PPP Screening Manual

[ ] 2020

Public Private Partnership Authority

(Prime Minister's Office)

Abbreviations

CCEA	Cabinet Committee on Economic Affairs
PPP	Public Private Partnership
PPPA	Public Private Partnerships Authority

Preface

Preparing PPP arrangements requires specific competencies and ample time. In view of the limitation to the availability of such resources it is important that they are applied only to projects that are most likely to succeed as PPPs. This requires a careful identification and screening process that filters each project initiative to select only those that are likely to be successful PPPs.

This manual provides a framework for an initial filtering process by Contracting Authorities. The goal of this first stage of PPP identification 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. In addition, any project (whether a PPP or not) should only proceed if it is economically sensible, and therefore a good public investment (which is an assessment outside the scope of this manual).

Table of Contents

1 Introduction

1.1 Background

The current PPP Framework of the Government of Bangladesh is established by The Bangladesh Public Private Partnership Act, 2015, and includes the Procurement Guidelines for PPP Projects, 2018.

Under Section 7.1 of the Procurement Guidelines for PPP Projects, the Contracting Authority and/or the PPP Authority may identify a candidate project to be delivered on a PPP basis. The proposed project is then considered for endorsement by the Line Ministry and, if it is endorsed, the corresponding proposal is submitted to the PPP Authority for it to review and approve, reject or provide feedback. This PPP Screening Manual has been developed to assist Contracting Authorities to identify projects that are sound candidates to be delivered on a PPP basis. Development of this Manual has been funded by the Asia Pacific Project Preparation Facility (AP3F), a multi-donor trust fund managed by the Asian Development Bank's Office of Public-Private Partnership.

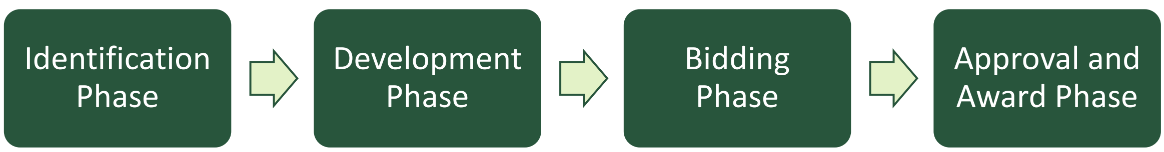
1.2 Objective of this Manual

This PPP Screening Manual provides a process for the initial identification of projects by the Contracting Authorities (i.e. an internal screening) for potential delivery on a PPP basis. This is a key step toward the development of a PPP Project Proposal.

In addition, this Manual provides transparency to the private sector of the process through which potential PPP projects are identified by Contracting Authorities, and the criteria used in that process. This gives the private sector an understanding of the Government's objectives in undertaking projects as PPPs.

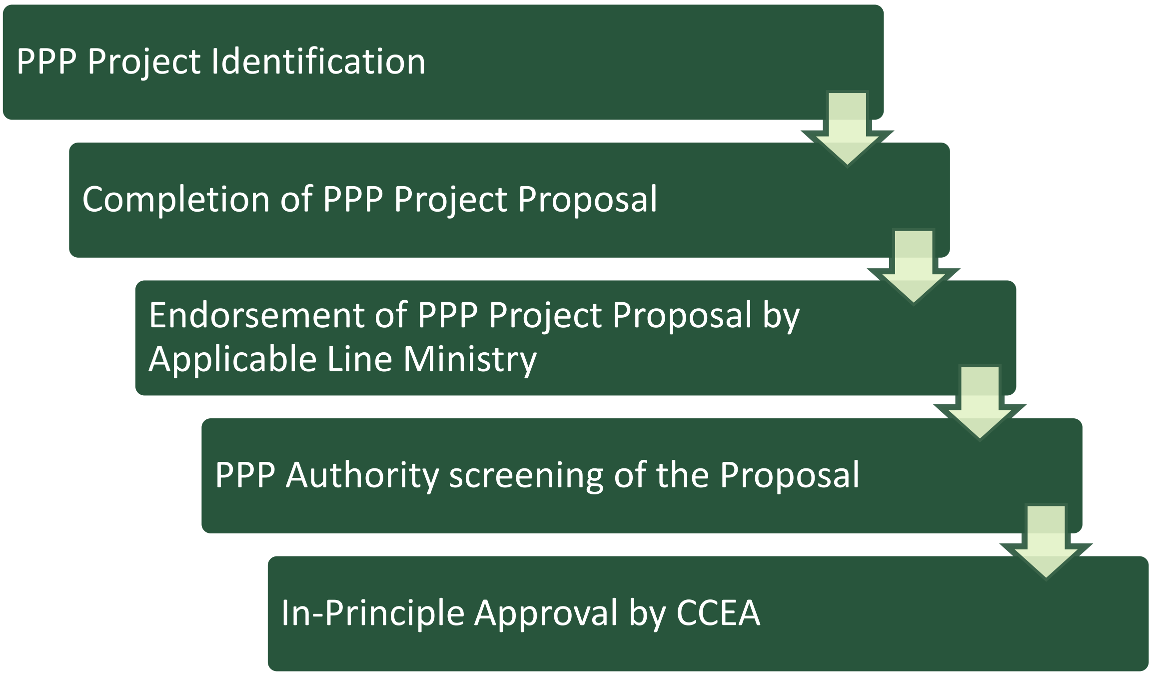
The Procurement Guidelines for PPP Projects sets out the processes for the identification, development, bidding, approval and award of PPP projects. The Identification Phase is the first phase of this process.

Figure 1-1 Phases of the PPP Process



The initial identification of projects for potential delivery on a PPP basis is the first step in the Identification Phase, followed by the completion of a PPP Project Proposal. The subsequent steps in the Identification Phase are the endorsement of the Proposal by the Applicable Line Ministry, PPP Authority screening of the proposal (the review of the PPP Project Proposal delivered by the Line Ministry), and In-Principle Approval by CCEA. A pre-feasibility study (including an assessment of the economic merit of the project as a public investment) may also be carried out by the Contracting Authority or the PPP Authority prior to the In-Principle Approval by CCEA, or this may be requested by the PPP Authority if the project's PPP suitability or economic merits are uncertain and more information and research is needed before in-principal approval is granted so as to move to the Development Phase.

Figure 1-2 Steps in the PPP Identification Phase



1.3 Updating of this Manual

PPPA intends that this PPP Screening Manual will be a "living document" that is regularly updated. The Screening Criteria contained in Section 2 and the scoring and weighting of the criteria may be changed by PPPA from time to time. Different criteria and scoring may be introduced for different sectors.

Before using this Manual, Contracting Authorities should check with PPPA that they are using the most up to date version of the Manual.

2 How to Screen a Potential PPP Project

2.1 The Initial Screening Process

The PPP screening process conducted by the Contracting Authority consists of the following steps:

1. Collect the available information related to the project. This should include information on the project need, the desired outcomes of the project, its likely costs, revenues and benefits, and the project risks. Key information will be shared with the PPP Authority when submitting the PPP project proposal for its screening review.

   It is preferable that a pre-feasibility study has been conducted to provide a comprehensive information base. If a pre-feasibility study has not been conducted, the PPP Authority may request that this is done, particularly if the project is not a strong PPP candidate, if there is insufficient evidence of the economic merit of the project, or if there is significant uncertainty in relevant data or information.

2. Collect any prior economic feasibility studies or assess whether the project is a worthwhile public investment: That is, whether the socio-economic benefits of the project are greater than the socio-economic costs. (See Section 2.2 below for more information on this assessment.)

3. Assess the project against the PPP project identification and screening criteria set out in Section 2.3 below.

4. If the assessment process leads to an initial conclusion by the Contracting Authority that the project is suitable for a PPP delivery, document the assessment against the criteria, including explanations and justifications for the scoring against each of the criteria. See Section 2.4 below for more information on how to reach an initial conclusion as to whether the project is suitable for PPP delivery. The explanations and justifications should include identification of any precedent projects and any source3 documents relied upon during the assessment.

Annex 1 contains a worked example of this initial PPP screening process.

2.2 The Investment Merit of the Project

Before identifying whether a project is a potential PPP, the Contracting Authority should assess whether the project is a worthwhile public investment: That is, whether the socio-economic benefits of the project are greater than the socio-economic costs.

It is preferable that a pre-feasibility study has assessed whether the project is a worthwhile public investment. If a pre-feasibility study of the project as a public investment has not been conducted, the Contracting Authority should assess whether there is other evidence that the socio-economic benefits of the project are greater than the socio-economic costs, before identifying whether the project is suitable for potential delivery on a PPP basis.

2.3 The PPP Screening Criteria

The PPP screening criteria and assessment methodology are set out below[1]. It is recommended that the Contracting Authority conduct a workshop with relevant internal subject matter experts to discuss the application of the criteria to the project and decide on a consensus assessment. Suggested attendees at the workshop include:

- The staff member who has led the work on the project to date
- If the project will involve construction: A staff member with experience related to the construction of similar infrastructure
- If the project will involve delivery of services: A staff member with experience related to the operation of similar services
- A staff member with knowledge of the legal and regulatory framework of the sector
- A representative of the Contracting Authority’s finance department
- Key external advisors, if such advisors have already been appointed for the project.

For each of the criteria, the Contracting Authority should select the answer from the available options that most accurately reflects the current status and knowledge of the project, and provide supporting evidence justifying the selected answer.

A Microsoft Excel based tool has been developed to assist in the screening process and is available from PPPA. The tool guides the user through the screening criteria, captures the answers provided by the user, and produces a summary report.

PPPA will conduct its own screening of the project on the basis of the information submitted by the Contracting Authority. The Contracting Authority therefore needs to be certain and convinced of the merits of the project as a candidate for PPP delivery.

[1] The screening criteria and assessment methodology may be updated from time to time by PPPA. See Section 1.3 of this Manual.

Screening Criteria		
Mandatory Criteria		
1	Is the project within the remit of the Ministry originating the proposed PPP? If the project is not within the core remit of the originating Ministry, but the project is a non-core function related to the originating Ministry's core remit, an explanation should be provided of how the project is related to originating Ministry's core remit. For example, if the Ministry of Railways was to propose a healthcare PPP to provide health services to railway workers, the project would be considered a non-core function and an explanation would be needed as to how the project relates to the Ministry's core remit.	☐ **Yes**, the project is within the **core remit** of the originating Ministry ☐ **Yes**, although the project is not within the core remit of the originating Ministry, the project is a non-core function related to the originating Ministry's core remit ☐ **No**
2	Is it legally permissible to transfer responsibility for delivery (carrying out public works and/or providing services) to the private sector?	☐ **Yes** ☐ **No**
3	Is it legally permissible for the private partner to charge users? **Note:** This criterion is only applicable to projects in which all or part of the private partner's revenue will be in the form of fees paid by users to the private partner.	☐ **Yes** ☐ **No** ☐ **Not applicable (None of the private partner's revenue will be in the form of fees paid by users to the private partner)**

<table>
<tr><td colspan="3">Scored Criteria

If all of the applicable Mandatory Criteria have been answered with “Yes”, assess the project against the following Scored Criteria to test the project’s potential PPP suitability.</td></tr>
<tr><td>4</td><td>A PPP Project should be Output Driven

Can the project’s outputs be defined and measured?

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. 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 bidder. This description of the operational requirements is an Output Specification.

The Output Specification is a statement of “what” is required by the user; the output is what is consumed by the user. The Output Specification 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 that the successful private sector bidder will need to provide in order to deliver the output.

The Output Specification should not envisage the solution to the user’s need nor should it contemplate the inputs that might constitute the best solution. The Output Specification should be entirely focused on the use to which the equipment, assets, infrastructure, and other resources will be put.</td><td>☐ Yes: Measurable outputs have already been defined for the project. (10 Points)

☐ Probably: Measurable outputs have not yet been defined for the project, but there are similar local or international projects for which the outputs have been defined and measured. (7 Points)

☐ Uncertain: Measurable outputs have not yet been defined for the project, and there are no known similar local or international projects for which the outputs have been defined and measured. (4 Points)

☐ Unlikely: Similar projects have failed because the outputs could not be objectively defined and / or measured (0 Points, and overall failure of the assessment, unless an alternative approach to accommodate this weakness is agreed with PPPA).</td></tr>
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5	A PPP Project should be of **Appropriate Size** Is the project of an appropriate size in terms of scope and costs – not too small and not too large? *If the project is too small, the PPP delivery cost is likely to be disproportionate to the benefits of PPP delivery.* *If the project is too large, the private sector may not have the capacity to undertake it as a single PPP. In this situation, dividing the project scope into a number of separate packages can be considered.* *Contracting Authorities can contact PPPA for information on the size of existing PPP Projects in terms of scope and costs.*	☐ **Yes:** Projects of a similar scope and cost have already been successfully delivered as PPPs in Bangladesh. (10 Points) ☐ **Probably:** PPPs of similar scope and cost have been successfully delivered in countries with similar conditions, but not in Bangladesh. (7 Points) ☐ **Uncertain:** Information is not yet available on whether PPPs of similar scope and cost have been successfully delivered in Bangladesh or in other countries with similar conditions. (4 Points) ☐ **Unlikely:** PPPs of similar scope and cost have not been successfully delivered in Bangladesh or in countries with similar conditions **(0 Points, and overall failure of the assessment, unless an alternative approach to accommodate this weakness is agreed with PPPA).**

6	A PPP Project should be **Financially Viable and Affordable** *A project is **financially viable** when a private sector operator will be able to raise sufficient revenue to recover their costs and generate a sufficient commercial return. The revenues are typically from user charges or from the government in the form of annuity payments or viability gap funding.* *A project is **affordable** if the users and the government have the capacity to make the payments required from them over the life of the PPP.* If the project will rely significantly on charges to users: • Are the proposed charges to users expected to be affordable for the users over the life of the project? If the project will not rely on charging users (as there are no identifiable users or there is a policy of not charging users, as is the case with some social infrastructure) or if it is possible that charges to users will not offset a significant part of the project costs: • Are the payments required from the government expected to be affordable for the government over the life of the project?	☐ **Yes:** Studies of costs and revenues have already been conducted and show that the project is financially viable and affordable. (10 Points) ☐ **Probably:** Specific studies of costs and revenues have not been conducted, however there is sufficient information available on the possible costs and revenues of the project (including data on similar project precedents) to provide evidence that it is likely to be financially viable and affordable. (7 Points) ☐ **Uncertain:** Information to determine whether the project is financially viable and affordable is not yet available. (4 Points) ☐ **Unlikely:** There are clear signs that the project is not affordable for users, or for the government (if it has to provide significant support or in the absence of possible user-charges) **(0 Points, and overall failure of the assessment, unless an alternative approach to accommodate this weakness is agreed with PPPA)**

7	A PPP Project should **transfer significant responsibilities and associated risks** to the private sector Are the risks proposed to be transferred potentially manageable by private sector, and are these risks significant so that the private sector has scope to add value and efficiency in managing risks? *Under the PPP Act 2015, a PPP is a contractual arrangement in which:* • *the private partner assumes the obligation / responsibility for carrying out public works or providing services on behalf of the contracting authority* • *the private partner receives government payments or charges users; and* • *the private partner accepts the risks of carrying out the works or performing the services.* *There is a direct relationship between the proposed scope of the private sector's responsibilities, and the potential transfer of associated risks, as the former will naturally limit the later. In this sense, the proposed responsibilities transferred to private sector should provide sufficient space for the private sector to add value (efficiency) by means of managing risks. A risk in this context is an event that may cause actual project outcomes to differ from the expected outcomes. The private sector bears the risk if it suffers the consequences of the event occurring.* *Efficiency of PPPs largely results from risk management by the private sector. A PPP project should transfer significantly more risk than a conventional procurement, otherwise the higher costs of preparing and executing a PPP contract will make the PPP route for that project inefficient and poor value for government.* *The underlying principle of risk transfer in PPPs is that responsibility for the risks should rest with the party best able to manage them. Therefore, for a project to be suitable for a PPP solution, a significant proportion of risks should be risks that the private sector can manage more efficiently than the public sector.* *For example, if the proposed private sector responsibilities will include carrying out public works to meet a performance-based specification by a fixed date for a maximum fixed payment*[2]*, the private sector will suffer the consequences if an unexpected event occurs and increases the costs. In this situation, the risk is transferred to the*	☐ **Yes:** The proposed responsibilities to be transferred to the private sector are responsibilities typically performed by the private sector in Bangladesh, and the majority of the risks associated with those responsibilities can be transferred to the private sector as the private sector is able to manage them. (10 Points) ☐ **Probably:** Similar responsibilities and risks have already been successfully transferred to the private sector in other similar countries, but there is not yet experience of the transfer of such risks in Bangladesh. (7 Points) ☐ **Uncertain:** Information to determine whether similar responsibilities and risks have already been successfully transferred to the private sector is not yet available. (4 Points) ☐ **Unlikely:** The proposed responsibilities to be transferred to the private sector are not typically performed by the private sector in Bangladesh, and have not been transferred to the private sector in similar countries. (**0 Points, and overall failure of the assessment, unless an alternative PPP scope to accommodate this weakness is agreed with PPPA**)

	private sector. In contrast, if the proposed private sector responsibilities will include carrying out public works but instead of a fixed price the payment is a reimbursement of the actual costs plus a profit margin, the private sector will not suffer the consequences if an unexpected event occurs and increases the costs. In this situation, the risk has not been transferred. *Annex 2 describes the typical risks in a PPP project and their allocation between the public and private sectors.*	
8	A PPP Project should be **Implementable**. Key factors to be considered in assessing whether the project is implementable are as follows:	
	A) Has the Contracting Authority prepared a timeline for the key activities required to develop the PPP and launch the procurement, and is that timeline realistic? *The Contracting Authority should substantiate its project planning by preparing an indicative timeline for the key activities required to develop the PPP and launch the procurement. Preparation is more time consuming in a PPP project than in a conventional contract.* *When the project need is critical and time for executing the project is of essence, the PPP route may not be the more appropriate as rushing a PPP project is one of the most significant causes of poor preparation and hence project failure.* *Contracting Authorities can contact PPPA for information on the key activities required to develop the PPP and launch the procurement, and the typical timelines for these processes. The actual timelines achieved for existing projects are the best benchmark for assessing whether the timeline for a proposed project is realistic.*	☐ **Yes** (10 points) ☐ **No or Unknown** (**0 Points, and overall failure of the assessment**)

[2] In reality, government payments in PPPs can be subject to adjustments or deductions, but the amount of payments will not be generally increased to cover cost overruns suffered by the private partner.

B) Can land be made available for the project on time? *The proposed project may require land. Absence of zoning, scattered ownership, need for expropriation, and environmental issues may hamper the availability of land endangering the likelihood of success of the project.* *The Contracting Authority should consider the extent of land acquisition that may be required for the project, and the processes and timelines that will be required.* *If some or all of the land is not yet available but it can be made available in time and there is a clear plan to acquire the land in the required time, the Contracting Authority should identify the actions proposed to acquire the land.* *If some or all of the land is not yet available and may not be available in the time required by the schedule for project delivery, the Contracting Authority should identify the trade-offs or compromises that would be needed for the project to proceed. For example, it might be necessary to delay the project until the land can be made available, or it might be necessary to proceed with a different project scope that only requires land that can be made available in the time required by the schedule, but offers lower benefits.*	☐ **All of the land is already available** (10 points) ☐ **Some or all of the land is not yet available, but it can be made available in time and there is a clear plan** to acquire the land in the required time (7 points) ☐ **Some or all of the land is not yet available, and it may not be available** in the time required by the schedule for project delivery (**0 Points, and overall failure of the assessment unless possible trade-offs are identified**) ☐ **Unknown** (**0 Points, and overall failure of the assessment until the necessary investigations of land availability are conducted**)

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C) Are there additional linked projects that may be required and are these manageable?

Linked projects are other projects that must be completed in order for the potential PPP project to deliver its desired outcomes. Examples of linked projects are set out below:

Potential PPP Project	Linked Project
Construction and operation of a new hospital	Upgrade of utility services to supply electricity and water to the hospital site
Construction and operation of a new port	Construction of an access road to the port

If there are one or more linked projects, but these can be managed within the project schedule, the Contracting Authority should identify the actions proposed to manage the linked projects within the schedule.

If there are one or more linked projects and these cannot be managed in time according to the project schedule, the Contracting Authority should identify the trade-offs or compromises that would be needed for the project to proceed. For example, if a project to construct and operate a new hospital has a linked project involving an upgrade of the local electricity supply to meet the energy needs of the hospital, but this upgrade cannot be managed in time, it might be necessary for the hospital to rely on its own on-site electric generator until the upgrade is completed. This could allow the hospital project to proceed to schedule, with the trade-off that relying on its own on-site electric generator until the upgrade is completed would result in higher costs, as well as the risk of the on-site generator failing.

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☐ **No,** there are no linked projects (10 points)

☐ **Yes,** there are one or more linked projects, but these can be managed within the project schedule (7 points)

☐ **Yes,** there are one or more linked projects and these cannot be managed in time according to the project schedule (**0 Points, and overall failure of the assessment unless possible trade-offs are identified**)

☐ **Unknown** (**0 Points, and overall failure of the assessment until the necessary investigations of possible linked projects are conducted**)

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D) Is the project likely to raise significant environmental or social issues? *To assess whether the project is likely to raise significant environmental or social issues, the Contracting Authority should consider:* • *the likely classification of the project under the government's environmental and social guidelines and regulations* • *the likely environmental and social impacts of the project and possible mitigation strategies.* *If there are significant environmental or social issues, but these can be managed within the project schedule, the Contracting Authority should identify the actions proposed to manage the significant environmental or social issues within the schedule.* *If there are significant environmental or social issues and these cannot be managed in time according to the project schedule, the Contracting Authority should identify the trade-offs or compromises that would be needed for the project to proceed. For example, it might be necessary to delay the project until environmental approvals can be completed, or it might be necessary to proceed with a different project scope that has lower environmental impacts and hence less onerous environmental approval requirements which can be completed with the schedule, but offers lower benefits.*	☐ **No,** the project is not likely to raise significant environmental or social issues (10 points) ☐ **Yes,** there are significant environmental or social issues but these can be managed within the project schedule (7 points) ☐ **Yes,** there are significant environmental or social issues and these cannot be managed in time according to the project schedule (**0 Points, and overall failure of the assessment unless possible trade-offs are identified**) ☐ **Unknown** (**0 Points, and overall failure of the assessment until the initial investigations of possible environmental and social issues are conducted**)

	E) Have the key stakeholders and potential issues been identified and are the potential issues manageable? *Key stakeholders are the people who can significantly affect or be affected by the project. The identified stakeholders will vary, depending upon the nature and location of the project. They might include landholders, potential users of the project, and local communities.* *For projects on "brownfield" sites, where there is an existing activity that employs workers, those workers are a key stakeholder group.* *If significant stakeholder issues are identified, but these can be managed within the project schedule, the Contracting Authority should identify the actions proposed to manage those stakeholder issues within the schedule.* *If significant stakeholder issues are identified and these cannot be managed in time according to the project schedule, the Contracting Authority should identify the trade-offs or compromises that would be needed for the project to proceed. For example, if the project is on a "brownfield" site and there is a likelihood that existing workers will disrupt the project, it might be necessary to delay the project until a mutually satisfactory agreement can be reached with those workers.*	☐ **Yes,** key stakeholders have been identified and no major issues are expected (10 points) ☐ **Yes**, key stakeholders have been identified and there are possible issues but these are expected to be manageable based on precedents (7 points) ☐ **No,** key stakeholders have been identified, but there are major issues that are regarded as unmanageable (**0 Points, and overall failure of the assessment unless possible trade-offs are identified**) ☐ **No, key stakeholders and potential issues have not been identified** (**0 Points, and overall failure of the assessment until the initial investigations of key stakeholders and potential issues are conducted**)

9	The Applicable Line Ministry and the Contracting Authority should have the **Resources Available for implementation of the PPP process**, in particular, resources to develop the project, and run the bidding, approval and award processes. Do the Applicable Line Ministry and the Contracting Authority have sufficient resources and funding available to develop the project or are funding alternatives identified and potentially accessible? *The Applicable Line Ministry and the Contracting Authority have to commit themselves to provide sufficient resources i.e. staff to manage the development and implementation of the PPP. Not all preparatory works can be outsourced to external advisors. The advisors also need to be managed.* *To assess this criterion, the Applicable Line Ministry and the Contracting Authority should develop the proposed structure 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). The need for external advisors should also be considered and a preliminary assessment should be made of the proposed scope of the advisors' roles.* *The Applicable Line Ministry and the Contracting Authority should also identify how the internal project team and advisory costs will be funded.*	☐ **Yes:** The resources are available now and the required funding is also available (10 points) ☐ **Not yet:** The resources are not currently in place, but there is a plan to put in place the necessary resources and the required funding is expected to be available (7 points) ☐ **No:** The resources are not currently in place, and either there is no plan to put in place the necessary resources, or it is uncertain whether the required funding will be available (**0 Points, and overall failure of the assessment until there is a realistic plan to put in place the necessary resources and the required funding**)

10	A PPP Project should be **Marketable** Has the envisaged PPP been done elsewhere? Is there expected to be market capability to deliver the project? *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.* *Case studies of similar projects can provide information as to 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.* *Unsolicited proposals by the private sector to undertake similar projects in Bangladesh may also indicate that a degree of market interest exists. Care is needed if relying on unsolicited proposals as a sign of market interest, as the unsolicited proposals may have been made on terms that are more favourable to the private sector than a typical PPP procured through a competitive process. Contracting Authorities should therefore consult with PPPA if they are relying on unsolicited proposals as a sign of market interest.*	☐ **Yes:** Similar projects have already been successfully delivered as PPPs in Bangladesh or elsewhere, and the Contracting Authority is aware of multiple private sector parties with clear interest and capability in delivering such projects in Bangladesh. (10 Points) ☐ **Probably:** Similar projects have already been successfully delivered as PPPs in other countries, and the Contracting Authority is aware of some market interest and capability in delivering such projects in Bangladesh. (7 Points) ☐ **Uncertain:** Similar projects have already been successfully delivered as PPPs in other countries, but the Contracting Authority is not yet aware of market interest and capability in delivering such projects in Bangladesh. (4 Points) ☐ **Unlikely:** No similar projects are known that have been successfully delivered as PPPs in other countries, and the Contracting Authority is not aware of market interest and capability in delivering such projects in Bangladesh. **(0 Points, and overall failure of the assessment, unless specific market research or sounding agreed to by the PPP Authority has been conducted, and provides satisfactory evidence of market capability, in which case between 4 points are scored).**

2.4 Internally assessing project's potential to be delivered on a PPP basis

The Contracting Authority should decide whether the project has potential to be delivered on a PPP basis through the following steps:

1. If any of the applicable Mandatory Criteria (criteria 1 to 3) have been answered with "No", the project is not suitable to be delivered as a PPP in its current form.

2. If all of the applicable Mandatory Criteria have been answered with "Yes", the Contracting Authority should complete the assessment by recording the results of the assessment against the Scored Criteria (criteria 4 to 10)

3. If any of the Scored Criteria (criteria 4 to 10) received a score of 0, the project is unlikely to be suitable to be delivered as a PPP in its current form.

   The Contracting Authority should consider how it can mitigate or manage the weaknesses revealed by any criteria with a score of 0. The Contracting Authority may wish to consult with PPPA during this process. It may be possible to change the project's scope or structure while retaining the project's investment merit, in order to address these issues. The project can then be re-assessed against the criteria.

4.

5. If none of the Score Criteria received a score of 0, calculate the total scoring, in a table such as the following:

Criteria	Summary description	Weighting[3]	Weighted Points Available	Weighted Points Achieved
4	Can the project's outputs be defined and measured?	100%	10	
5	Is the project of an appropriate size in terms of scope and costs – not too small and not too large?	100%	10	
6	Is the project both financially viable and affordable?	100%	10	
7	Are the risks envisaged to be transferred potentially manageable by private sector, and are these risks significant so that the private sector has scope to add value and efficiency in managing risks?	100%	10	

[3] For each of the criteria, up to 10 points can be scored. The points scored are then multiplied by the weightings for the criteria, to give the weighted points. PPPA may, from time to time, change the weightings for the individual criteria to adjust the relative importance of the criteria in the overall assessment.

8	Is the project implementable?			
	A) Is sufficient time available for development after the In-Principle Approval by the CCEA, prior to the proposed launch of procurement?	40%	4	
	B) Can land be made available for the project on time?	40%	4	
	C) Are there additional linked projects that may be required and are these are manageable?	40%	4	
	D) Is the project likely to raise significant environmental or social issues?	40%	4	
	E) Have the key stakeholders and potential issues been identified and are the potential manageable?	40%	4	
9	Do the Applicable Line Ministry and the Contracting Authority have sufficient resources and funding available?	100%	10	
10	Is the project marketable?	100%	10	
TOTAL POINTS			**80**	

6. Based on the total points achieved by the project in the assessment, the Contracting Authority should proceed as follows:

   a. **50 points[4] or more out of a possible 80 points, and no scores of 0 points against any of the criteria**: The project is a good candidate for a PPP.

      The Contracting Authority should consider seeking Line Ministry endorsement (if required) and submitting a PPP Project Proposal to PPPA.

   b. **Less than 50 points out of a possible 80 points, or a score of 0 points for any of the criteria**: The project is unlikely to be suitable to be a PPP in its current form. The Contracting Authority should consider other options for the delivery of the project (revisit the scope and/or the contract structure, identify trade-offs that may be acceptable to government decision makers, or look for another solution for the need).

[4] The minimum required score of 50 points may be changed by PPPA from time to time.

Annex 1

A Worked Example of the PPP Screening Process

The following is a hypothetical worked example of the PPP screening process described in this Manual. The worked example has been developed to illustrate the screening process, and does not reflect any specific individual PPP project in Bangladesh. Other projects referred to within this example are also fictional.

Project Background

The proposed project involves the construction of a 4 lane expressway standard road between a major population center and a rapidly growing industrial area.

The existing roads between the population center and the industrial area are highly congested. These congestion challenges are exacerbated by the high growth in traffic volumes (estimated at 7-11% per year). In order to facilitate congestion free traffic movement there is an urgent need for additional road infrastructure linking the two locations.

The proposed project will separate out the local traffic and create a dedicated expressway to cater for the increase in traffic demand between the population center and the industrial area and to reduce journey time.

An initial cost estimate indicates the capital cost of the project is likely to be in the range of USD 150 million to USD 250 million.

Further background information on the project is contained in the "Road Capacity Strategic Needs Assessment", which has been circulated to the Line Ministry and PPPA.

The Investment Merit of the Project

The Contracting Authority has conducted studies of existing traffic volumes and speeds in the area, and has modelled the impact of the project on traffic demand and journey times.

The Contracting Authority has developed an initial set of project costings, based on benchmarks from similar recent projects.

Based on this evidence, the Contracting Authority has concluded that the project is likely to be a worthwhile public investment: That is, the socio-economic benefits of the project are likely to be greater than the socio-economic costs.

These traffic studies, project costings, and the socio-economic assessment are contained in the "New Road Project Pre-Feasibility Study", which has been circulated to the Line Ministry and PPPA.

Assessment against the PPP Screening Criteria

The Contracting Authority conducted a workshop with relevant internal subject matter experts to discuss the application of the PPP screening criteria to the project and decide on a consensus assessment. The attendees at the workshop included:

- The staff member who had led the work on the project to date
- A project manager employed by the Contracting Authority with experience related to the construction of road infrastructure
- A service manager employed by the Contracting Authority with experience related to the operation of the road network
- A member of the Contracting Authority's internal legal team
- The Contract Authority's finance director.

The workshop's assessment against the criteria is set out below.

Screening Criteria		Assessment	Explanation of Assessment
Mandatory Criteria			
1	Is project within the remit of the Ministry originating the proposed PPP?	**Yes, the project is within the core remit of the originating Ministry**	The proposed project may be regarded as a major road project (the preliminary estimate of the capital cost is in the range of USD 150 million to USD 250 million). The Ministry's remit includes major road projects.

Screening Criteria		Assessment	Explanation of Assessment
2	Is it legally permissible to transfer responsibility for delivery (carrying out public works and/or providing services) to the private sector?	**Yes**	There are no legal impediments to private sector delivery of the project. The following similar projects are already underway in Bangladesh: 1. A USD 600 million design, build, finance, operate and maintain project for the construction of an elevated expressway in a major urban area. 2. A USD 300 million design, build, finance, operate and maintain project to upgrade an existing road and create a dedicated expressway. Further information on these projects is available on the following website: [website address].
3	Is it legally permissible for the private partner to charge users?	**Yes**	There are no legal impediments to the private partner charging users. Similar projects are already underway in Bangladesh. See the examples cited in response to Criteria 2.
Scored Criteria			
4	A PPP Project should be **Output Driven** Can the project's outputs be defined and measured?	**Probably:** Measurable outputs have not yet been defined for the project, but there are similar local or international projects for which the outputs have been defined and measured.	Outputs have not yet been defined for the project. The outputs are expected to be consistent with those in similar projects that are already underway in Bangladesh (see the examples cited in response to Criteria 2), and in numerous international road PPPs (notably a number of PPPs undertaken by the National Highways Authority of India: see [website address]).
5	A PPP Project should be of **Appropriate Size** Is the project of an appropriate size in terms of scope and costs – not too small and not too large?	**Yes:** Projects of a similar scope and cost have already been successfully delivered as PPPs in Bangladesh.	Based on the initial cost estimate of the project (capital cost is in the range of USD 150 million to USD 250 million), the project is within the size range seen in the similar projects already underway in Bangladesh, which were identified in response to Criteria 2.

Screening Criteria		Assessment	Explanation of Assessment
6	A PPP Project should be **Financially Viable and Affordable** Is the project both financially viable and affordable?	**Probably:** Specific studies of costs and revenues have not been conducted, however there is sufficient information available on the possible costs and revenues of the project (including data on similar project precedents) to provide evidence that it is likely to be financially viable and affordable.	Although there is an initial cost estimate for the project, and there are studies of traffic demand, there is not yet sufficient information on the project revenues to conclusively confirm that the project is financially viable and affordable. However, given the high level of traffic demand, the expected willingness of users to pay, and the initial cost estimate, it is considered likely that the project will be financially viable and affordable. Based on the initial cost estimate and studies of traffic demand, it is projected that the required toll will, on a per kilometre basis, be between 20% and 40% lower than tolls on existing toll roads in Bangladesh.
7	A PPP Project should **transfer significant responsibilities and associated risks** to the private sector Are the risks proposed to be transferred potentially manageable by private sector, and are these risks significant so that the private sector has scope to add value and efficiency in managing risks?	**Yes:** The responsibilities to be transferred to the private sector are responsibilities typically performed by the private sector in Bangladesh, and the majority of the risks associated with those responsibilities can be transferred to the private sector.	It is proposed that the private sector will be responsible for designing, building, financing, operating and maintaining the new road, and that the private sector will bear the majority of the risks associated with these responsibilities. This is consistent with the allocation of responsibility and risk in other road sector PPPs in Bangladesh (see the examples identified in response to Criteria 2) and in other countries (see, for example, the National Highways Authority of India's model PPP contract available at: [website address]).

Screening Criteria		Assessment	Explanation of Assessment
8	A) Has the Contracting Authority prepared a timeline for the key activities required to develop the PPP and launch the procurement, and is that timeline realistic?	**Yes**	The Contracting Authority has prepared a timeline for the key activities required to develop the PPP and launch the procurement, and has benchmarked that timeline against the past projects listed in response to Criteria 2. The time allowed is consistent with the existing project benchmarks. The timeline is included in the "New Road Project Pre-Feasibility Study", which has been circulated to the Line Ministry and PPPA.
	B) Can land be made available for the project on time?	**Some or all of the land is not yet available, but it can be made available in time and there is a clear plan** to acquire the land in the required time.	Approximately 80% of the land is already available for the project. Ownership of the remaining 20% has been confirmed and the Contracting Authority has commenced processes to acquire that land. Based on past experience from the projects listed in response to Criteria 2, and the Contracting Authority's extensive experience of land acquisition for non-PPP projects, these processes are expected to be completed within the timelines required for the project. Further information on land availability is included in the "New Road Project Pre-Feasibility Study", which has been circulated to the Line Ministry and PPPA.

Screening Criteria		Assessment	Explanation of Assessment
	C) Are there additional linked projects that may be required and are these manageable?	**Yes,** there are one or more linked projects, but these can be managed within the project schedule.	This project will interface with a number of other smaller road projects. The Contracting Authority, through its Programme Management Office, is ensuring that all of these projects are managed in a coordinated manner. The Programme Management Office reviewed the "New Road Project Pre-Feasibility Study", and was satisfied that it properly accounted for the additional linked projects.
	D) Is the project likely to raise significant environmental or social issues?	**Yes,** there are significant environmental or social issues but these can be managed within the project schedule.	This project will require environmental permits and will have social impacts similar to those in other road projects. The Contracting Authority has put in place plans to secure the environmental permits and manage the social impacts. Based on experience from other similar projects (see the examples cited in response to Criteria 2), it is expected that these issues can be managed within the project schedule.
	E) Have the key stakeholders and potential issues been identified and are the potential issues manageable?	**Yes**, key stakeholders have been identified and there are possible issues but these are expected to be manageable based on precedents.	The key stakeholder groups are road users and affected communities in the vicinity of the project. The Contracting Authority has extensive experience managing these stakeholder groups and expects the issues to be manageable based upon experience from past projects. An initial stakeholder management strategy was included in the "New Road Project Pre-Feasibility Study".

Screening Criteria		Assessment	Explanation of Assessment
9	Do the Applicable Line Ministry and the Contracting Authority have sufficient resources and funding available to develop the project?	**No:** The resources are not currently in place, and either there is no plan to put in place the necessary resources, or it is uncertain whether the required funding will be available.	The Contracting Authority and the Applicable Line Ministry have been working to identify sources of funding to develop the project (in particular, funding for the appointment of transaction advisors). At this time, no funding has been approved and it is uncertain whether the required funding will be available.
10	A PPP Project should be **Marketable** Has envisaged PPP been done elsewhere? Is there a market capability to deliver the project?	**Yes:** Similar projects have already been successfully delivered as PPPs in Bangladesh or elsewhere, and the Contracting Authority is aware of multiple private sector parties with clear interest and capability in delivering such projects in Bangladesh.	A number of similar projects are already under way in Bangladesh (see the examples cited in response to Criteria 2), and the Contracting Authority is aware of strong interest in more projects in this sector.

Decision

As all of the applicable Mandatory Criteria have been answered with "Yes", the Contracting Authority proceeded to consider the results of the assessment against the scored criteria (criteria 4 to 10), as set out in the following table:

Criteria	Summary description	Weighting[5]	Weighted Points Available	Weighted Points Achieved
4	A PPP Project should be **Output Driven** Can the project's outputs be defined and measured?	100%	10	7
5	A PPP Project should be of **Appropriate Size** Is the project of an appropriate size in terms of scope and costs – not too small and not too large?	100%	10	10

[5] For each of the criteria, up to 10 points can be scored. The points scored are then multiplied by the weightings for the criteria, to give the weighted points. PPPA may, from time to time, change the weightings for the individual criteria to adjust the relative importance of the criteria in the overall assessment.

Criteria	Summary description	Weighting[5]	Weighted Points Available	Weighted Points Achieved
6	A PPP Project should be **Financially Viable and Affordable** Is the project both financially viable and affordable?	100%	10	7
7	A PPP Project should **transfer significant responsibilities and associated risks** to the private sector Are the risks proposed to be transferred potentially manageable by private sector, and are these risks significant so that the private sector has scope to add value and efficiency in managing risks?	100%	10	10
8				
	A) Has the Contracting Authority prepared a timeline for the key activities required to develop the PPP and launch the procurement, and is that timeline realistic?	40%	4	4
	B) Can land be made available for the project on time?	40%	4	2.8
	C) Are there additional linked projects that may be required and are these manageable?	40%	4	2.8
	D) Is the project likely to raise significant environmental or social issues?	40%	4	2.8
	E) Have the key stakeholders and potential issues been identified and are the potential issues manageable?	40%	4	2.8
9	Do the Applicable Line Ministry and the Contracting Authority have sufficient resources and funding available to develop the project?	100%	10	0
10	A PPP Project should be **Marketable** Has envisaged PPP been done elsewhere? Is there a market capability to deliver the project?	100%	10	10
TOTAL POINTS			**80**	**59.2**

As 59.2 total points were achieved, but 0 points were scored for criteria 9, the Contracting Authority concluded that the project was unlikely to be suitable to be a PPP unless the key weakness identified in criteria 9 was addressed. To address this weakness, the Contracting Authority and the Applicable Line Ministry worked with PPPA to seek approval for funding for the development of the project.

Once the necessary funding was confirmed and approved, the Contracting Authority revisited the PPP screening and concluded that, with the funding in place, the project was a good candidate for a PPP. The Contracting Authority obtained endorsement of the project from the Line Ministry and submitted the corresponding proposal to the PPP Authority.

Annex 2

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		√
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		√
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		√

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		√
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		√
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		√
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)		√
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		√

Risk Category	**Description of Risk**	**Direct Consequence**	**Risk borne 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		√
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		√
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	√	
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		√
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		√

Risk Category	**Description of Risk**	**Direct Consequence**	**Risk borne 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		√
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	√	