delivered rather than being wholly input oriented in relation to specifications of the assets being built to deliver the services.

Under traditional procurement, the Contracting Authority and its advisers prepare detailed specifications that describe the works required to deliver the necessary service. These works are then put out to tender in order to get competitive pricing and the most economically advantageous tender is accepted for the construction. The Contractor that is appointed carries out the works under close supervision of the Contracting Authority or his representatives in order to ensure that they comply with the detailed specification.

Using this approach, responsibility is generally shared as follows:

- The Contracting Authority takes responsibility for the design of the solution, including the associated investigations, all planning and other statutory procedures. The Contracting Authority also takes responsibility for additional costs which may arise subsequently, resulting from omissions from the tender documents, or unexpected circumstances encountered (such as ground conditions, archaeology, uncharted utility services, etc.); and
- The Contractor is responsible for the construction of the works in accordance with the tender documents. The tender documents generally comprise specifications, drawings, geo-technical and other site information, a bill of quantities or pricing schedules and the conditions of contract. The risk exposure of the Contractor is generally limited to matters that are covered by the contract documents or could reasonably have been foreseen from those documents.

The traditional approach is based on the specification of inputs, whereby the Contracting Authority decides precisely what work it wants in order to deliver a particular service. The Contracting Authority then takes full responsibility for the adequacy of these works, provided they are built correctly and in accordance with the designs.

In a PPP context, an alternative approach is used. The Contracting Authority defines the service required and leaves the design of the works necessary to deliver that service to the successful private sector Concessionaire. This description of the operational requirements comprises of an Output Specification (OS).

The OS is a statement of "what" is required by the user; the output is what is consumed by the user. The OS is neither a specification of "how" the users' needs should or could be met; nor a description of the equipment, assets, infrastructure, facilities and other resources (hereafter referred to as "inputs") that the Concessionaire will need to provide in order to deliver the output. The OS should not envisage the solution to the user's need nor should it contemplate the inputs that might constitute the best solution. The OS should be entirely focused on the use to which the equipment, assets, infrastructure, and other resources will be put.

Output specifications enable:

- Scope for technical innovation;
- Flexibility in how the service is provided;
- Integration of design, construction and operational services in order to achieve optimization; and
- Effective risk transfer from the Contracting Authority to the Concessionaire, where this is achievable at a reasonable cost, and through a single point of responsibility (a single entity being responsible for the design, construction and operation).

Sector	Output specification	Input Specification
Street lighting in a Road PPP project	The street lighting facilities for the Project Road must deliver lighting:- a) that meets Light Classification ME5; b) without any flickering; c) with the correct color rendering properties that are equal to or in excess of color-rendering index of Ra20as; and (d) at the time Lighting Up Periods Where ME5 classification is defined as:	The street lighting for the overall length of the project road must meet the following requirements:- i) Street lighting poles with the following specifications: • Luminaire mounting height: 27 ft • Arm length, horizontal: 6 ft • Luminaires per pole: 1 • Pole set-back from edge of pavement: 2 ft • In-line pole spacing (one pole cycle): 150 ft
		 ii) Provision of lighting with the following specifications: Max. nominal luminaire input power 103 W Rated correlated color temperature 4000 K Max. nominal backlight/uplight glare ratings B1-U2-G1

Figure 2-6 Comparison of Output Specification to Input Specification

	nta inec lumina <u>>0.50 c</u>		overall uniformity ≥0.35	Nominal luminaire input voltage 120 V Luminaire housing finish color Gray
longitu unifor		surround ratio	threshold increment	 Maximum luminaire weight 30 lb Maximum effective projected area 0.7 ft
>0.4	10	>0.50	<15%	 Mounting method Side-arm

Essentially OS will enable the Contracting Authority to manage the PPP arrangement i.e. to ensure that the Contractor delivers what the Contracting Authority has specified. These specifications need to be 'SMART', i.e. 'Specific, Measurable, Attainable, Relevant and Timely'.

Figure 2-7 Description of SMART specifications

Specific

The first term stresses the need for a specific requirement against a more general one. This means the goal is clear and unambiguous; without vagaries and platitudes. To make requirements specific, they must tell exactly what is expected and why is it important.

Measurable

The second term stresses the need for concrete criteria for measuring progress toward the attainment of the requirement. The thought behind this is that if a requirement is not measurable, it is not possible to know to what extent the requirement is met.

Attainable

The third term stresses the importance of requirements that are realistic and attainable. While an attainable requirement may stretch a team in order to achieve it, the goal is not extreme. That is, the goals are neither out of reach nor below standard performance, as these may be considered meaningless.

Relevant

The fourth term stresses the importance of making requirements relevant. A relevant requirement must represent an objective in relation to the project that the Contracting Authority wants the Contractor to achieve.

Timely

The fifth term stresses the importance of grounding requirements within a time frame; giving them a target date. A commitment to a deadline helps a team focus their efforts on completion of the requirement on or before the due date. Timeliness is intended to prevent requirements from being overtaken by the day-to-day crises that invariably arise in an organization.

Criteria 4.1. Can output be defined and measured?

To assess the level of compliance with this criterion, the PPP Proposal needs to present the project in terms of the envisaged end service output that is desired from the project and

provide adequate information to test whether the project output can potentially be defined and measured based on examples of similar projects undertaken elsewhere.

Problems upon implementation may arise because the output characteristics specified in the contract, which form the basis of the contractual obligations, may not be clearly described. Problems may also arise to the extent that the OS is inconsistent with the infrastructure needs that the PPP intends to satisfy. In order to avoid such events, the performance specifications should be clearly identified by conducting a careful assessment prior to the contract drafting. Based on the needs identified by this assessment, the OS needs to be developed carefully. For example, for an airport project implemented under PPP, the Air Traffic control equipment must have the capacity to handle the projected flights taking off and landing at the airport. Otherwise the project would fail to deliver the specified infrastructure needs after completion. Mistakes at the contract drafting stage can be very costly for the public-sector party because of the long-term nature of most PPP contracts.

It should be noted that PPP arrangements are normally long-term arrangements so the output specifications should also be applicable for the referred period. However, this may not be possible for all types of infrastructure. For example, it may not be possible to define sustainable output specification for IT services in view of the rapid changes in the IT sector and its possibilities. A case in point is the emergence of Skype facilities that enables video conference to take place all over the world free of charge. In such cases, the PPP term should extend to the period of output specification or include a mechanism for revising output specification in consultation with the private sector provider.

Screening Condition 5: Sufficient size

One of the principle determinants of a project's suitability for procurement as a PPP is its scale. PPP projects are inherently complex, given the integrated and long term nature of these projects. Considering the transfer of development and delivery responsibility to the private sector, there is a need to prepare the projects thoroughly to ensure Value for Money.

PPP projects tend to have high transaction costs for both the public and private sector due to the rigorous project preparation phase. The transaction costs include costs of conducting various feasibility studies and impact assessments, and bidding costs such as tender documentation, negotiation costs etc. A project must be profitable to recover investment costs including all transaction costs, which requires these sunk costs to be of relatively smaller value with respect to the overall project cost. A project that is too small in size may not generate sufficient commercial return after taking these costs into account. Therefore, it is necessary to ensure that the project is of sufficient size and the project returns are commensurate with the high transaction costs, and a viable commercial proposition is in place.

The rationale is best illustrated below by a numerical example both from a public sector perspective as well as a private sector perspective.

Public Sector Po	erspective		Private Sect	or Perspective	
	<u>Small</u>	<u>Large</u>		<u>Small</u>	Large
Project Size	1,000	10,000	Project Size	1,000	10,000
Cost of Preparation	100	200	Bid Costs	100	200
Possible Efficiency Gains			Return on		
@ 10%	100	1,000	Investment	100	1,000

Figure 2-8 Transactions Costs of Small versus Large Projects

The above example compares the Financial Benefit achieved from small and large projects. Financial Benefit is defined here as the amount by which possible Efficiency Gains (for public sector) or Return on Investment (for private sector) exceeds the cost of preparation (public sector) or bidding costs (private sector). The example shows that larger projects provide proportionately larger efficiency gains or return on investment as cost of preparation/bidding costs tend to increase very little with the increase in project size. Therefore, Financial Benefit increases substantially if the project size is larger.

Criteria 5.1.

Is the delivery cost likely to be disproportionate to the project size and thus affect commercial viability of the project?

To assess the level of compliance with this criterion, the PPP proposal needs to present some preliminary estimate of the project costs and highlight if there are any aspects of the projects that may lead to higher than expected transaction costs for a project of this size.

PPPs relate to the delivery of services over an agreed long period of time. Therefore, the cost of delivering the service includes both Capital Expenditure (Capex) and Operational Expenditure (Opex). In line with this, project value of PPP transactions need to take into account the life cycle of delivering the service. Project value is defined as the net present value of the cash flows to the project sponsor over the life of the project or the net present value of the fees the government must pay over the life of the project. An example of project size assessment is shown below.

Year	Total	0	1	2	3	4	5	6	7	8	9	10
CAPEX	250	100	100	50								
OPEX	80				10	10	10	10	10	10	10	10
Total	330	100	100	50	10	10	10	10	10	10	10	10
Discount Rate		10%										
Present Values	276	100	91	41	8	7	6	6	5	5	4	4

Figure 2-9 Project Size Assessment (NPV)

The cost of preparation or bid costs are not linearly related to the project size implying that the larger the project (up to certain level as risk profile increases with project size) the more likely the project will be attractive from both the public and the private sector perspective. If the project is too small, the possible efficiency gains are unlikely to outweigh the cost of preparation and the possible return of investments for the private sector is unlikely to outweigh the bid costs implying that investors will not be interested.

The public sector may deem the project feasible as long as the project features high affordability, and covers transaction costs. However, the private investors will compare the return to the total investment, financing costs and transaction costs. Therefore, the projects of small size are likely to be unattractive to the private investors. In order to resolve this issue, related small projects may be bundled together to reach a scale where the transaction costs will be justified and the private sector will find the projects attractive.

In the case of small projects the public sector authority can also consider whether the project could serve as a pilot for a program of similar projects that could be implemented under its remit. If so public sector authority could consider transacting a small project on this basis.

Screening Condition 6: Financially Viable

A project must be financially viable in order to attract private sector partners to develop, implement and operate the services. Therefore, some initial estimates of the financial viability is required in terms of whether sufficient charges can be imposed to recover the costs of construction, operations and financing and provide a return to the private sector partner.

The detailed feasibility study to be carried out post receipt of In-Principle Approval will provide more comprehensive and robust information and a detailed financial model in order

to carry this assessment on a more detailed basis. However, at this initial stage some indication will be required on the potential for this project to be financially viable. Therefore, at this stage the originating Line Ministry should seek to provide the best information that is available to them that enables some broad assessment to be undertaken and which may help to screen and prioritise projects. If the Line Ministry cannot show how a private firm could theoretically make money operating the project, it should probably not be delivered as a PPP project.

Criteria 6.1.

Can the private sector operator raise sufficient revenue from the project to recover their costs and generate a sufficient commercial return?

The projects must demonstrate the ability of generating adequate revenue from the operations to recover the life-cycle costs and yield sufficient commercial return. The interpretation of this condition is twofold, depending on the type of PPP mode proposed i.e. (i) cost recovery through user charges or (ii) cost recovery through BOT Annuity.

(i) Cost recovery through user charges

A PPP must involve a viable business model or no private firm will be willing to participate. Hence, in order to assess the likelihood of success for the proposed PPP some initial estimates of the financial viability is required in terms of whether the private sector operator will be able to raise sufficient revenue by charging users to recover their costs of construction, operations, maintenance and financing.

While it is recognized that there will not be a detailed financial model at this stage and indeed much of the cost and revenue information may be best assumptions, the originating Ministry should provide at least some explanation of the proposed business model for the project. If possible, the Ministry should also provide information of the revenue source, for e.g. number of users and the potential tariffs that may be charged, as this will be pivotal to the viability of the business model.

The PPP proposal should include a preliminary revenue potential assessment (figure:2-10), which will include demand forecasts, growth potential, tariff calculation based on reasonable assumptions, and include any other relevant assumptions and/or calculations. It has to be noted that the revenue potential of projects can sometimes be enhanced through income from value added service or third party income. The figure below provides an illustration of a Revenue Potential Assessment for a Road PPP project.

Figure 2-10 Revenue Potential Assessment

Project Brief:

The project involves building a toll-road, which will require 2 years to construct and will have an operational life of 8 years, in total 10 years of project life. The project will start charging tariff to the vehicles from the third year of the project life.



The example indicates that the Present Value of the Revenue Potential of the project exceeds the Present Value of the whole life expenditure and thus may be considered as a potentially attractive PPP.

In case the revenue potential does not cover the life-cycle costs i.e. a viability gap remains, a separate assessment will be carried out to determine whether or not the project is eligible to enjoy the benefits of the VGF scheme.

If a proposed PPP requires public financial support through Viability Gap Financing (VGF), it can still be considered for PPP as the Value for Money (VFM) analysis (figure:2-11) performed in the feasibility study may show that the PPP (even with public support) is still more cost-effective than a traditional publicly procured project. It would be valuable to have this information as early in the process as possible.

Figure 2-11 Viability Gap Financing Analysis

Overview:

Project that may require VGF would be justified because of their high Economic Internal Rate of Return.

Project Scenario:

In the example given in Figure 2-10 Revenue Potential Assessment, if the maximum affordable tariff is BDT 2 instead of 3, the present value of the project's revenue stream would be 205. This would be 25% lower than the present value of project expenditure of 276.



(ii) Cost recovery through BOT Annuity

If demand is insufficient or uncertain for any other reasons, if user charging is not viable or if the government is the only purchaser of the service, the originating Ministry has the option of a BOT Annuity for pursuit of Value for Money through PPP.

The concept of BOT Annuity payments or unitary charges implies that the cost recovery is spread over the life cycle of the project i.e. the financial consequences are linked to the delivery of services so that future government who enjoy the services will also be responsible for the payment of these services. In simpler terms, once the project is operational, the project company is paid an agreed monthly/quarterly/half-yearly fee, known as BOT Annuity payments or Unitary Charge (UC) or Unitary Payment (UP), by the relevant public body for the use of the facility together with the delivery of the agreed Facilities Management services. This annuity payment is made throughout the operational duration of the contract, and covers the costs of capital expenditure, finance and any administration associated with the management and operation of the contract.

This will impact the future fiscal space and the affordability of such arrangements also has to be assessed and authorized. The PPP Unit of the Ministry of Finance who is responsible for Fiscal Risk Management including all financial obligations arising from PPP arrangements will do this. They will have to assess whether the financial obligations arising from the unitary payments fit within the long-term budget of the originating Ministry.

Distinction may be made between entities that have revenue raising options and can make annuity payments from their revenue, for example Chittagong Port Authority; and entities that need to fund any annuity payments from budgetary allocation of the government, for instance the Roads and Highways Department. In case PPP Proposal concerns BOT annuity, Line Ministry consults PPP Unit of the Ministry of Finance for endorsement. If the implementing agency has revenue raising power than consultation with Ministry of Finance is not required at this stage but will need to be assessed post In-Principle Approval but prior to launch of procurement. For entities without revenue potential, the decision in relation to these will need to be agreed with the Ministry of Finance given the long term budgetary impact.

For this purpose the PPP Proposal needs to include some tentative assessment of these financial obligations i.e. the level of the BOT annuity payments. An illustration of annuity payment calculation for contract duration of 10 years is shown in the Figure (2-12) below.

Figure 2-12 Annuity Payment Calculation

Overview

The annuity payments are calculated based on the Life Cycle Costs using a so called goal seek function in Excel to assess the required annuity payments to have a net Present Value equal to 0. This implies that all Life Cycle Costs are recovered including the cost of capital provided by investors and banks as reflected in the discount rate.

Year	Total	0	1	2	3	4	5	6	7	8	9	10
Annuity	-501				-63	-63	-63	-63	-63	-63	-63	-63
CAPEX	250	100	100	50								
OPEX	80				10	10	10	10	10	10	10	10
Total	-171	100	100	50	-53	-53	-53	-53	-53	-53	-53	-53
Discount Rate	10%											
Present Values	0	100	91	41	-40	-36	-33	-30	-27	-25	-22	-20

Screening Condition 7: Marketable

PPP projects are reliant on private sector developers with appropriate skills and experience being attracted to invest in delivering the project. Therefore, attracting private sector developers to bid for this project is crucial to ensure delivery of the project and also to maximize competition between the parties to ensure that the public sector can benefit from selecting the best Value for Money proposition.

Criteria 7.1.

Has envisaged PPP been done before elsewhere?

Authorities need to market their project and also need to look at case studies from elsewhere as how the project can be best delivered. If there are similar examples elsewhere, it indicates the viability of these projects. It also indicates that there are a

number of private entities willing and able to bid for such contracts i.e. similar in terms of sector and PPP mode. Consequently proposed PPP projects should have peers in terms of sector and mode wise comparable projects.

To assess the level of compliance with this criterion, the PPP proposal should confirm and include examples of reference projects (figure:2-13) (if available) or clarify the potential market prospects of this project that might make it attractive to private sector partners to create an effective and a competitive bidding process.

Criteria 7.2.

Is there a market capability to deliver this project?

To assess the level of compliance with this criterion, the PPP Proposal needs to illustrate the capability of the market to deliver the proposed project. It is necessary to test whether there are any local or foreign private players who are capable of developing the project. If the market lacks the experience and expertise with regard to the project under consideration, then it needs to be considered if PPP is the appropriate modality to implement the project. In addition, determining the level of marketing effort required for the project needs information on market capability.

Figure 2-13 Reference Sites for Case Studies

Reference Sites for PPP Case Studies

Possible sources to find comparable projects are

- PPP in India database (www.pppindiadatabase.com),
- Canadian PPP Project Database (http://projects.pppcouncil.ca/ccppp/src/public/searchproject?pageid=3d067bedfe2f4677470dd6ccf64d05ed),
- *Philippines Public-Private Partnership Center (http://ppp.gov.ph/?page_id=5663)*
- Infrastructure Australia (http://www.infrastructureaustralia.gov.au/public_private/market.aspx)

Screening Condition 8: Bankable

Availability of financing is a key aspect of PPP projects. Whether banks are willing to provide financing or not, does not solely depend on the financial viability i.e. affordability as illustrated in the Financial Viability Condition above. Even more important is the likelihood that they will receive back their money and their interest. The financial viability may indicate that there is sufficient revenue potential though how certain is this revenue potential and how certain are the life cycle costs may still need to be ascertained.

Banks will look in detail at the risk profile of the project and a consistent measure ensuring the degree of a stable revenue stream in order to assess the bankability. As the PPP proposal is in the screening phase it is not required to have an extensive risk analysis, though some initial indication has to be provided of the risk profile and the envisaged risk allocation i.e. which risks are proposed to be transferred to the private sector and which risks are envisaged to be retained by the public sector. An illustration of typical risks that would be considered by a lender in carrying out their assessment is set out below.

Figure 2-14 Lender's Assessment of a Project

Case Study: Lender's Assessment of a Power Plant BOO project

An example of a power plant project may be used to get an idea of the areas, issues and/or indicators a potential lender may look at. In case of a Power Plant project, the banks will assess the:

- prospect of the energy and power sector,
- financial and managerial capabilities of the project sponsors,
- technical design and availability of inputs,
- financing plan,
- implementation plan, and
- environmental and social impacts

Sector analysis includes assessment of sector structure, key stakeholders, relevant government policies, current industry trends and future prospects. Analysis of the capabilities of project sponsors involve looking at the past experience in implementing similar projects, financial strength and credit history of the sponsor and key management personnel of the firms.

Potential lenders also assess the technical and financial feasibility of the project. Technical design assessment involves review of the proposed technology, major plant equipment, reliability of equipment suppliers, various procurement arrangements etc. Assessment of the project's ability to generate required return on the banks' investments involves analysis of project cost, debt service coverage throughout the project life and sensitivity or stress tests of the cash flows under various risk assumptions including decline in revenue, increase in costs etc.

The implementation plan proposed for the project is also reviewed by the lenders in order to ensure that the private partner identified and considered all relevant risk factors and formulated the implementation plan accordingly using appropriate risk sharing mechanisms, forming a strong management structure and defining realistic objectives. Finally, the social and environmental impact of the project and the mitigation plans are also analyzed by the lender to ensure compliance with the social and environmental requirements.

If demand risk is transferred to the private sector in that case the bank will assess the volatility of the demand and its impact on the cash flows to assess bankability. If they have some concerns than they will either ask for more equity infusion, some guarantees from parent companies, and/or mitigation of the risk by asking the private entity to negotiate some minimum payment guarantees, etc.

The underlying principle in risk transfer in PPPs is that responsibility for the risks should rest with the party best able to manage them. When considering risk transfer to the private sector, public sector authorities should keep this principle in mind and work towards the optimum level of risk transfer rather than the maximum level. It is also important that the risks are transferred to the private sector participant possessing proven ability of managing such risks. Since, the private sector participant will charge premium for each additional risk that they take on; at some point risk transfer costs will start outweighing the benefits. Hence, value for money expected from the project may decline.

Figure 2-15 Optimal Risk Transfer



Criteria 8.1. Has the risk matrix been completed to show the indicative risk allocation? Are risks envisaged to be transferred potentially manageable by private sector?

To assess the level of compliance with this criterion, the PPP Proposal needs to include a tentative risk allocation matrix, which is to be in accordance with internationally accepted risk allocation schemes.

A list of the key risk headings typical in an infrastructure project under PPP along with typical risk allocation practices is included in Annex 3. An example of the potential allocation of risk (figure:2-16) is provided below.

Figure 2-16	Typical Risk Allocation Matrix

Risk Category	Examples of Risks	Public Sector	Shared	Private Sector
Output specification		•		
Design risk	Program & Specifications			•
Design and technology	Design & Construction			•

obsolescence risk				
Latent defect risk				•
Land acquisition and resettlement		•		
Financing risk	Financing	• (VGF/BIFF ¹)		•
Site Condition risk	Site conditions	● (Unknown)		• (Known)
Construction risk	Cost & Schedule (delivery)			•
Commissioning risk	Permits (major permits)	Inside RoW ²		Outside RoW
Operational performance risk	Facility Performance			•
Operation & Maintenance risk	Maintenance and scheduled rehabilitation			•
Environment / social risk				•
Demand risk	Volume		•	

1. Public sector may be financially involved in the project through VGF or BIFF financing schemes and share potential risks to a certain extent.

2. Right of Way.

The Line Ministry/Implementing Agency will complete the above table in the intitial stage and keep updating and detailing the risk matrix as part of the Detailed Feasibility Study.

The proposed risk allocation will be reviewed by PPP Office to assess compliance with international practices taking into account the risk profile of the project and provide an opinion on the bankability of the project in terms of manageability of the risks.

Screening Condition 9: Implementable

The Line Ministry / Implementing Agency must consider the fact that, although one of the main advantages of PPP procurement is time efficient delivery, overall, there is generally at least an 18 month lead in time before contracts are signed and construction can commence on a project when this method is used. It is noted in a UK Treasury document entitled PFI: Strengthening Long-Term Partnerships, and published in March 2006, "Evidence on PFI projects suggests that procurement times are still long, taking on average over two years from advertising in the Official Journal of the European Union (OJEU) to financial close."

Figure 2-17 Average Lead-time for Road PPPs in Europe

Survey of Road PPPs in Europe



Experiences in Bangladesh illustrate that development and implementation of infrastructure projects in general including PPP projects is challenging. Some of the key issues include:

- Land acquisition and resettlement;
- Optimism bias to favor policy opportunism;
- Project structure not aligned with investor requirements
- Inadequate project preparation due to lack of time and or resources

To ensure that the proposed PPP project can be implemented the following criteria have been defined.

Criteria 9.1.

Is sufficient time available for development after the In-Principle Approval prior to launch of the procurement?

To assess the level of compliance with this criterion, the originating Ministry is to substantiate its project planning by setting out in the PPP Proposal an indicative timeline for some of the key activities, which will be reviewed and assessed by PPP Office based on expert judgement. The originating Ministry should seek to ensure that it provides sufficient time order to carry out the detailed feasibility, development of linked projects (where applicable), and other project development work prior to launching the procurement process.

Items to consider as part of this planning includes:

- Receipt of approvals
 - In Principle approval
 - o Line Ministry approval to launch procurement
 - Other relevant approvals and permits
- Development Path:
 - o Development of project team
 - Feasibility study (inc Financial analysis, Economic Analysis)
 - Project document development (RFQ, RFP, Technical requirement, Project Agreement terms)
- Procurement
 - Request for Qualification (where applicable)
 - Request for Proposal
 - Contract Negotiation / Financial Close
- Project Implementation
 - Construction commencement

Criteria 9.2.

Can land be made available for the project on time? Are there additional linked projects that may be required?

The proposed project may require land. Absence of zoning, scattered ownership, need for expropriation, environmental issues may hamper the availability of land endangering the likelihood of success.

To assess the level of compliance with this criterion, the PPP proposal needs to indicate the total amount of land required for the project, the amount of land that is currently available and the balance of land acquisition that may be required. In addition, where available, there is a need to make reference to whether a legal mandate has been acquired for land acquisition or expropriation and/or provide a strategy and planning for the land acquisition.

Where land acquisition is needed this will need to be taken forward as a linked project. The linked project must be taken forward taking into account the timescales for delivery of the PPP project.

Originating Ministries may wish to provide additional information that may be relevant, for example:

- Whether a preliminary technical assessment (as part of a detailed feasibility study) will be required before the land acquisition requirements can be fully detailed
- Whether various environmental and other socio-economic requirements may impact land requirements

The PPP Proposal should additionally indicate any additional linked projects that may need to be undertaken. These could include for example the need to deliver utility services, access roads, transport links etc.

Criteria 9.3. Is the project likely to raise significant environmental or social issues?

Close attention needs to be paid to the environmental and social implications of the project.

Legislation in Bangladesh and requirements from Development Partners stipulates that the Environmental Impact Assessment (EIA) identifies, describes and assesses the direct and indirect effects of a project on the following factors:

- Human beings, fauna and flora;
- Soil, water, air, climate and the landscape;
- Material assets and the cultural heritage.

In order not to delay the project, the EIA should be started at an early stage as it is a requirement for obtaining licences and permits. Environmental action groups can lobby with the government for more research on the environmental implications of the project and as such delay the licensing procedures. Therefore, it is important to work collaboratively with them and the Line Ministry/Implementing Agency may present the objectives of the project, discuss potential solutions and ask for their advice.

To assess the level of compliance with this criterion, the PPP proposal needs to include the classification of the project under GoB's environmental and social guidelines and regulations. The proposal also needs to identify the likely environmental and social impacts of the project and where possible discuss mitigation strategies that can be further tested as part of the detailed feasibility study.

The originating Line Ministry can consider the following issues in completing information for the form:

- Carrying out an a screening of all permits that may be required, the requirements that need to be met, who would be responsible for permits
- Consider the timing of carrying out the environment and social assessment
- Assessing the potential risks that may arise, how they are accounted for, and how this risk is allocated
- Summarize a status of permitting what is available, what is needed, who are the approving agencies, and the timelines

Much of this information will be detailed as part of the Detailed Feasibility Study carried out after In-Principle Approval; however, any information that can be provided at this stage would be helpful to expedite matters and also identify potential issues that may need to be addressed in a prioritized manner.

Criteria 9.4.

Have the key stakeholders of the project been identified? Have any potential issues been identified that will need to be addressed?

To assess the level of compliance with this criterion, the key stakeholders to the project must be identified in the PPP proposal to ensure effective channelling of resources at every stage of the project. Potential issues related to the key stakeholders need to be identified to ensure that they are appropriately addressed. These may include potential problems with human resources employed, policy and legal issues etc. relating to linked public sector project that are essential for the successful implementation of the PPP projects.

Criteria 9.5.

Have Line Ministry confirmed that they have sufficient human and material resources available to develop and execute the project?

The originating Line Ministry and its Implementing Agency have to commit themselves to provide sufficient resources i.e. staff to manage the development and implementation of the PPP. One may not expect that all preparatory works can be outsourced to external advisors. They also need to be managed.

To assess the level of compliance with this criterion, the PPP proposal needs to include the lead contact for the Line Ministry and the Implementing Agency. If available, the PPP Proposal should also include details of the Project Team for the next phase and a brief description of the roles and responsibilities of the individual team members (including most importantly the Project Director). If this information is not available at this stage then it needs to be prioritised as one of the key action points to be addressed immediately after In-Principle Approval has been received.

The Project Director:

- should have comprehensive knowledge about the project and its background;
- should have the responsibility as well as the mandate to make decisions and to make compromises between, sometimes incompatible legal, financial and technical perspectives during different project stages,;
- should, due to inherent differences between public administration and business administration, be able to act as interface and to communicate with two rather different systems;
- should be conscious about the transparency of the procurement process and issues relating to conflict of interests.

In PPPs, there is a high demand for timely and swift decisions and decision-making procedures. One of the key tasks of the project manager is to ensure that the public sector authority is able to make decisions actively and on time.
Having a strong Project Director is of decisive importance for project progress and success. She/he should be able to make compromises between different professional viewpoints, ensure political acceptance of solutions, and make sure that viable commercial solutions are taken.

Screening Condition 10: Endorsement

The final requirement for successful PPPs is commitment. PPPs are different from traditional procurement and require some changes in the way government traditionally delivers projects. Government's role changes from execution of projects to management and oversight of private sector partner's implementation and delivery of projects according to pre-agreed provisions set out in a concession agreement, with the services to the end users being delivered by the private sector partner. Given the potential implication of the role for the public sector, the private sector and the end users, there is a need to ensure that there is support for pursuing the project from the highest level of government empowered to deliver this project.

Criteria 10.1. Is project authorized by the head of the Line Ministry?

To assess the level of compliance with this criterion, the PPP Proposal needs to be authorized by the head of the responsible Line Ministry and Implementing Agency (as applicable). This is necessary to confirm commitment to the project and willingness to make available the necessary resources for adequate preparation and development of the project.

Endorsement from the highest level of the government responsible for delivery of the specific project is important given that it may involve a change in the traditional role of government. Issues that may need to be considered include the transfer of responsibilities by government to the private sector; the delivery of public services by a private partner for a medium to long period; public opinion towards the delivery of public services through the private sector; and the potential application of user charges.

Furthermore, given that PPPs are medium to long term contractual arrangements, they may require more time for preparation in order to ensure that the rights and obligations of each party is clear and that it meets with authority requirements and therefore also entails higher costs for developing and bidding the project. This increased time and costs needs to be considered within the overall context of the commitment for delivery of the project and any timing pressures that may exist thereon.

Therefore, pursuing a PPP requires belief, commitment and perseverance, which needs to be confirmed at the highest level for the Line Ministry.

3 'In-Principle' Approval Procedure

3.1 PPP Project 'In-Principle' Approval Steps

The procedures for identifying and proposing PPP project identification up to the receipt of In-Principle Approval is set out in the PPP Policy and Guidelines 2010 as detailed below.

Figure 3-1 Extract of Guidelines for Large Project (PPP Policy and Guidelines 2010)

2 PROCEDURE OF PROJECT IDENTIFICATION, FORMULATION, APPRAISAL AND APPROVAL

2.1 Project Identification

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

2.2 'In Principle' Approval by CCEA

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

[*Note: CCEA provides In-Principle Approval of Large and Medium Projects, the Line Minister provides In-Principle Approval of Small Projects]

The procedures for identifying and proposing PPP projects are not essentially different from conventional project identification (please see Annex 4 for further details of conventional public procurement). The procedures for identifying and proposing PPP projects are compared with conventional public procurement in the Figure below:



Figure 3-2 Project Identification and In-Principle Approval

Projects that receive In-Principle Approval for PPP are eligible for PPP TA Fund to facilitate the further development of the PPP i.e.

- Detailed Feasibility Study
- Tender Preparation and Execution

It should be noted that In-Principle Approval may be provided by the CCEA or the Line Ministry based on the size of the project. The Policy and Strategy for Public Private Partnership (PPP) 2010 currently stipulates that In-Principle Approval of Small Projects (with an estimated total investment below BDT 500 million) will be provided by the Line Minister. However, the In-Principle Approval for Medium Projects (with an estimated total investment between BDT500 million and BDT2.5 billion) and Large Projects (with an estimated total investment above BDT2.5 billion will be provided by the CCEA.

Based on the PPP Policy and Guidelines 2010, the keys steps for project identification up to receipt of In-Principle Approval include:

- Step 1: Project Origination
- Step 2: Project Proposal
- Step 3: Ministry of Finance Consultation (applicable for BOT Annuity proposals only)
- Step 4: PPP Office Screening
- Step 5: In Principle Approval

Step 1: Project Origination

Line Ministry/Implementing Agency identifies the projects to be taken up through PPPs based on its sector policy and/or sector master plan. PPP Office or a private entity can also independently identify PPP projects. In such cases, PPP needs endorsement of the proposal by the Line Ministry/Implementing Agency.

Line Ministry/Implementing Agency will identify a project to be taken up through PPP route. According to this manual, the Line Ministry/Implementing Agency will review its sector policy, sector master plan and/or Sectoral Coverage in PPP Policy and Guidelines 2010 and identify a project and consider PPP route as one of the ways to implement the project.

Even if a project idea is not already included in any sector policy or document, the Line Ministry/Implementing Agency can still consider implementing this project on a PPP basis. But carry out a strategic needs assessment to ensure that the project idea is in alignment with the broad sector objectives and is within the mandate of the originating Authority.

Given that PPP is relatively a new phenomenon in the country, PPP Office or a private entity can also independently identify a PPP project and/or submit an idea to a line ministry/implementing agency for further development, provided the proposed project idea is in conformity with broader sector objectives. The use of case studies highlighting how PPP projects in the specific sector has been delivered in other countries is a useful way of generating new ideas for developing new PPP initiatives.

In such a case, based on the idea put forward by the PPP Office or a private entity, a Line Ministry/Implementing Agency may decide to develop a PPP project proposal and go through the following procedure in order to seek an In-Principle Approval.

If the Line Ministry/Implementing Agency requires further clarification on the use of a PPP modality for a potential project then it is encouraged to liaise and discuss with the PPP Office on the potential options for delivering the proposed project as a PPP.

Step 2: Project Proposal

Line Ministry/Implementing Agency prepares a PPP Proposal in accordance with the PPP Project Proposal Form (see Annex 2). The PPP Proposal is prepared with in-house resources though PPP Office may be consulted for advice. However, for large or complex projects there may be a need to take specialist support in order to prepare the project.

In all cases, a PPP project proposal must always be prepared by a Line Ministry/Implementing Agency. In order to prepare a PPP project proposal, the Line Ministry/Implementing Agency will use the conditions and criteria discussed in this manual (Chapter 2) and the PPP Project Proposal Form provided for a PPP proposal (Annex 2). For the ease of completion, the PPP Project Proposal Form is structured on the basis of the ten conditions that are set out in this Screening Manual. The Line Ministry/Implementing Agency should generally be able to answer with in-house resources the questions related to ten conditions and nineteen criteria discussed in the Screening Manual.

The requirements for a PPP project proposal is so prescribed in this manual to enable the PPP originating Authority answer all related questions without the help of any external expertise (the consultants). However, the PPP Office has the mandate to support the Line

Ministry/Implementing Agency in initiating a PPP project. PPP Office will also have the resources (e.g. a Panel of Experts) and the Line Ministry/Implementing Agency may decide to seek their assistance/advice in preparing a PPP proposal.

The Line Ministry should seek to ensure that all the information fields set out in the PPP Project Proposal Form are addressed. If there any queries in relation to completing any of these fields than the Line Ministry/Implementing Agency should seek clarification from the PPP Office.

The Line Ministry should also ensure that the PPP Proposal has been duly endorsed by the Line Ministry / Implementing Agency at the appropriate level. Where this is not the case, the PPP Office will not be able to complete the screening of the PPP Proposal.

Step 3: Ministry of Finance Consultation (applicable for BOT annuity proposals only)

In case PPP Proposal concerns BOT annuity, Line Ministry consults PPP Unit of the Ministry of Finance for endorsement. If Implementing Agency has revenue raising power than consultation with Ministry of Finance is not required at this stage but will need to be assessed post In-Principle Approval but prior to launch of procurement.

As discussed in this manual (Screening Condition 6, Chapter 2), in case of a PPP project with insufficient or uncertain demand, the originating Ministry has the option of BOT Annuity for pursuit of Value for Money through PPP.

In such cases, the originating Ministry has to include some tentative assessment of the financial obligation i.e. the level of unitary payments. At this stage of PPP proposal preparation, the originating Ministry will calculate unitary payments based on the Life Cycle Costs using a so called *goal seek function* in Excel to assess the required unitary payments to have a Net Present Value equal to 0. This implies that all Life Cycle Costs are recovered including the cost of capital provided by investors and banks as reflected in the discount rate. Assume for simplicity a contract duration of 15 years.

In conducting this calculation, if the need be so, the originating Ministry may seek support from the Panel of Experts, managed by the PPP Office as well as PPP Unit of the Ministry of Finance.

This manual requires, once the PPP project proposal addresses this issue and includes a projection of BOT annuity, the originating Ministry will send the proposal to the PPP Unit of the Finance Division, for review and endorsement.

After receiving a Ministry of Finance endorsement, the originating Ministry will submit the PPP project proposal to the PPP Office for its recommendation that is needed for In-Principle Approval. However, if Implementing Agency has revenue raising power than consultation with Ministry of Finance is not required at this stage but will need to be assessed post In-Principle Approval but prior to launch of procurement

Step 4: PPP Office Screening

Line Ministry submits PPP Proposal to PPP Office for screening. PPP Office will assess level of compliance of the PPP Proposal with the key conditions in accordance with the PPP Screening Framework as described.

Line Ministry/Implementing Agency will submit a PPP project proposal with supporting documents (as applicable), as prepared following steps 1-3, to the PPP Office for consideration. PPP Office is responsible to assess the merit of a proposal submitted by a Line Ministry/Implementing Agency.

While evaluating a proposal, the PPP Office will assess the merits of the proposal based on the criteria set out in the Screening Manual. Primarily, the PPP Office will assess the extent to which the proposal has met or is likely to meet the conditions and criteria that indicate the potential likelihood that the project can be successfully developed and implemented as a PPP project.

In case the PPP Office is not satisfied with one or more of the issues of a proposal, they may decide to ask the Line Ministry/Implementing Agency for further clarification in relation to the information that they have submitted or may seek additional information to enable them to complete their assessment. The PPP Office may also request the Line Ministry/Implementing Agency to arrange a site visit in order to verify the information submitted in the project proposal.

The assessment by the PPP Office will be on a qualitative basis, and therefore, it is possible that the information submitted in the project proposal may raise some queries that will need to be addressed by carrying out further detailed feasibility studies or reviews. In these circumstances the PPP Office may determine whether some of these issues will need to be resolved at this stage or whether they should be addressed as part of the Detailed Feasibility Study to be completed post In Principle Approval.

Essentially the screening conditions "Applicability of PPP" and "Endorsement" are mandatory and need to be met in order to be eligible for a positive recommendation. If any other condition is not met, PPP Office will make a qualitative assessment whether or not to recommend the project for In-Principle Approval.

Based on the qualitative assessment, the Line Ministry/ Implementing Agency submitting the PPP Proposal will be advised by the PPP Office that:

• Recommendation has been provided for the project to be submitted to the relevant Authority (CCEA or Line Minister) for In-Principle Approval. The PPP Office may also

request that specific issues need to be addressed as part of the detailed feasibility study in the project development phase post receipt of In Principle Approval; or

- Recommendation for In-Principle Approval cannot be given without additional information being provided or the proposal being revised and resubmitted; or
- Recommendation for In-Principle Approval cannot be given and the Line Ministry/Implementing Authority should pursue an alternative delivery mechanism.

In case of a PPP proposal involving BOT annuity requiring government's fiscal commitments, the PPP Office may consult with PPP Unit of the Finance Division, if further clarifications are required.

Step 5: In Principle Approval

Line Ministry submits PPP Proposal to CCEA (for large and medium projects) or Line Minister (for small projects), with recommendation from PPP Office.

Once the PPP Office is satisfied with a proposal, in view of the conditions and criteria mentioned in Screening Manual and following a consultation with the PPP Unit of Finance Division (in case of BOT Annuity), it will send its recommendation to the Line Ministry.

Where projects need to be submitted to the CCEA for In-Principle Approval, the Line Ministry should follow the relevant procedures for submitting the PPP project proposal and also incorporate the recommendations received from the PPP Office. The Line Ministry should also provide a copy of the CCEA submission to the PPP Office for information purposes.

For small PPP projects as mentioned in the PPP guidelines, In-Principle Approval needs to be provided by the Line Minister. The Line Ministry should follow the relevant procedures for submitting the PPP project proposal to the Line Minister and also incorporate the recommendations received from the PPP Office. Once In-Principle Approval has been received a copy of the approval should be forwarded to the PPP Office.

CCEA provides In-Principle Approval

After CCEA approves a PPP project, the originating Ministry should submit a copy of the approval to the PPP Office and request a meeting with the PPP Office to discuss the next steps for taking forward the proposal over the Project Development Phase. Please refer to the **Project Development Process Manual** (PDPM) for further guidance regarding the Project Development Phase.

A summary of the PPP Project Approval Procedure is set out below.

Figure 3-3 PPP Screening Process



The Criteria set out in the screening manual are periodically re-assessed as part of the process of project development, to ensure that all the issues highlighted as part of the screening process has been satisfactorily addressed prior to launch of the procurement process.

Annex 1 Patenga and Pangaon Port Terminal-SSAB

In 1997, Stevedoring Services of America (Bangladesh) Ltd (SSAB), a US/Bangladesh joint venture company, submitted an unsolicited proposal for the construction and operation of a container-handling terminal at Patenga, in Chittagong, to be financed privately. The project was proposed to be implemented on a Built, Operate Own (BOO) basis. SSAB would also have the option to build a land terminal at Pangaon and provide integrated barge services to carry the containers between Patenga in Chittagong and Pangaon in Dhaka. The foreign investor involved was Stevedoring Services of America (SSA) of Seattle, USA, and the local counterpart was Orient Maritime Limited of Bangladesh. At that time, SSA was carrying out 150 port terminal operations worldwide including in India, Thailand, New Zealand, Chile, Panama and Egypt. The investors proposed taking full commercial and other risks without any involvement of the government. The total estimated cost of the project was US\$ 438 million of which US\$250 million was expected to be spent in the first phase. The project was to be co-financed by the International Finance Corporation (IFC) and IDCOL of Bangladesh and was also likely to receive financing from the Overseas Private Investment Corporation (OPIC) of USA.

The project was subject to a challenge in the High Court in 2000 on the following grounds: (a) no feasibility study for private container terminal had been conducted; (b) no national policy, law or rules for establishing a private container terminal existed in Bangladesh; (c) the government had grossly disregarded ESCAP guidelines for private sector participation in ports and transparency with regard to the decision making process; (d) no steps were taken according to the government's own Rules of Business when procuring services from the private sector.¹

Public interest litigation also alleged that no evaluation of the track record of the company i.e. previous experience of SSAB regarding port operation and financial capabilities, were done before approval. There were other charges as well. At least four other companies expressed their intention to establish a private container terminal at Patenga, through applications, but no competitive bidding procedure was followed. Powers and functions of Chittagong Port vested by the Chittagong Port Authority Ordinance, 1976, were entirely disregarded, by-passed and circumvented. Finally, the proposed project would establish dual administration within its port limit at Patenga, contrary to the Ordinance; and leasing of land for the project had not been done openly in accordance with law, for example, by following the competitive bidding procedure through a public auction.

¹ The procurement guidelines called for the Government and its contracting authority to: identify priority of the project in the national development plan, conduct pre-feasibility and assessment of commercial viability; (ii)identify and approve the related infrastructure investments by the public sector that were essential for viability of the proposed project; (iii) publish project outline, along with summary of privatization parameters, and pre-qualification advertisement; (iv) prepare a prequalification short list and prepare and distribute bid documents, (v) evaluate the tenders, and (vi) negotiate with the top ranked bidder.

In addition, there were issues relating to the nature and concession term of the project. The original lease period demanded was very long (2x99 years). In subsequent negotiations, the nature and concession term for the project was changed into a 30 year BOT instead of 2x99 years BOO. The Port assets would be transferred to the Government after 30-year concession period, if Government did not exercise its option to allow SSAB another term to operate the project on lease from the Government. The location of the container terminal, at Patenga Point, it was alleged, would create siltation in the Karnafuli River affecting navigation of the Chittagong Port. There were also concerns regarding the use of the terminal in the interest of national defense and entry of foreign naval vessels.

In November 2002, the High Court ruled the approval of the project as "illegal" on the grounds of composition of joint venture, lack of competition, discriminatory treatment of other applications to develop similar facilities, lack of feasibility/viability report indicating financial benefits to the Government.



PPP Project Proposal Form



Annex 2 *Public Private Partnership Project Proposal Form*

	GENERAL INFORMATION							
Α.	Project Name (Full Title):							
В.	Project Name (Short Title):		C. Sector:	D. Pr	oiect Typ	e (e.g. Roads, Bridge, and Port etc.):		
υ.	roject Name (chort hac).		0. 000001.	D . 11	ојсог тур	e (e.g. noads, bhoge, and ron etc.).		
Е.	Line Ministry:	F. Implement	ing Agency (IA):	G Pro	oject Loca	ation		
- .	Ene Ministry.	T. Implement	ing Agency (IA).	G . 110				
Н.	i) Has the Line Ministry Yes ☐ No ☐ (If "Ye		opment Project Propo	osal (DPP	?)?			
	ii) What is the current sta	atus of the DPP?						
Ι.	i) Has a prefeasibility re ii) Please complete the f					ase attach)		
			enefit Cost Ratio:	upportini	y i mancia			
	·							
1.	Project Description:	SCREENING CO	ONDITION 1: APPLIC	ABILITY	OF PPP			
	Project Description.							
2.	Project Rationale:					(Please check all that a	(vlaa	
	i) Project is difficult to in					nt alone		
				or redu	ce the tim	e to implement compared to	_	
	what Government cou iii) There is opportunity			re which	may red	uce cost of providing public		
	service		nong private investo	13 WINCH	may rea	dee cost of providing public		
	iv) Private investment co	uld provide an opp	ortunity for innovation					
	v) Others:							
3.	Project Delivery Model:		(Please check any	one)	Note:	If you have ticked any box apart f		
						please contact PPP Office to eligibility of your project.	discuss	
	i) Creation of a Joint Ve						ĺ	
	ii) Borrowing by Governr	nent from the priva	te sector					
	iii) Privatization of public							
	iv) Public Private Partnerv) Outsourcing of a simp		lio convico					
	vi) Creation of a governm							
4.	PPP Project Component:	·	(Please check	as appro	priate and	d describe each component)		
	Detailed Design:	Public Sector	Private Sector					
	Build (Construction):	Public Sector	Private Sector	N/A				
					•			
	Operate:	Public Sector 🗌	Private Sector					
	Finance:	Public Sector	Private Sector					
	Maintain							
	Maintain:	Public Sector 🗌	Private Sector 🗌					
	Equipment:	Public Sector 🗌	Private Sector	N/A	۹ 🗆			
1								

			DNDITION	2: SECTO		
5.	Project Objectives:					
6.	Please select the priority sector of you	ir project as	set out in t	he PPP Po	olicy & Guideline (2010):	
•		ar project de				
7.	i) Is this project included in ii)	If "Other"	, has a Str	ategic Nee	eds Assessment been do	one? Yes 🗌 No 🗌
	any of the followings:				ect will deliver your secto	
	ADP 🗌				,	
	Sector Policy					
	Sector Master Plan					
	5 year Plan 🗌					
	Other 🗌	(Please att	tach the St	rategic Ne	eds Assessment renort (or any other relevant reference.)
	0005			-		si any other relevant reference.
0	Does the project fall under the				Y PERMISSIBLE	
8.	Please specify the supporting source:					Yes No
9.	Have these public services been deliv					
9.	(If "Yes", please provide an example)	relea previou	isly by the	private sec		
	(ii res, please provide an example)					
10.	Is there any legislation/regulation that	t may impac	t aovernme	ents' ability	to allow private sector	to deliver and charge for public
	services?		. 9			te senter and sharge te prese
	Yes 🗌 🛛 No 🗌 Not Known 🗌					
	S	CREENING	CONDITIO	N 4: OUTI	PUT DRIVEN	
11.	Please describe the end services that	the PPP Co	ncessionai	re will deli	ver:	
				at aut vou	coourantion in Annov 1	Additional information)
10	SCREENING CONDITION 5: SUFF					
12.	i) Estimated capital costs:	. ii)	Estimated	yearly ope	eration costs:	iii) Total cost:
	iv) Estimated period of contract:					of project: years
	If uncertain, please specify a ra				If uncertain, please spec	
10	5-10 10-15 15-20	>20			<10 10-30 >3	
13.	Is the cost of developing this proje If "Yes", Please explain:	Ct likely to b	be nigner t	nan otner	similar PPP projects?	Yes 🗌 🛛 No 🗌
	SCP					
14.	i) Please indicate the source of					
14.		plementing			Ministry	
	ii) Please complete the followin					
	Estimated average charges pay				Estimated number of U	sers (per day):
	Estimated average sharges pa	,				
	(Please attach your assumption	ns and the Be	evenue Pot	tential Ass	essment in Annex 1: Ac	ditional information)
	iii) Please complete the followin	a if vou tick	ed "Implei	mentina A	dency" or "Line Minis	trv":
	a) Does the Implementing A					No 🗌
	b) Does the Implementing A					es 🔲 No 🗌
	If "Yes", please indicate h		0		5	
	c) Please provide an estima	ate of the nur				
		SCREENING		ON 7: MA	RKETABLE	
15.	Are you aware of a similar project bei	ng delivered	through a	PPP Mode	el elsewhere? Yes 🗌	No 🗌
	If "Yes", Please indicate where: Ba	angladesh 🗌	Asia 🗌		of the world 🗌	
	If "No", Please clarify the potential ma					_
	(Please attach any reference material					
16.	Please mention names of local or fo	reign private	companie	s experier	nced in implementing sir	nilar projects along with project
	names.					
	(Plazza attach any reference meteric)	Lo project	onorto ma	haita link -	to)	
17.	(Please attach any reference material Has the Implementing Agency previou					Yes 🔲 No 🗌
17.						
		SCREENIN				
18.	Please specify the mode of project p		Solicited		nsolicited	
19.	Please indicate any proposed c					
	Risk Category	Public Sector	Shared	Private Sector		oosed Changes Sector, Shared or Private Sector)
	Output specification	•		200101	1. 10000 01010 1 00110 0	
	Design risk	-		•		
	Design & technology obsolescence			•		

			r	т <u> </u>	1	
	Latent defect risk			•		
	Land acquisition and resettle	ment •				
	Financing risk			•		
	Site condition risk	Unknown		Known		
		OTIKITOWIT				
	Construction risk			•		
	Commissioning risk		•			
	Operational performance risk			•		
	Environmental/social risk (ope	eration)		•		
	Demand risk		•			
	Other		•			
	Other	0005511110				
		SCREENING (SONDITIO	N 9: IMPL	EMENIABLE	
20.	Please provide an indicative	time line:				
	-		Date			Date
			Baio		··) DEO	Buio
	i) CCEA approval				v) RFQ	
	 Development of proje 				vi) RFP	
	Detailed feasibility stu	ıdy			/ii) Contract negotiation	
	iv) Development of proje	ct documents		v	iii) Project implementation	
21.	i) How much land is rec		entation of	the projec	t?	
	,					
	ii) How much land is alre	a alu au alla bla fau tha				
	ii) How much land is alre	eauy available for the	mplemen	itation of th		
	iii) Is any land acquisition	n newly required for t	he implem	entation of	f the project? Yes 🗌 No 🗌	
	If "Yes", please indica	te how much land ne	eds to be	acquired?		
22.					(Significant) Ves (Moderate)	No 🗌
22.	If "Voo" plooo door	ibo.	155065 !	165		
	If "Yes", please descr	ibe				
	(Please attach any fu	rther information or r	oforoncos	if available	a)	
					es (Significant) 🔲 Yes (Moderate) [
			nmental is	sues? re	es (Significant) 🔲 Yes (Moderate) L	
	If "Yes", please descr	ibe:				
	(Please attach releva	nt reference)				
			a nor tha (GoB's Gui	deline for Environmental and Social S	Safaquarda:
	iii) Flease specify the pro-	Ject's classification a	as per the t	GOD 5 Gui		Salegualus.
	(Please attach releva					
23.	Please highlight any linked co	omponents that need	to be impl	emented:		
	Water utility 🔲 🏾 Gas utility				Access Road Transport I	_inks 🗍
	Others:	_ ,_		5 7		_
24.	Please highlight the key stake	holders of the project	∽t•			
		ic Sector			Private Sector	
	1 001				T IIvale Sector	
25.	Please specify contact name	s for the project help	wand if a	vailable at	tach the description of the Project Te	am led by a Project
20.					responsibilities of the members:	annieu by a riojeet
	Contact Person					
1		Line Minist	u y		Implementing Age	нсу
1	Name:				-	
	Position:					
	Mobile:					
1	E-mail:					
26.	Please indicate if there are F	nancial Resources a	vailable for	r proiect de	evelopment (e.g. feasibility study):	
		indicate how much):		. p. 5j00i ui	(signout (signout) study).	
1		maloato now much).	<u> </u>			
		SCREENING	CONDITIO			
Lasur	u dealars that (=) the information	SCREENING				he project has here all
Inereb	y declare that (a) the information provi	approved by the a			ubmitted with it are true and correct, and (b) t	ne project has been duly
		approved by the a	amonzeu sigi	natory in the	Topoolivo onaty.	
	Initiating Officer/Res	ponsible Officer			Head of Implementing Age	ncy
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		House	e: 15 (Leve	el 6), Road	: 103	

Instructions for Completing the PPP Project Proposal Form

Note:

The PPP Project Proposal Form has been structured as to capture the information required to meet the 'Screening Conditions' set out in the PPP Screening Manual. Each section of the form is mapped to a specific 'Screening Condition' as indicated in the form. The Line Ministry / Implementing Agency should refer to the PPP Screening Manual in completing the PPP Project Proposal Form.

Item No.	Item details	Guidelines for completing the fields
		General Information
A.	Project Name (Full Title)	State the name of the project in full detail.
В.	Project Name (short title)	State the name of the project in a shortened form (preferably using no more than 30 characters).
C.	Sector	 Select which of the sectors listed below best represents the sector that your project falls within: Transport sector (e.g. bridge, road, rail, waterways, civil aviation facilities, ports); Energy, Water and Waste sector (e.g. power plant, storage and distribution, water supply, waste management) Tourism sector (e.g. resorts, integrated tourism facilities and accommodation) Social infrastructure (e.g. health facilities, education facilities) IT and Telecoms sector Civil accommodation infrastructure sector (e.g. economic zones, city/housing development, public buildings) Other (where none of the above sectors apply)
D.	Project Type	State the type of project that you propose to implement. For example: Bridge, Road, Rail, Port, Power plant, Public buildings, Health facilities, Resorts, etc).
E.	Line Ministry	State the name of the line Ministry that is responsible for endorsing this project under the Allocation of Business.
F.	Implementing Agency	State the name of the Implementing Agency that is responsible for implementing this project under the Allocation of Business.
G.	Project Location	State the geographical location of the project by reference to the name of the locality.
H.	i) Has the Line Ministry completed a Development Project Proposal (DPP)?	Put a check (x) in the appropriate box. If a DPP has been completed than this should be attached.
	ii) What is the current status of the DPP?	Respond to this question if you have checked 'yes' to the previous question; otherwise please proceed to question I. Clarify the date on which the project was submitted for DPP, the current status of the DPP and the next steps in relation to the DPP submission.
I.	i) Has a prefeasibility report been completed?	Put a check (x) in the appropriate box. If a prefeasibility report has been completed please attach a copy of the feasibility report.
	ii) Please complete the following (if available): FIRR% EIRR% Benefit Cost Ratio	If the figures are available, insert the FIRR (Financial Internal Rate of Return), the EIRR (Economic Internal Rate of Return) and the Benefit Cost Ratio. Please attach the Financial Model used in calculating these figures.

Item No.	Item details	Guidelines for completing the fields		
	Appli	cability of PPP (Screening Condition 1)		
1.	Project description	Insert a description about the project that provides sufficient information to understand the scope and nature of the project.		
2.	Project Rationale	Put a check (x) in all the boxes that apply. If there are additional reasons that apply you should check the box, '2 v) Others', and set out project rationale in the space provided.		
3.	Project Delivery Model	Put a check (x) in the appropriate box. If you have ticked any box apart from PPP please contact PPP Office to discuss		
4.	PPP Project Component	eligibility of your project. Put a check (x) in the appropriate box for each of the PPP Project Components. Insert a short description of each of the PPP Project Components that is to be		
		delivered by the Private Sector.		
Sector Coverage (Screening Condition 2)				
5.	Project Objectives	Insert the objectives of implementing this project.		
6.	Please select the priority sector of your project as set out in the PPP Policy & Guideline (2010):	Insert the priority sector of your project as set out in Section 5: "SECTORAL COVERAGE OF PPP" of the PPP Policy & Guideline (2010).		
7.	i) Is this project included in any of the followings: ADP	Put a check (x) in the appropriate box.		
	ii) If "Other", has a Strategic Needs Assessment been done?	Respond to this question if you have checked 'Other' to the previous question; otherwise please proceed to question 8.		
		Put a check (x) in the appropriate box. If you have checked 'yes', please provide a brief description of what your sector objectives are and how this project will deliver your objectives. Attach the Strategic Needs Assessment report and/or relevant reference to the report.		
	Legal	Permissibility (Screening Condition 3)		
8.	Does the project fall under the remit	Put a check (x) in the appropriate box.		
	of the Implementing Agency? Please specify the supporting source:	In responding to this question the Implementing Agency should refer to the government's Allocation of Business (Section: Allocation of Business) or other relevant references. Please attach supporting document if other resources have been referred.		
9.	Have these public services been delivered previously by the private sector?	Put a check (x) in the appropriate box. If you have checked 'yes', provide a brief description of public services that have been delivered by the private sector; clarify when these services were delivered and their current status; set out the name of the relevant line Ministry and Implementing Agency that were involved.		
10.	Is there any legislation/ regulation that may impact governments' ability to allow private sector to deliver and charge for public services?	Put a check (x) in the appropriate box.		
	Ou	tput Driven (Screening Condition 4)		
11.	Please describe the end services that the PPP Concessionaire will deliver:	Provide a description of the full range of services that the private sector party who has been awarded the concession for the PPP project (PPP Concessionaire) will deliver to the end users.		
		Please refer to Screening Condition 4 of the PPP Project Screening Manual for further clarification on defining Output Specifications.		

Item No.	Item details	Guidelines for completing the fields		
	Su	fficient Size (Screening Condition 5)		
12.	i) Estimated capital costs	Insert the estimated capital costs that are expected to be incurred by the PPP Concessionaire in relation to this project, for example all fixed one-time expenses in relation to the purchase or construction of buildings, machinery, other infrastructure components, etc.		
	ii) Estimated operation costs	Insert the estimated yearly operation costs that are expected to be incurred by the PPP Concessionaire in relation to this project, for example all revolving expenses in relation to operating costs and expenses, insurance costs, financing costs, fees and charges, maintenance costs, etc.		
	iii) Total cost	Insert the total cost of the project; this figure should be total of the estimated capital and operation costs. Please refer to Screening Condition 5 of the PPP Project Screening Manual for further clarification on project size calculation and assessment.		
	iv) Estimated period of contract	Please provide the estimated period of contract in number of years. If you are uncertain about the duration, select a range by putting a check (x) in the appropriate box.		
	v) Estimated economic life of project	Please provide the estimated economic life of the project in number of years. If you are uncertain about the duration, select a range by putting a check (x) in the appropriate box.		
13.	Is the cost of developing this project likely to be higher than other similar	Put a check (x) in the appropriate box.		
PPP project? If you have checked 'yes', please clarify why the development c (e.g. cost of transaction advisory services, legal advisory s studies etc) is likely to be higher than that for other similar PPP p				
4.4		ncially Viable (Screening Condition 6)		
14.	 Please indicate the source of project revenue: 	Put a check (x) in the appropriate box. Indicate whether the PPP Concessionaire will raise the project revenues by		
		directly charging the users of the services, whether the Implementing Agency will make the payments from their budgets or whether the line Ministry will make the payment from their budgets.		
	ii) Please complete the following if you have checked "User Charging".	Respond to this question if you have checked 'User Charging' in response to question 14. i), otherwise please proceed to question 14. iii).		
	a) Estimated average charges payable by User:	Insert the estimated average charges that you envisage will be payable by the User.		
	b) Estimated number of Users (per day)	Insert the estimated number of Users per day.		
	.,	Please attach the basis of your assumption in Annex 1: Additional information. Also, include the Revenue Potential Assessment in the attachments. This should clarify whether the assumptions have been made on the basis of a survey or traffic forecast, or on the basis of other similar projects etc.		
		Refer to Screening Condition 6 of the PPP Project Screening Manual for further information on how to calculate the Revenue Potential Assessment.		
	iii) Please complete the following if you ticked "Implementing Agency" or "Line Ministry":	Respond to this question if you have checked 'User Charging' response to question 14. i), otherwise please ensure that you have completed question 14. ii).		
	a) Does the Implementing Agency have separate revenue raising power?	Put a check (x) in the appropriate box. Implementing Agencies should indicate if they have the ability to secure funds from sources other than the budgetary provisions made under the Ministry of Finance.		
	b) Does the Implementing Agency have a budget for delivering these services?	Put a check (x) in the appropriate box. If Yes, indicate the size of the budget available for these budgets.		
	c) Please provide an estimate of the number of Users (per day):	Insert the estimated number of Users per day.		

Item No.	Item details	Guidelines for completing the fields		
	N	Iarketable (Screening Condition 7)		
15.	Are you are aware of a similar project being delivered through a PPP Model elsewhere?	Put a check (x) in the appropriate box.		
	If "Yes", Please indicate where?	If Yes, indicate the where it has been delivered. Attach any reference material, that you may have available, that provides further information about the PPP project (for example project name, sector, location, project parties, project description, implementation year, contract period etc). Website links, project reports etc. may be provided as reference.		
		If No, provide clarification of the potential market prospects for attracting private sector partners.		
16.	Please mention the names of local and foreign private companies experienced in implementing similar projects along with project names.	Provide a brief list of local and foreign private project sponsors having experience in implementing similar projects locally and internationally. Please include reference materials that provides further information about the PPP project (for example project name, sector, location, project parties, project description, implementation year, contract period etc). Website links, project reports etc.		
17.	Has the Implementing Agency previously delivered the services envisaged under the contract?	Put a check (x) in the appropriate box.		
	<u>I</u>	Bankable (Screening Condition 8)		
18.	Please specify the mode of project	Put a check (x) in the appropriate box.		
	procurement	For a project to be considered for approval as an 'Unsolicited Proposal' it is critical for that proposal to be formally submitted as an 'Unsolicited Proposal' by the Line Ministry /Implementing Agency prior to formal screening by the PPP Office and In Principle Approval by the responsible authority.		
19.	Please indicate any proposed changes to the risk allocation between the private and public sector illustrated below:	The general allocation of risk between the private and public sector in relation to PPP projects is illustrated in question 19. Please indicate if there are any proposed changes to the risk allocation or any additional risks that should be included.		
	Imp	plementable (Screening Condition 9)		
20.	Please provide an indicative timeline:	For each of the following milestones insert your estimate of the Month and the Year in which you expect the milestones to be delivered. The milestones are the following: i) CCEA approval ii) Development of project team		
		iii) Detailed feasibility study		
		iv) Development of project documents		
		v) RFQ		
		vi) RFP		
		vii) Contract negotiation		
		viii) Project implementation		
21.	 i) How much land is required for the implementation of the project? 	Insert the estimated amount of land required (in acres) for the implementation of the project.		
	ii) How much land is already available for the implementation of the project?	Insert the estimated amount of land already available (in acres) for the implementation of the project.		
	iii) Is any land acquisition newly required for the implementation of the project?	Put a check (x) in the appropriate box. If 'Yes', indicate your estimate of the total amount of land (in acres) that will need to be acquired.		
22.	i) Does the project raise any potential social issues?	Put a check (x) in the appropriate box. If "Yes", please describe the potential social issues that may arise.		
	ii) Does the project raise any potential environmental issues?	Put a check (x) in the appropriate box. If "Yes", describe the potential environment issues that may arise.		

Item No.	Item details	Guidelines for completing the fields
	iii) Please specify the project's classification as per the GoB's regulations	Specify the category of the project according to the screening criteria set out by The Department of Environment (DOE) ECA (1995 amended in 2009) and ECR (1977). The categories are Green, Orange A, Orange B and Red. These screening criteria are generally based on project type only irrespective of its scale and location. In some cases, order of investment is indicated to reflect on the magnitude of the impact. Please refer to the Environment Conservation Act and Environment Conservation Rules for details in this regard.
23.	Please highlight any linked components that need to be implemented?	Put a check (x) in the appropriate box. If there are other linked projects in addition to the ones that you have already checked, please indicate these under 'others'.
24.	Please highlight the key stakeholders of the project.	Insert the list of key stakeholders from the Public sector and Private sector who are likely to have an interest in and be impacted by this project.
25.	Please specify contact names for the project:	Insert the Name, Position, Mobile and E-mail address of the contact person from the line Ministry and the Implementing Agency. Also attach the description of the Project Team for the next phase led by a Project Director. The description of the team should include roles and responsibilities of the team members.
26.	Please indicate if there are Financial Resources available for project development (e.g. feasibility study):	Put a check (x) in the appropriate box. If 'Yes', state how much potential financial resources are available for project development work (for e.g. feasibility studies, appointment of advisors, development of procurement documents, marketing, etc.)
	END	ORSEMENT (Screening Condition 10)
27.	The endorsement of the PPP Project Proposal Form	After providing all the necessary information in the application with the supporting documents, please provide the authorized signatory of the following respective personnel: Initiating Officer/Responsible Officer (with seal) Head of Implementing Agency (with seal) Head of the Ministry (with seal)

Annex 3 *Typical PPP Risks*

Risk Category	Description of Risk	Direct Consequence	Risk borne by	
			Public Sector	Private Sector
Commissioning risk	The risk that the infrastructure will not receive all approvals to satisfy an output specification	Additional ramp-up costs, cost of maintaining existing infrastructure or providing a temporary alternative solution		V
Construction risk	The risk that the construction of the assets will not be completed on time, budget or to specification	Additional raw materials and labour costs, costs of maintaining existing infrastructure and providing a temporary alternative solution		V
Demand (usage) risk	The risk that actual demand for a service is lower than planned	Reduced revenue based on lower throughput	Shared	
Design risk	The risk that the proposed design will be unable to meet the performance and service requirements	Cost of modification, redesign costs		V

Risk Category	Description of Risk	Direct Consequence	Risk borne by	
			Public Sector	Private Sector
Environmental and Social risk	The risks that the project could have an adverse environmental or social impact which affects project costs not foreseen in the environmental or social impact assessment	Additional costs incurred to rectify an adverse environmental or social impact on the project, incurred from the construction or operation of the project or pre-existing environmental contamination		V
Credit risk	It is the risk that the private partner will not be able to service its debt to the lender.	Additional funding costs or possibility of liquidation claim by the lender		V
Financing risk	The risk that the private sector over stresses a project by inappropriate financial structuring	Additional funding costs for increased margins or unexpected refinancing costs		V
Force Majeure risk	An act occasioned by an unanticipated, unnatural or natural disaster such was war, earthquake or flood of such magnitude that it delays or destroys the project and cannot be mitigated	Additional costs to rectify	Shared	
Industrial relation risks	The risk that industrial relations issues will adversely affect construction costs, timetable and service delivery	Increased employee costs, lost revenue or additional expenditure during delays in construction or service provision (post- construction)		V
Latent defect risk	The risk that an inherent defect exists in the structure being built or equipment used, which is not identified upfront and which will inhibit provision of the required services	Cost of new equipment or modification to existing infrastructure		V

Risk Category	Description of Risk	Direct Consequence	Risk bo	orne by
			Public Sector	Private Sector
Operating risk	The risks associated with the daily operation of the project, including an unexpected change in operating costs over budget	Increased operating costs or reduced revenue of the project term		V
O & M risk	The risk that the operator will not perform to the specified service level such as a power generator supplying less power than demanded	Costs of failing to comply with performance standards		V
Change in law risk	The risk that the current regulatory regime will change materially over the project and provide unexpected results	Costs of complying with new regulations	V	
Residual value risk	The risk relating to differences from the expected realisable value of the underlying assets at the end of the project	Lower realisable value for underlying assets at end of project term		V
Technology obsolescence risk	The risk that the technology used will be unexpectedly superseded during the term of the project and will not be able to satisfy the requirements in the output specification	Cost of replacement technology		V

Risk Category	Description of Risk Direct Consequence		Risk bo	orne by
			Public Sector	Private Sector
Upgrade risk	The risks associated with the need for upgrade of the assets over the term of the project to meet performance requirements	Additional capital costs required to maintain specified service		V
Political risk	This risk involves the possibility of the project being confiscated, expropriated or nationalized or to face various restrictions in operating the project due to political instability	Wind up costs, increased operating costs to comply with restrictive business environment	V	

Annex 4 *Conventional Project Identification*

The Implementing Agency, the Line Ministry, Ministry of Planning as well as the Planning Commission are the main parties involved in the whole process of PPPs from project formulation to approval.

The Planning Commission is the central planning agency of the Government of Bangladesh (GOB). The Planning Commission is essentially the body of professionals and sector specialists engaged in translating the ideas, aspiration and political agenda of the government into macro and micro economic policies and setting them in long, medium and short term plans. The Commission also translates the multiyear development plan into public investment through Annual Development Program (ADP).

The Commission is divided into six divisions like (1) General Economic Division (GED), (2) Programming Division, (3) Socio-economic Infrastructure Division, (4) Division of Industries and Power/Energy, (5) Physical Infrastructure Division and Division of Agriculture and (6) Water and Rural Institutions. The Divisions work in close coordination with different line ministries/divisions/functional departments and maintains close liaison with development partners through Economic Relations Division (ERD). The Investment/ Development Project cycle comprises of such function as identification, appraisal, formulation, approval, implementation, including monitoring and evaluation. The process also needs assessment, community and stakeholder consultation, identification of the funding sources, development of project concepts, land availability, assessment of site suitability, preliminary design, cost estimation etc.

Development/ Investment projects are normally financed wholly by GOB or jointly with bilateral and multilateral development partners. The investment projects are generally undertaken for development under (ADP). In case of foreign assistance needed, Preliminary Development Project Proposal (PDPP) is prepared and submitted to the PC and ERD to get "on Principle Approval" upon negotiation with Donors. On the basis of ERD's recommendations DPP is then prepared for onward processing. Development Project Proposal (DPP) undergoes a series of pre-approval steps as mentioned in the following paragraphs.

Development projects are generally identified by the Government implementing agencies taking into account Sector Strategy Paper and/or Sector Master Plan in line with economy's Five year Master Plan and Three Years rolling Plan. After completion of survey/feasibility study, DPP is prepared by the Implementing Agency under the guidance of Line Ministries as per prescribed format. Preparation of DPP needs information from prior feasibility study, survey and or any other economic and social requirement. The ministry is primarily responsible for processing any proposal received by the Implementing Agency/department.

The planning cell of the Line Ministry conducts preliminary examination of the proposal as to ascertain its acceptability for processing and prepares a report for the ministry. The decision as to whether to proceed with the proposal and/ or refuse the proposal is taken in a meeting with Secretary in the chair. On the basis of a positive decision in the meeting the Planning Cell prepares a working paper for Departmental Project Evaluation Committee (DPEC). The DPEC is mandated to accept the proposal and forward it to PC or send it back to the Implementing agency for amendment for reconstruction.

DPEC evaluates the DPP with opinion and recommendations and then forward the DPP to Finance Division (FD) within 15 days. DPP would not be submitted to the PC without clear recommendation from FD regarding HR to be set up. Planning Cell of the Line Ministry is required to arrange the submission of the DPP to the PC (respective wing/ sector division) within 10 days once the DPP is finalized with recommendation from HR committee of Finance Division.