Concept Paper

PUBLIC

Project Number: 55183-001
August 2022

Proposed Programmatic Approach and Policy-Based Loan for Subprogram 1 and Technical Assistance Grant
Islamic Republic of Pakistan: Promoting Sustainable Public–Private Partnerships Program

Asian Development Bank

CURRENCY EQUIVALENTS
(as of 18 July 2022)

Currency unit	–	Pakistan rupee/s (PRe/PRs)
PRe1.00	=	$0.0048
$1.00	=	PRs210.83

ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
FY	–	fiscal year
GDP	–	gross domestic product
IMF	–	International Monetary Fund
P3A	–	Public Private Partnership Authority
PPP	–	public–private partnership
TA	–	technical assistance

NOTES

(i) The fiscal year (FY) of the Government of Pakistan ends on 30 June. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2020 ends on 30 June 2020.

(ii) In this report, "$" refers to United States dollars.

Vice-President	Shixin Chen, Operations 1
Director General	Eugenue Zhukov, Central and West Asia Department (CWRD)
Deputy Director General	Nianshan Zhang, CWRD
Sector Director	Tariq H. Niazi; Public Management, Financial Sector, and Trade Division (CWPF); CWRD
Country Director	Yong Ye, Pakistan Resident Mission, CWRD
Team leaders	Sana Masood, Economist (Public Finance), CWPF, CWRD Laisiasa Tora, Senior Public Management Specialist, CWPF, CWRD[a]
Team members	Aura Vicencio Abon, Senior Public–Private Partnership Officer, Public–Private Partnership Thematic Group Secretariat (PPP-TGS), Office of Public–Private Partnership (OPPP) Rafael Aquino, Associate Project Officer, CWPF, CWRD Ethyl Bulao-Lorena, Senior Operations Assistant, CWPF, CWRD Mohammed Azim Hashimi, Principal Public–Private Partnership Specialist, Advisory Division 1, OPPP Abhishek Hedge, Public–Private Partnership Specialist (Innovative Finance), Client Solutions Team, Office of the Director General, CWRD Nathan A. Rive; Senior Climate Change Specialist; Environment, Natural Resources, and Agriculture Division; CWRD Mary Alice Rosero; Senior Social Development Specialist (Gender and Development); Portfolio, Results, Safeguards, and Gender Unit; CWRD Mariane Sual, Senior Operations Assistant, CWPF, CWRD Adeliya Zhunussova, Counsel, Office of the General Counsel
Peer reviewer	Sanjay Grover, Senior Public–Private Partnership Specialist, PPP-TGS, OPPP

[a] Outposted to the Pakistan Resident Mission

CONTENTS

PROGRAM AT A GLANCE

1. Basic Data

Project Number: 55183-001

Project Name	Promoting Sustainable Public-Private Partnerships Program (Subprogram 1)	**Department/Division**	CWRD/CWPF
Country	Pakistan	**Executing Agency**	Ministry of Finance
Borrower	Islamic Republic of Pakistan		
Country Economic Indicators	https://www.adb.org/Documents/LinkedDocs/?id=55183-001-CEI		
Portfolio at a Glance	https://www.adb.org/Documents/LinkedDocs/?id=55183-001-PortAtaGlance		

2. Sector

Sector	Subsector(s)	ADB Financing ($ million)
✓ **Public sector management**	Public expenditure and fiscal management	250.000
	Total	**250.000**

3. Operational Priorities

✓ OP2: Accelerating progress in gender equality
✓ OP6: Strengthening governance and institutional capacity

Climate Change Information

GHG reductions (tons per annum)	0
Climate Change impact on the Project	Low

ADB Financing

Adaptation ($ million)	0.000
Mitigation ($ million)	0.000

Cofinancing

Adaptation ($ million)	0.000
Mitigation ($ million)	0.000

Sustainable Development Goals

SDG 1.b
SDG 5.5, 5.a
SDG 9.1
SDG 10.2
SDG 17.17, 17.4

Gender Equity and Mainstreaming

Effective gender mainstreaming (EGM) ✓

Poverty Targeting

General Intervention on Poverty ✓

4. Risk Categorization: Complex

5. Safeguard Categorization

Environment: C **Involuntary Resettlement:** C **Indigenous Peoples:** C

6. Financing

Modality and Sources	Amount ($ million)
ADB	**250.000**
Sovereign SDP - Sector (Regular Loan): Ordinary capital resources	250.000
Cofinancing	**0.000**
None	0.000
Counterpart	**0.000**
None	0.000
Total	**250.000**

Currency of ADB Financing: US Dollar

I. THE PROPOSAL

1. The proposed program aims to support the Government of Pakistan's efforts to improve the enabling environment for infrastructure financing and public–private partnerships (PPP) at the federal level.[1] In doing so, the government hopes to attract private finance for infrastructure investments in priority sectors such as roads, housing, health, education, water and sanitation, and technology. The program is also aligned with the pillars of Pakistan Vision 2025, which provides the foundation to fast-track Pakistan's transformation into one of the top 10 economies in the world by 2047, its first centenary.[2] The Vision 2025 document states that "public–private partnerships will be promoted through a comprehensive policy regime. The enhanced private sector participation would be used for better infrastructure development and improving connectivity to facilitate private sector growth." The program builds on the Asian Development Bank (ADB) ongoing technical assistance (TA) for Strengthening the Federal Public-Private Partnership Framework and Enabling Reforms for Infrastructure Financing Support, as well as extensive experience in PPP development at the provincial level to support the government's efforts to improve the policy, legal, and institutional framework for PPPs at the federal level.[3] The program contains actions and initiatives to support the following reforms: (i) strengthening the legal, regulatory, and institutional environment; (ii) strengthening national and sectoral infrastructure planning and project preparation; and (iii) strengthening multiyear assessment of fiscal risks. The proposed program is aligned with the priorities of ADB's Strategy 2030, in particular the operational priorities on strengthening governance and institutional capacity, and accelerating progress in gender equality, as well as ADB's country partnership strategy for Pakistan, 2021–2025.[4]

2. The program was requested by the Government of Pakistan as a policy-based lending modality to be disbursed over two subprograms. The policy-based lending will facilitate the design and implementation of reforms that are necessary to create an enabling environment for PPPs. The programmatic approach was deemed the most appropriate modality for this purpose because of the need to carefully sequence the development and implementation of core policy, legal, and institutional reforms with the capacity building needed to ensure sustainability beyond the program horizon. This approach will also serve to chronologically sequence the reforms in a multiyear framework (2022–2024) and bring flexibility to incorporate changes as warranted by the country's economic situation while supporting the development and adoption of foundational reforms in subprogram 1 and more substantive follow-on actions in subprogram 2.

II. PROGRAM AND RATIONALE

A. Background and Development Constraints

3. **Overview.** Pakistan, the world's fifth-most populous nation, is a lower-middle-income country with gross national income per capita of $1,270 in 2020.[5] The national poverty rate fell

---

[1] A preliminary draft of the policy design and monitoring framework is in Appendix 1. Transaction technical assistance will be provided for program preparation (accessible from the list of linked documents in Appendix 2).

[2] Government of Pakistan, Ministry of Planning, Development and Reform (Planning Commission). 2015. *Pakistan 2025: One Nation, One Vision*. Islamabad.

[3] ADB. 2017. *Technical Assistance to the Islamic Republic of Pakistan for Strengthening the Federal Public–Private Partnership Framework and Enabling Reforms for Infrastructure Financing Support*. Manila; and ADB. 2021. *Public-Private Partnership Monitor: Pakistan*. Manila.

[4] ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, and Sustainable Asia and the Pacific*. Manila; and ADB. 2020. *Country Partnership Strategy: Pakistan, 2021–2025—Lifting Growth, Building Resilience, Increasing Competitiveness*. Manila.

[5] Pakistan's population was 229.5 million as of 2022. *United Nations Population Fund* (accessed 22 June). World Bank. *The World Bank Atlas Method* (accessed 23 March).

from 61.6% in 1999 to 21.5% in 2019.[6] The rural poverty rate 27.6% is more than double the urban ratio of 10.7%.

4. **Significant infrastructure development needs.** Pakistan's population grew from 132 million in 1998 to 229.5 million in 2022, at an annual growth rate of 2.0%. Its urban population is growing at a faster pace, about 2.7% annually, and about 40% of the population live in urban areas. Increasing population growth and rapid urbanization have put significant pressure on Pakistan's public infrastructure stock and on the government's ability to increase its public investments in key sectors of the economy such as roads, water and sanitation, energy, railways, and aviation. For example, the Global Competitiveness Index 2020 ranks Pakistan's infrastructure 110 out of 140 economies. Against this aggregate rank, the electrification rate in access to population is ranked 111 out of 140, the quality of roads 67 out of 140, and road connectivity 52 out of 140.[7] Infrastructure development in Pakistan lags behind most economies in the region and the world and needs urgent attention. The State Bank of Pakistan estimates that the country should be spending 10% of its gross domestic product (GDP) on infrastructure in order to close the infrastructure gap, whereas current spending is around one-third of that.[8]

5. **The economic outlook is positive, but downside risks remain.** The coronavirus disease (COVID-19) pandemic adversely impacted the economy in fiscal year (FY) 2020, prompting a revision of the GDP forecast from a pre-pandemic growth projection of 2.6% to a contraction of 0.5% in FY2020. However, the economy rebounded and posted a growth rate of 3.94% in FY2021, while medium-term prospects are positive mainly. The International Monetary Fund (IMF) resumed the macroeconomic stabilization program in February 2022, with projected growth at 4.0% in FY2022 and 4.5% in FY2023. Headline inflation slowed from 10.7% in FY2020 to 8.9% in FY2021. It is projected to rise to 11% in FY2022 because of higher domestic fuel and power prices, significant currency depreciation, elevated global food prices, and additional tax measures implemented from January 2022, before moderating to 8.5% in FY2023 as domestic demand weakens and commodity and energy prices decline. The current account deficit, which narrowed to a 10-year low of 0.6% of GDP in FY2021, from 1.5% in FY2020, is forecast to widen to 3.5% of GDP in FY2022 before narrowing slightly to 3.0% in FY2023 because of lower imports and buoyant remittance performance.[9] Recent IMF reports assessed the fiscal deficit and public debt as sustainable, with debt levels projected to continue to decrease with narrower twin deficits because of the planned fiscal adjustment and robust growth. Overall public debt is projected to fall toward 70% and total external debt to decline toward 35% of GDP by FY2026.[10] Although the economic outlook is broadly positive, infrastructure gap needs to be addressed to sustain "indigenous, and inclusive growth," the first pillar of Vision 2025 (footnote 2).

6. **Government public infrastructure investment strategy.** Against this backdrop, the government accelerated its efforts to increase private sector participation in line with Vision 2025 (footnote 2). The main vehicle for this ambition is the Public Sector Development Plus Program, launched in 2019, which involves 53 megaprojects totaling $33.58 billion in infrastructure investments between FY2020–FY2023. Accordingly, the government has prioritized reforms to the enabling environment in order to crowd-in the private sector, hence, fostering PPPs and joint ventures to ensure increased efficiency gains in public investment.

---

[6] Pakistan Institute of Development Economics. 2021. *The State of Poverty in Pakistan*. Islamabad.
[7] World Economic Forum. 2020. *The Global Competitiveness Report: Special Edition 2020*. Geneva.
[8] The Economist Intelligence Unit. 2018. *Infrascope 2018: Pakistan Country Profile.* London.
[9] ADB. 2022. *Asian Development Outlook (ADO) 2022: Mobilizing Taxes for Development.* Manila.
[10] IMF. 2022. *Pakistan: 2021 Article IV Consultation Staff Report (IMF Country Report No. 22/27).* Washington, DC.

7. **Public–private partnerships in Pakistan.** At the federal level, Pakistan did not have PPP legislation until March 2017, when Parliament passed the Public Private Partnership Authority Act of 2017. Before the act, private sector participation in infrastructure was promoted by the Pakistan Policy on Public Private Partnerships of 2010, which detailed guidelines for PPP development and the regulatory framework required to develop PPP projects. Pursuant to the 2010 PPP Policy, the government established the Infrastructure Project Development Facility as a statutory body to coordinate and facilitate the development of PPPs within Pakistan. After the federal Public Private Partnership Authority Act passed in 2017, the government merged the Infrastructure Project Development Facility into the Public Private Partnership Authority (P3A), which was responsible for regulating, promoting, and approving PPPs in order to facilitate PPP implementation on the federal level. In July 2020, an ordinance was passed to introduce an amendment to the P3A Act, 2017, which Parliament approved in 2021. However, even without these efforts, certain sectors like national highways and power plants had developed and managed PPPs at the federal level without a dedicated legal, regulatory, and institutional framework (footnote 3). The main challenge for the government has been to create an enabling environment to promote the development of sustainable PPPs that offer value for money and are in line with the government's priorities.[11]

8. **Public Private Partnership Authority.** In 2021, the government enacted the Public Private Partnership Authority (Amendment) Act to simplify and streamline project development, appraisal, and approval processes for PPP projects at the federal level. The P3A's mandate is to promote PPP development by reducing transaction costs, ensuring appropriate regulatory control, and providing the legal and economic mechanism to facilitate PPP development initiatives. In FY2021, the P3A was tasked with leveraging private sector investment of PRs50 billion to complement public resources. Accordingly, as of June 2022, P3A has approved four projects in PPP mode, with a tentative cost of PRs630 billion and an estimated investment of PRs127 billion. Even with steady progress, the government recognizes that it needs to accelerate efforts to improve the enabling environment at the federal level and to address gaps in existing laws, regulations, and institutions (paras. 9–11).

9. **Weaknesses in the legal, regulatory, and institutional environment.** The existing Public Private Partnership Authority (Amendment) Act, 2021 has some weak or underdeveloped aspects in comparison to international best practice. For example, there are three approval stages, and the final approval stage occurs before the launch of the tender. A well-defined and structured process needs to be designed and established to ensure the post-bid negotiated project agreement and related fiscal commitments are consistent with the approval granted pre-tender or, in case of material deviations, that re-approval is sought before executing the PPP agreement and financing. While the act lays down the building blocks of the legal framework, the act's implementation is left for secondary legislation, i.e., rules, regulations, and guidelines under the act. There is therefore a need to approve secondary legislation for bringing clarity under the act, clarifying the policy for unsolicited proposals and institutional PPPs, refining and adopting the PPP manual based on final secondary legislation, and conducting institutional and organizational capacity building.

10. **Weak national and sectoral infrastructure planning and project preparation.** The development of PPPs that are well structured and strategically aligned are relatively new at the federal level. PPPs need to be integrated into the government's public investment management framework at the project identification and preparation phase. The P3A is establishing itself, and its leadership and staff need to be trained in PPP fundamentals, including project planning, development, procurement, and finance. Moreover, government support mechanisms for PPPs

[11] ADB. Development Asia. 2021. *Explainer: Reforming Infrastructure Governance in PPP Investments*. Manila.

need to be clarified through guidelines on providing viability gap funding and project development facilities.[12] There is also a lack of clear understanding between the P3A and the line ministries and agencies on responsibilities reflected in the federal P3A Act, 2017 and actual practice. Development of bankable projects is also a priority. Moreover, work is needed to proactively identify and screen potential PPP projects and collaborate with line ministries to build a PPP project pipeline. A sound, user-friendly approach and tools are needed to support the P3A in assessing value for money of potential PPP candidates. Because PPP projects are long-term undertakings, they need to reflect and support the country's long-term goals such as those for climate, environment, and gender empowerment.

11. **Absence of multiyear assessment of fiscal risks.** The Public Private Partnership Authority (Amendment) Act, 2021 assigns responsibility for fiscal risk assessment and approval to a newly created risk management unit within the Finance Division, Ministry of Finance. This new unit is yet to be staffed, and in the meantime, the P3A is effectively carrying out this function, which creates a challenge for checks and balances. Accurate quantification and recognition of PPP commitments as fiscal liabilities subject to existing fiscal rules under the Fiscal Responsibility and Debt Limitation Act, 2005 help remove the current accounting bias towards PPPs, and minimize unplanned materialization of fiscal risks in the future. The risk management unit needs to be established, staffed with qualified personnel, and operationalized as a matter of priority. Its staff will need training on how to assess, approve, and monitor fiscal impacts and risks arising from PPP agreements. Moreover, the Finance Division needs to prepare and implement a methodology for quantifying and disclosing fiscal risks and contingent liabilities stemming from PPPs.

B. Policy Reform, ADB's Value Addition, and Sustainability

12. The program builds on ADB's past and ongoing support for PPPs and adds value by helping implement reforms to improve the enabling environment for infrastructure financing. Reforms are organized under three pillars: (i) strengthened legal, regulatory, and institutional environment; (ii) strengthened national and sectoral infrastructure planning and project preparation; and (iii) strengthened multiyear assessment of fiscal risks. As highlighted in the preliminary policy design and monitoring framework (Appendix 1), these core reforms, with foundational policy actions in subprogram 1 and more substantive follow-on policy actions in subprogram 2, are also critical for achieving fiscally sustainable growth making the economy more resilient to shocks while mobilizing private financing needed to implement the Public Sector Development Plus Program for infrastructure development.

13. **Lessons.** Although ADB supported PPP development in Pakistan since 2006, this support has been mainly at the provincial level (in Punjab and Sindh) and focused on achieving transactions. Important lessons learned from this experience and from providing TA at the federal level to support upstream reform include (i) the importance of getting the policy, legal, and institutional environment right before project investment and transaction; (ii) the need for demonstrated government commitment to develop institutional capacity for better understanding PPP project selection and to develop a strategically aligned PPP project pipeline; and (iii) the importance of a sound fiscal risk management structure to ensure appropriate levels of fiscal exposure and that fiscally responsible PPPs are developed. These lessons will be incorporated into the scope, coverage, and design of the proposed program.

[12] Viability gap funding is a scheme wherein the projects with low financial viability are given grants (or other financial support from the government) up to a stipulated percentage of the project cost, making them financially viable as PPPs.

14. **Development partner coordination.** ADB is the main development partner providing support for PPP development at the federal level (footnote 3). Through its annual Article IV consultations, the IMF has consistently advised increasing investments in infrastructure and additional infrastructure spending required to achieve the Sustainable Development Goals by 2030 (footnote 10). ADB is also providing TA for public debt management. The World Bank has provided policy advice on developing a framework to manage fiscal commitments and contingent liabilities and is now preparing a TA loan to support improvements to the public investment management framework. To ensure synergies and complementarity, ADB will support the P3A to lead the coordination of development partners that plan to provide active TA and financial support.

C. Expected Outcome of the Reform

15. The proposed program will be aligned with the following impact: macroeconomic management strengthened, and more sustained and inclusive growth supported (footnote 2). It will have the following outcome: fiscally responsible public and private investment in infrastructure increased towards closing the infrastructure gap.

D. Development Financing Needs and Budget Support

16. The government's FY2022 national budget projects fiscal deficits of 4.5% of GDP (or around \$14.9 billion) in FY2023 and 4.5% of GDP (around \$16.6 billion) in FY2024. The government has requested a policy-based loan totaling \$500 million from ADB's regular ordinary capital resources. The loan will be disbursed in single tranches of \$250 million for subprogram 1 in FY2023 and \$250 million for subprogram 2 in FY2024. The amount will be confirmed during the fact-finding mission based on updated fiscal deficit projections and development financing needs; development financing needs will be determined as part of a coordinated package of program lending from IMF and other development partners to help the government meet its external financing needs.

E. Implementation Arrangements

17. The Finance Division will be the executing agency; the Finance Division and the P3A will be the implementing agencies, responsible for overall program implementation, monitoring, and reporting. The proceeds of the policy-based loan will be withdrawn in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time). The program will be implemented over two subprograms from January 2022 to December 2023.

III. TECHNICAL ASSISTANCE

18. The proposed transaction TA amounting to \$700,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF 7) to support program design, development, and implementation. The TA outputs will include: (i) operational and institutional capacity of P3A improved and (ii) a fiscal risk management unit for PPPs operationalized under the Finance Division.[13]

[13] Technical Assistance for Program Preparation (accessible from the list of linked documents in Appendix 2).

IV. DUE DILIGENCE REQUIRED

19. Due diligence assessments will be conducted for public financial management, anticorruption, gender impact, and economic impact. The program is expected to be classified category C for all safeguard aspects. The proposed program will be categorized *effective gender mainstreaming*.[14]

V. PROCESSING PLAN

A. Risk Categorization

20. The program is categorized *complex* because the loan amount exceeds $50 million. ADB has extensive experience in the PPP and financial sectors. The executing agency and implementing agencies have experience in managing loans from ADB and other international financial institutions.

B. Resource Requirements

21. The program will be processed by ADB sector staff with expertise in the financial and public finance sectors. Staff will dedicate an estimated total of 8 person-months to process the program. A transaction TA will finance an additional four international (14 person-months) and 12 national (34 person-months) experts to undertake diagnostic work, support policy dialogue, and help prepare and implement the subprograms (footnote 13).

C. Processing Schedule

22. The milestones and their expected completion date are summarized in the table.

Proposed Processing Schedule

Milestones	Expected Completion Date
Concept paper and TA approval	August 2022
Loan fact-finding mission	November 2022
Informal board seminar	November 2022
Management review meeting	March 2023
Loan negotiations	April 2023
Board consideration	June 2023
Signing of loan agreement	June 2023
Loan effectiveness	June 2023

TA = technical assistance.
Source: Asian Development Bank.

VI. KEY ISSUES

23. A letter of assessment from the IMF will be needed to confirm the sustainability of the government's macroeconomic framework and the appropriateness of its macroeconomic management. The program team will also need to ensure continued strong political commitment and government ownership for continuing key policy reforms under the program despite any potential changes in the political leadership. This will be addressed by comprehensive stakeholder consultations during the program preparation.

---

[14] Initial Poverty and Social Analysis (accessible from the list of linked documents in Appendix 2).

PRELIMINARY POLICY DESIGN AND MONITORING FRAMEWORK

Country's Overarching Development Objective Macroeconomic management strengthened, and more sustained and inclusive growth supported (Vision 2025)[a]	
Outcome Fiscally responsible public and private investment in infrastructure increased towards closing the infrastructure gap.	**Risks and Critical Assumptions** R: Prolonged COVID-19 crisis adversely impacts the timely pace of government decisions and the provision of adequate resources for P3A. R: High turnover in key government officials weakens institutional ownership and leadership and slows reform process. A: Government accelerates reforms in order to promote and crowd-in private financing.

Indicative Prior Actions: Subprogram 1 (January 2022–December 2022)	**Indicative Policy Actions: Subprogram 2** (January 2023–December 2023)	**Outcome Indicators**
Reform Area 1: Strengthening legal, regulatory, and institutional environment		
1.1. The Government of Pakistan will approve secondary legislation, including rules, regulations, and guidelines, to operationalize the Public Private Partnership Authority Act, 2017. Secondary legislation will enable for project development facility, viability gap funding, mediation and settlement of disputes, and treatment of unsolicited proposals and institutional PPPs. 1.2. P3A will develop and adopt a timebound P3A business plan for 2023–2025 with sex-disaggregated performance indicators. Targets in the business plan will support: (i) strengthening of institutional capacity of the P3A; (ii) operationalizing financial instruments; and (iii) promoting socially and gender-inclusive PPP projects. The business plan will ensure that at least 10% of PPP project activities directly benefit the poor, youth, women, disabled, or other vulnerable groups,	2.1 The federal cabinet will approve amendments in the P3A Act, 2017 for submission to the Parliament to support the adoption and operationalization of the following measures:[b] (i) improve post-bid review and approval process post-bid; (ii) strengthen the corporate governance structure for the P3A and Public–Private Partnership Working Party; and (iii) strengthen the ability of sector ministries to prepare, procure and monitor PPP projects. 2.2 P3A will recruit and deploy adequately skilled staff (at least 15% of whom are women) according to an approved organizational chart. 2.3 P3A will streamline ESG and climate management into project preparation by approving and adopting an environment and social management policy.	By 2024: At least 40 government officials (including 15 female government officials) demonstrate beneficial use of knowledge gained though training on PPP project design and implementation (2021 baseline: two officials have received the first level of accredited PPP training).

Indicative Prior Actions: Subprogram 1 (January 2022–December 2022)	Indicative Policy Actions: Subprogram 2 (January 2023–December 2023)	Outcome Indicators
1.3. P3A will approve and begin implementing (i) its organizational chart and human resources regulations to effectively deliver on the organization's operational priorities; and (ii) its diversity and inclusion policy that includes a minimum percentage of female management staff, a minimum number of female candidates interviewed when hiring for an open position, and a consistent rewards and remuneration package across genders.		
Reform Area 2: Strengthening national and sectoral infrastructure planning, and project preparation		
1.4. The government will develop and adopt a medium-term PPP development program, 2023–2027 for Pakistan to promote policy consistency, transparency, and predictability; and to identify sectoral priorities, while remaining within fiscally sustainable parameters. 1.5. The government will establish a platform for a PPP center of excellence to regularly share knowledge, learning, and experiences between federal and provincial PPP units to ensure ownership and harmonization of PPPs in the country's development agenda. 1.6. The government initiates implementation of standardized procedures in developing PPP projects that offer value for money and are in line with the government's public investment management framework at the project identification and preparation phase, in particular: (i) project screening criteria to screen and assess PPP suitability of projects, including preliminary financial and economic analysis, risk assessment,	2.4 The government will implement its medium-term PPP Development Program 2023–2027 through approval of sector strategies for at least [2] sectors including identifying opportunities for PPPs to align PPP projects with development priorities of the government, and the medium-term PPP Development Program 2023–2027 for Pakistan;[c] and 2.5 The government will establish PPP nodes in at least [3] line ministries or agencies to strengthen institutional arrangements for PPP development (including planning, implementation, and execution) at federal level and operationalize the PPP nodes by deploying skilled staff to develop, execute, and implement PPP projects.[d] 2.6 The government will issue guidelines and implements a standard operating procedure mandating P3A or the concerned line ministries/agencies to populate the multilateral SOURCE database included in the PPP pipeline, to help effectively promote the government's PPP program, attract an appropriate level of market interest, and support transparency and digitization of processes within the government.	By 2024: Private investment through PPPs for the provision of infrastructure and service projects has increased to 10% of public sector development program.

Indicative Prior Actions: Subprogram 1 (January 2022–December 2022)	**Indicative Policy Actions: Subprogram 2** (January 2023–December 2023)	**Outcome Indicators**
value for money, gender and safeguards analysis, climate risk screening; and (ii) detailed value for money analysis guidelines, including resilience metrics. 1.7. The government will establish and operationalize the following to ensure availability of financing schemes for government support mechanisms for PPP projects: (i) a project development facility (transaction advisory support mechanism, with non-lapsable budget allocation of at least PRs500 million) in P3A; and (ii) a viability gap fund (government grant mechanism as government's share of financing in a PPP, with non-lapsable budget allocation of at least PRs2,500 million in P3A.	2.7 The government will operationalize the P3A business plan, 2023–2025 and project screening criteria as evidenced by: (i) approved project concept notes and pre-feasibility studies for at least five pilots across three sectors, including social sectors; and (ii) awarded transaction advisory mandates, through the project development facility, for at least three PPP projects, including at least one social sector project, with direct benefits to vulnerable groups such as the poor, women, girls, the elderly, and persons with disabilities (endnote c).	
Reform Area 3: Strengthening multiyear assessment of fiscal risks		
1.8. The government will establish a risk management unit with the approved staffing within the Finance Division for assessing fiscal risks, including contingent liabilities, to ensure fiscal and public debt sustainability of PPPs. 1.9. The Finance Division will issue FCCL guidelines for implementation, and approved fit-for-purpose tools for fiscal risk assessment of individual PPP projects. 1.10. P3A will adopt and implement a comprehensive risk management plan, 2023–2025 to establish systems, policies, and procedures for P3A to implement to strengthen operational and fiduciary	2.8 The government will operationalize the fiscal risk management unit by staffing according to the approved staffing plan and organizational chart, in addition to quantifying the macro-fiscal implications of PPP projects, evaluating the risks assumed by government, and identifying potential mitigations measures. 2.9 Exercising its authority under the Fiscal Responsibility and Debt Limitation (Amendment) Act, 2017, the Finance Division will mandate annual disclosure and publication of fiscal risks and contingent liabilities stemming from PPPs, quantified based on approved methodology as part of the Fiscal Risk Statement submitted along the Annual Budget Statement, for implementation	By 2024: The Finance Division has published approved methodology for quantifying fiscal risks and explicit contingent liabilities stemming from PPPs (2021 baseline: no disclosure of fiscal risks from PPPs).

Indicative Prior Actions: Subprogram 1 (January 2022–December 2022)	Indicative Policy Actions: Subprogram 2 (January 2023–December 2023)	Outcome Indicators
functions such as audit, financial management, accounting, procurement, and climate risk management.	of prudent fiscal risk management practices for PPPs.	

Budget Support
Subprogram 1: $250million ordinary capital resources (regular ordinary capital resources)
Subprogram 2: $250 million ordinary capital resources (regular ordinary capital resources)
Technical Assistance Special Fund (TASF 7): $700,000

A = assumption, COVID-19 = coronavirus disease, ESG = environmental, social, and corporate governance, FCCL = Fiscal Commitment and Contingent Liability, PPP = public–private partnership, P3A = Public Private Partnership Authority, R = risk.
[a] Government of Pakistan, Ministry of Planning, Development and Reform (Planning Commission). 2015. *Pakistan 2025: One Nation, One Vision*. Islamabad.
[b] Specific improvements to be specified under preparatory technical assistance.
[c] Key sectors with high development priority and potential for PPP projects will be selected for developing sector strategies, establishing PPP nodes, and developing concept notes for project preparation.
[d] PPP nodes are units within an agency that are responsible for identification, development, and implementation of PPP projects.
Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

http://www.adb.org/Documents/LinkedDocs/?id=55183-001-ConceptPaper

1. Initial Poverty and Social Analysis
2. Sector Assessment (Summary): Infrastructure Finance
3. Technical Assistance for Program Preparation